

► REFERENCE DOCUMENT 2009



Reference Document including the Annual Financial Report
Year 2009

Lagardère

LAGARDÈRE SCA

A French limited partnership with shares, with share capital of €799,913,044.60
divided into 131,133,286 shares of €6.10 par value each.

Head office: 4 rue de Presbourg – 75016 Paris (France)

Telephone: +33 (1) 40 69 16 00

Commercial Register: 320 366 446 RCS Paris

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

Reference Document

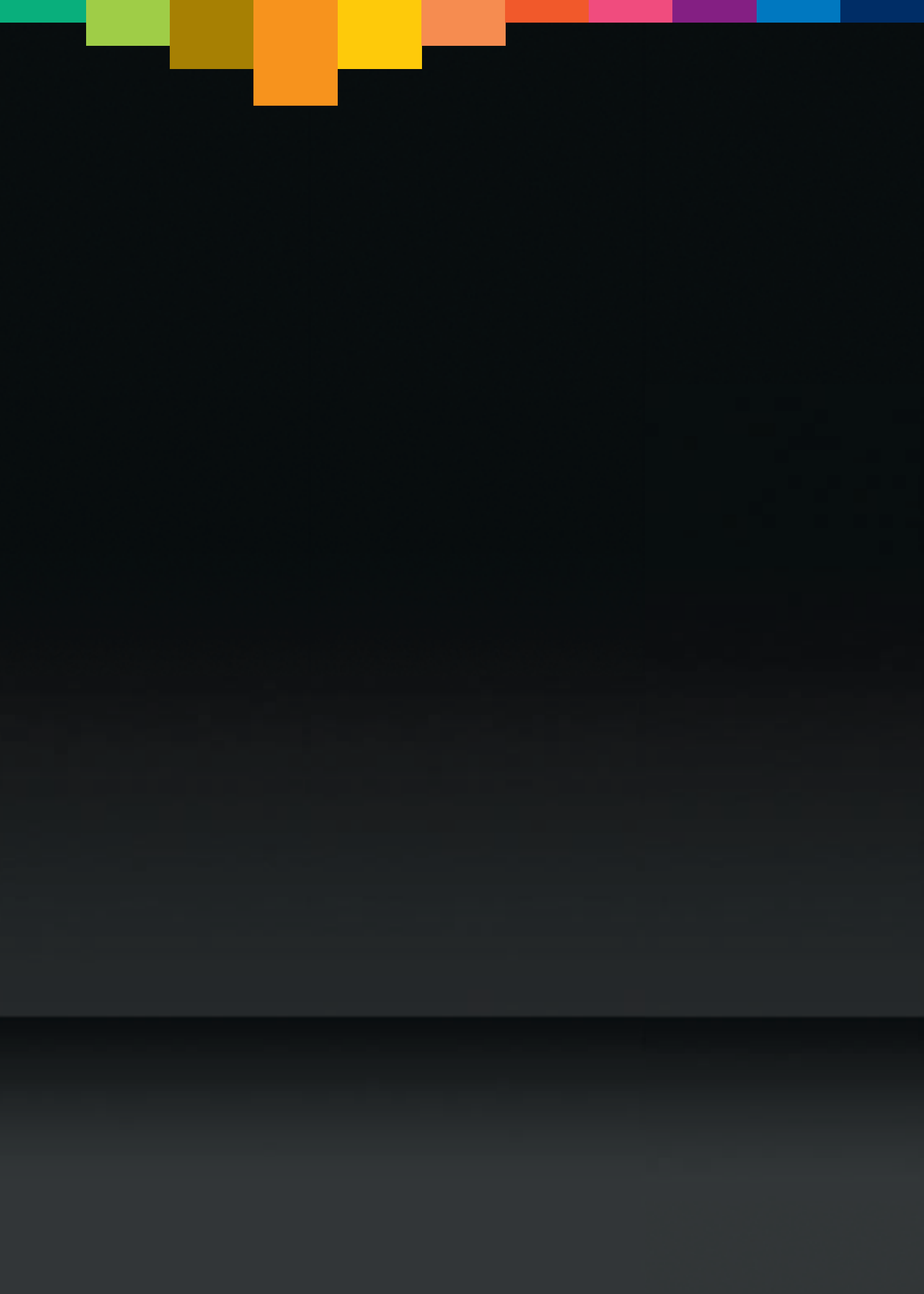
including the

Annual Financial Report

Year 2009



The original version of this Reference Document (*Document de Référence*) in French was filed with the French Financial Market Authority (*Autorité des Marchés Financiers* - AMF) on 24 March 2010 in accordance with article 212-13 of the AMF *Règlement Général*. It may be used in connection with a financial transaction if completed by an Information notice approved by the AMF. This Document has been prepared by the Company under the responsibility of the persons who signed the French original.



The Annual Financial Report prepared in compliance with article L. 451-1-2 of the French Financial and Monetary Code and article 222-3 of the General Regulation of the French Financial Market Authority is comprised of the information, documents and reports listed below, which are presented in the accompanying Reference Document, in the chapters and pages indicated.

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



▶ CHAPTER 1

PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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1.1

PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE REFERENCE DOCUMENT

Managing Partners

- Mr. Arnaud Lagardère,
- Arjil Commandité-Arco, represented by:
 - Mr. Arnaud Lagardère, Chairman and Chief Executive Officer,
 - Mr. Philippe Camus, Deputy Chairman and Chief Operating Officer,
 - Mr. Pierre Leroy, Deputy Chairman and Chief Operating Officer,
 - Mr. Dominique D'Hinnin, Chief Operating Officer,
 - Mr. Thierry Funck-Brentano, Chief Operating Officer.

1.2

CERTIFICATION BY THE PERSONS RESPONSIBLE

Certification of the Managing Partners

"We certify, after taking all reasonable measures to this effect, that to the best of our knowledge, the information set out in this Reference Document is accurate and contains no omissions which could impair its meaning.

We certify that to the best of our knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and provide a true and fair view of the assets, financial position and net income of the Company and all the entities included in the consolidation, and that the accompanying management report (Chapter 3 pages 14 to 21; Chapter 4 pages 22 to 29; Chapter 5 pages 30 to 95; Chapter 6.1 pages 98 to 99; Chapter 6.2 pages 100 to 105; Chapter 7 pages 214 to 265; Chapter 8 pages 266 to 285; Chapter 9 pages 286 to 289) fairly presents changes in the business, results and financial position of the Company and all the entities included in the consolidation, together with a description of the main risks and uncertainties encountered.

We have obtained from the Auditors a letter issued upon completion of their engagement, stating that they have verified the information concerning the financial position and financial statements presented in this Reference Document and that they have read the entire Reference Document.

The historical financial information presented in this document is covered by the reports of the Auditors which can be found on pages 210 to 211 of this Reference Document, and the information included by reference for 2007 and 2008 is covered by the Auditors' reports contained in pages 240 and 241 of the 2007 Reference Document and pages 228 to 230 of the 2008 Reference Document.

The Auditors' report on the consolidated financial statements for the year ended 31 December 2007 contains an observation on changes of accounting methods."

Paris, 23 March 2010

Arnaud Lagardère

For Arjil Commandité-Arco:

Arnaud Lagardère

Pierre Leroy

1.3 NAMES AND ADDRESSES OF THE AUDITORS

	First appointed	End of current period of office
Auditors		
Ernst & Young et Autres <i>represented by</i> Mrs Jeanne Boillet 41 rue Ybry 92576 Neuilly-sur-Seine Cedex, France <i>Member of the Versailles Regional Institute</i>	29 June 1987	2011
Mazars <i>represented by</i> Mr. Bruno Balaire 61 rue Henri Regnault 92400 Courbevoie, France <i>Member of the Versailles Regional Institute</i>	20 June 1996	2014
Alternate Auditors		
Mr. Gilles Puissochet 41 rue Ybry 92576 Neuilly-sur-Seine Cedex, France	10 May 2005	2011
Mr. Patrick de Cambourg 61 rue Henri Regnault 92400 Courbevoie, France	29 April 2008	2014



▶ CHAPTER 2

CONSOLIDATED KEY FIGURES FOR 2009

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2.1 CONSOLIDATED KEY FIGURES

(in millions of euros) ⁽¹⁾	2009	2008	2007
Net sales	7,892	8,214	8,582
Recurring operating profit before associates	461	647	636
Non-recurring items	(121)	(68)	211
Income from associates ⁽²⁾	29	246	20
Profit before finance costs and tax	369	825	867
Finance costs, net	(82)	(176)	(204)
Income tax expense	(123)	(22)	(99)
Profit for the year	164	627	564
<i>Profit attributable to minority interests</i>	<i>27</i>	<i>34</i>	<i>30</i>
Profit attributable to owners of the parent	137	593	534
Equity	4,082	4,446	4,659
Net indebtedness	1,824	2,619	2,570
Goodwill	2,810	2,980	2,975
Capital expenditure	303	709	1,389

(1) See definition of performance indicators in note 3.3 to the 2009 consolidated financial statements, in Chapter 6.
(2) Before amortization of acquisition-related intangible assets and impairment losses.

2.2 PER SHARE DATA

(in euros)	2009		2008		2007	
	Basic	Diluted ⁽¹⁾	Basic	Diluted ⁽¹⁾	Basic	Diluted ⁽¹⁾
Profit attributable to owners of the parent, per share	1.08	1.07	4.62	4.62	4.03	3.99
Equity attributable to owners of the parent, per share	31.18	31.04	33.88	33.88	34.47	34.21
Cash flow from operations before change in working capital, per share	5.17	5.14	5.43	5.43	5.99	5.95
Market price at 31 December	28.41		29		51.29	
Dividend	1.30 ⁽²⁾		1.30		1.30	

(1) The calculation method used for diluted earnings per share is presented in note 15 to the 2009 consolidated financial statements, in Chapter 6.
(2) Dividend to be approved by the Annual General Meeting of Shareholders on 27 April 2010.

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▶ CHAPTER 3

RISKS FACTORS

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The following description concerns the Group's exposure to certain risks considered significant. Risk management procedures are described in Chapter 7, section 7.4.3.2 "Description of risk management procedures".

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

EADS NV and Canal+ France are in charge of their own risk management. The reader is invited to consult the EADS NV Registration Document and the Vivendi Annual Report for 2009.

3.1 STRATEGIC AND COMMERCIAL RISKS: WORLDWIDE ADVERTISING MARKETS, ECONOMIC ENVIRONMENT, CHANGES IN CONSUMER BEHAVIOUR

A large portion of the Group's revenues derives from business that is sensitive to the economic environment, and changes in that environment may particularly affect sales of products such as magazines and part-works, customer numbers in the Group's store locations, particularly 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 €6-8 million in the division's operating profit over a full year, before any adjustment.

At Lagardère Sports, 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.

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

3.2 RISKS ASSOCIATED WITH MAJOR CONTRACTS

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

3.3 LEGAL RISKS

3.3.1 SPECIAL REGULATIONS APPLYING TO THE GROUP

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

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

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

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

The law of 30 September 1986 on freedom of communication is applicable to the Group's French **audiovisual communication operations**. Operation of radio and television services by the Group in France requires authorisations, which are issued for specific periods by the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel* – CSA). The resultant obligations are set forth in a convention signed with the CSA, and renewed in compliance with the said law. The legislation in most other countries in which Lagardère's Audiovisual division operates is similar to the French law of 30 September 1986, and overseen by a broadcasting authority. These laws generally define the terms for attribution of radio and TV broadcasting frequencies, and radio and TV channel and programme broadcasting (these terms are included in the licence agreements signed with the relevant broadcasting authority), the antitrust system and the broadcasting authority's powers to verify compliance and apply sanctions.

For its **sports sector activities (Lagardère Sports, sports sponsorship and Lagardère Unlimited)**, in the countries where it markets sports rights and organises sports events the Group is subject to the national and local laws governing matters such as sports events (organisation and security) and marketing of those events (purchase and

broadcasting), and intellectual property in the sports sector (public rights to sports information, etc). It is also subject to the laws governing sports-related bodies through its business links with them, particularly national federations and supranational organisations, primarily for football (soccer). The Group's sports infrastructure management and sports training activities are subject to various French regulations including those relating to private legal entities formed for sports purposes (approved sports associations and professional sports societies), or establishments receiving members of the public and occupying public land. Depending on the countries concerned, agency and career management activities for professional sportsmen and women may be subject to national regulations and sports federations' rules on agents' activities and protection of players aged under 18.

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 7.4.3.1 - E.4, in Chapter 7).

3.3.3 DEPENDENCY OF THE COMPANY ON CERTAIN CONTRACTS – MAJOR CUSTOMERS

The operations of Lagardère Active, Lagardère Services and Lagardère Publishing are highly sensitive to market conditions, have very short economic cycles and are characterised by a multitude of contracts. They are mass market orientated and have widely diversified customer bases.

3.3.4 RISKS THAT HAVE PROVEN TO BE TRUE FOLLOWING FAILURE TO EXECUTE CONTRACTUAL COMMITMENTS

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

Counterparty risks are described in section 3.6 below.

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

3.3.5 RISKS ASSOCIATED WITH LITIGATION IN PROCESS

The main litigation and claims involving the Group are presented in note 33.2 to the consolidated financial statements for 2009 (see Chapter 6). The main litigations involving the EADS NV group and Canal+ France are described in the EADS Registration Document and the Vivendi Annual Report respectively.

In the normal course of their business, Lagardère and/or its subsidiaries are involved in a number of disputes principally related to contract execution. Adequate provisions are established, where considered necessary, to cover any risks that may arise from general or specific disputes. The total amount of provisions for litigation is shown in note 27.2 to the consolidated financial statements for 2009.

To the best of the Group's knowledge, in the twelve months immediately preceding publication of this Reference Document, there were no other governmental, litigation or arbitration procedures in existence (including any procedure of which the Group is aware which is suspended or threatened) which may have or recently had significant effects on its financial position or profits.

3.3.6

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

Under the French rules governing commercial transactions, law 2010-97 of 27 January 2010 on the timing of settlements to suppliers in the book publishing industry exempted this sector from the time limits introduced by law 2008-776 of 4 August 2008 on modernisation of the economy.

Regarding regulations applying specifically to the media, the Group is concerned by several recent changes in law (reinforcement of measures against internet piracy under the "Hadopi" law; reform of EU directives applicable to attribution and management of broadcasting frequencies; implementation of the *Food on TV* charter to which Lagardère Active is a signatory; development of a legal framework for product placement, etc). Other forthcoming changes could also affect the Group (reform of the regime for television channels' contribution to production; possible introduction of regulation for exclusive rights in pay television following submission in January 2010 of the Hagelsteen report; application of certain measures inspired by the national Written Press Convention (*États généraux de la presse écrite*) including a possible reform of the press distribution sector; possibility of allowing advertising by future authorised operators of sports betting and online gambling, etc). The impacts of these developments for the various actors concerned, including the Lagardère Group, cannot currently be reliably estimated.

Finally, the Group is concerned by developments and analyses currently in process in France and abroad concerning digitisation of literary works and distribution of digital books. In particular, Lagardère Publishing is closely monitoring developments in process in the United States in the class action for infringement brought against Google by American authors and publishers, and the proposals for related out-of-court settlements.

3.4 COST OF PAPER

Lagardère Active and Lagardère Publishing need to use large volumes of paper for their business activities. Total paper consumption reached nearly 430,000 tonnes in 2009 as described in Chapter 5, section 5.3.2.3 - A.1. Although it is not possible to link the cost of paper purchases to a single index, the Group is subject to the risk of fluctuations in paper prices, particularly in the European, North American and Asian markets.

A significant increase in paper prices worldwide could therefore have a significant unfavourable impact on these divisions' operating profit, to the extent of €30-40 million for a long-term 10% rise in paper prices over a full year, before adjustment.

3.5 MARKET RISKS (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 2009 (see Chapter 6).

3.6 CREDIT AND COUNTERPARTY RISKS

Credit and counterparty risks are described in note 29.2 to the consolidated financial statements for 2009 (see Chapter 6).

3.7 INDUSTRIAL AND ENVIRONMENTAL RISKS

The industrial and environmental risk prevention and management policies are described in Chapter 7, section 7.4.3.2 “Description of risk management procedures”.

3.7.1 IDENTIFIED RISKS

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

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

3.7.2 ASSESSMENT OF RISK IMPACT

The Group has no knowledge of any items or situations likely to have a significant impact on its assets or operating results, and is unaware of any environmental issue that may affect its use of property, plant and equipment in its operations.

In view of the Group's limited exposure to industrial and environmental risks, the costs related to evaluation, prevention and treatment of those risks are included in the investment and expense accounts concerned, as their relative scale does not warrant separate reporting.

Under this policy, the consolidated financial statements for 2009 incorporate no provision or guarantee for environmental risk, and no expense resulting from a court ruling in an environmental case or action taken to repair environmental damage.

3.8 INSURANCE POLICIES – RISK COVERAGE

The Group's insurance policy is described Chapter 7, section 7.4.3.2 “Description of risk management procedures”.

The Group has a captive insurance company based in the USA which covers certain risks of Lagardère Services in North America. It provides insurance exclusively for Lagardère Group entities. The relevant policies are subscribed in addition to the insurance described in section 3.8.1 below, or function as the primary policies for non-significant amounts of risks at Group level. This insurance company has not had to honour any claims since its formation.

3.8.1 INSURANCE POLICIES

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

In 2009 and for the year 2010, Lagardère and its divisions were able to renew insurance coverage for their activities throughout the world.

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

3.8.2 RISK COVERAGE

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

3.8.2.1 INSURANCE FOR PROPERTY DAMAGE/LOSS AND BUSINESS INTERRUPTION

A) RISKS INSURED

Insurance policies cover the risks of fire/explosion, damage caused by lightning, water or high winds, natural catastrophes, and terrorism. When specific national legislation applies to these risks, the cover is subscribed in compliance with the relevant laws in each country concerned.

B) LIMITS TO COVERAGE

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

The highest insurance coverage subscribed in the Group is €400 million for certain Hachette Livre facilities. The other amounts insured are no higher than €161 million. Sub-limits specific to certain risks may also apply within these overall limits (for storms, earthquakes or flooding, for example).

3.8.2.2 CIVIL LIABILITY

A) RISKS INSURED

For liability arising in connection with operations, products or malpractice causing material or immaterial damage or bodily harm to third parties, insurance cover is subscribed at the level of the division or of certain business lines.

B) LIMITS TO COVERAGE

The maximum severity of exposure to liability claims is difficult to assess, and the level of insurance at the divisions and their sites depends on the availability of coverage at an acceptable economic cost. Excluding the United States, the amounts of cover subscribed within the Group are generally between €2 million and €10 million, with an additional €20 million after an excess of €10 million for media activities in Europe.

In the United States, the highest total limit is \$50 million (excluding self-insurance).

Sub-limits specific to certain risks may also apply within these overall limits.

3.8.3 PREMIUMS

In 2009, the overall budget for the main permanent insurance policies subscribed by the Group was an estimated €11 million (excluding collective insurance) distributed as follows:

- Property damage/loss and business interruption: €4.2 million;
- Civil liability: €2.8 million;
- Other (mainly automobile, transport, exhibitions, personal insurance and filming insurance): €3.9 million.



▶ CHAPTER 4

GENERAL DESCRIPTION OF LAGARDÈRE SCA

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4.1 GENERAL DESCRIPTION OF THE COMPANY

4.1.1 CORPORATE NAME AND COMMERCIAL NAME

Corporate name: Lagardère SCA

Commercial name: Lagardère

4.1.2 HEAD OFFICE, ADDRESS, TELEPHONE NUMBER

Head office:

4 rue de Presbourg – 75116 Paris, France

Postal address:

4 rue de Presbourg – 75116 Paris, France

Telephone number:

+ 33 (0) 1 40 69 16 00

4.1.3 LEGAL FORM AND GOVERNING LAW

Lagardère is a French limited partnership with shares (*société en commandite par actions*), governed by the laws of France.

4.1.4 COMMERCIAL REGISTER AND REGISTRATION NUMBER

Lagardère is registered in the Commercial Register (*Registre du Commerce*) under number 320 366 446 RCS Paris.

4.1.5 DATE OF INCORPORATION AND DURATION OF THE COMPANY

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

4.2 HISTORY

The original object 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 over control of Hachette and subsequently Matra, which returned to the private sector in early 1988. At the end of 1992, these two sub-groups' operations were combined when their two holding companies were merged to form a new company called Matra Hachette. At the same time, the Company changed its legal form and became a French limited partnership with shares.

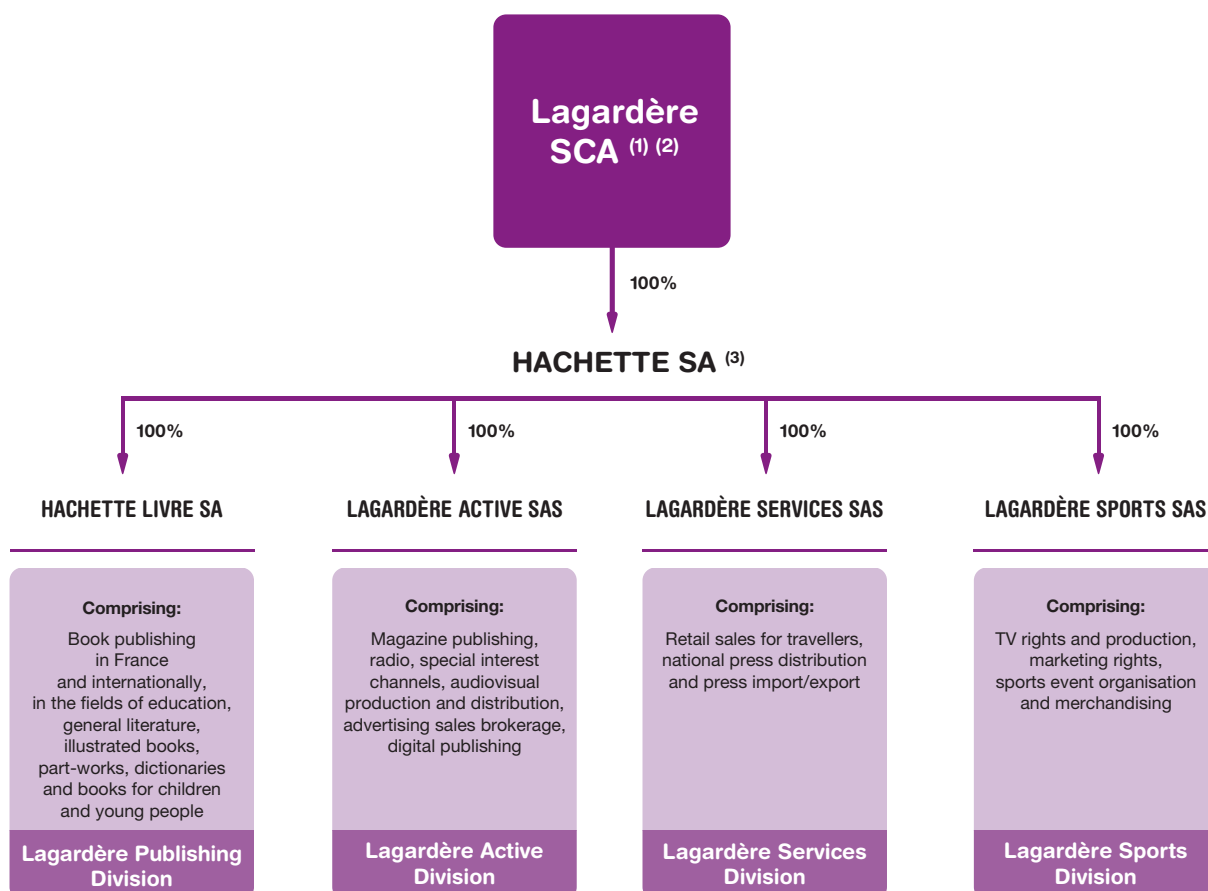
The restructuring process was completed in June 1996, when Lagardère Group absorbed Matra Hachette, and adopted its current name of Lagardère SCA.

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

- Major alliances in the Defence and Space industries: this European alliance strategy was initiated in the early 1990s, with an important development in 1999 when Aerospatiale Matra was formed through the contribution of Matra Hautes Technologies – which held all Matra Hachette's aerospace businesses – to Aerospatiale. The process was completed on 10 July 2000 when all of Aerospatiale Matra's businesses were merged with DaimlerChrysler Aerospace AG and the Spanish company CASA to form the European company EADS NV, in which Lagardère SCA indirectly held an interest of approximately 15%. This interest was reduced to 7.5% at the end of 2009 following three sales of 2.5% of EADS' capital, respectively in June 2007, June 2008 and on 24 March 2009.
- Expansion and investment in the media and communication industries, by means of:
 - a total takeover of businesses in these two sectors, with the bid for Europe 1 Communication (audiovisual activities) in 1999, and the share exchange offer for Hachette Filipacchi Médias (Print Media activities) in 2000, followed by an offer to purchase all of the remaining minority interests;
 - several agreements signed since 2000, essentially in the audiovisual sector (in 2000, for the acquisition of a 34% interest in CanalSatellite, replaced in early 2007 by a 20% interest in the pay television operator Canal+ France) and Book Publishing (acquisition in 2002/2004 of Vivendi Universal Publishing's European assets in France and Spain, purchase of Hodder Headline in the UK, and agreement in 2006 for the takeover of Time Warner Book Group).
 - The importance of the Print Media and Distribution Services activities also increased, but through internal growth rather than external acquisitions;
 - the combination announced in 2006 of magazine publishing activities and audiovisual and digital activities into a new entity, Lagardère Active. Through this new division, the Group intends to establish a position among the leading international content publishers for all media, become a worldwide "brand factory", and accelerate its migration towards digital media. This has included the acquisition of Newsweb and the takeover of Doctissimo, France's top internet content publishers.
- Creation of a Sports division through the acquisitions of:
 - Sportfive early in 2007; Sportfive acts as a partner to sporting bodies and clubs, helping them to extract maximum value from their broadcasting and marketing rights;
 - IEC in Sports, in 2007, a Swedish company specialised in the marketing of sports rights;
 - in 2008, 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.
- Creation of a subsidiary, Lagardère Unlimited, in 2009 to manage careers and image rights marketing for athletes and artists both in France and internationally.

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

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



(1) Organisation at 1 March 2010.

(2) At 31 December 2009, Lagardère also held a 20% interest in Canal+ France and a 7.5% interest in EADS, both accounted for by the equity method.

(3) Hachette SA is the ultimate holding company for all Lagardère operations (Lagardère Media).

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

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

- Hachette Livre, a 100%-controlled French company that is the holding company for the Lagardère Publishing division.
- Lagardère Active SAS, another 100%-controlled French company that is the holding company for the Lagardère Active division and holds the Group's investments in the press, audiovisual (radio, TV, production), advertising space sales and digital sectors via several sub-holding companies.
- Lagardère Services, also a 100%-controlled French company, the holding company for the Lagardère Services division (Relay outlets, airport shops).
- Lagardère Sports SAS, another 100%-controlled French company, set up as the holding company for the subsidiaries in the Sports division, including Sportfive.

A detailed list of Group subsidiaries (over 500 consolidated companies) and their locations is included in the notes to Lagardère's consolidated financial statements (Chapter 6, note 36). Details of the positions and appointments held in these subsidiaries by Lagardère SCA management are presented in Chapter 7, sections 7.2.2 and 7.2.3.

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

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

Finally, the amount and nature of financial transactions between Lagardère SCA and Group subsidiaries are described:

- in Chapter 7, section 7.4.3;
- in section 7.4.3.1 - D concerning the principles governing commitments and cash flows between Lagardère SCA and its subsidiaries.

4.4 MAJOR INVESTMENTS

4.4.1 INVESTMENT AND INNOVATION POLICY

4.4.1.1 PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in millions of euros)	2009	2008	2007
Lagardère Media	233	220	218
Other Activities	7	5	9
Total	240	225	227

In the field of the media, the innovation policy is not reflected in capital expenditure policies. The internal costs of creating a work, principally in the book publishing, print media, website and digital terrestrial television sectors, are not capitalised.

4.4.1.2 PURCHASES OF INVESTMENTS⁽¹⁾

(in millions of euros)	2009	2008	2007
Lagardère Media	62	483	1,155
Other Activities	1	1	7
Total	63	484	1,162

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

4.4.2 MAJOR INVESTMENTS IN 2007

4.4.2.1 SPORTFIVE

See Chapter 5, section 5.2.1.4 - A.1.1 of the French Reference Document for 2007 filed with the French Financial Market Authority (AMF) on 3 April 2008.

(1) At 31 December 2009, amounts payable for acquisitions of financial investments and under put options granted to minority shareholders totalled €100 million and €40 million respectively.

4.4.2.2 JUMPSTART

See Chapter 5, section 5.2.1.2 - B.2.8 of the French Reference Document for 2007 filed with the French Financial Market Authority (AMF) on 3 April 2008.

4.4.2.3 IEC IN SPORTS

See Chapter 5, section 5.2.1.4 - A.1.2 of the French Reference Document for 2007 filed with the French Financial Market Authority (AMF) on 3 April 2008.

4.4.2.4 NEXTEDIA

See Chapter 5, section 5.2.1.2 - B.2.8 of the French Reference Document for 2007 filed with the French Financial Market Authority (AMF) on 3 April 2008.

4.4.3 MAJOR INVESTMENTS IN 2008**4.4.3.1 DOCTISSIMO**

See Chapter 8, section 8.3.1 of the French Reference Document for 2008 filed with the French Financial Market Authority (AMF) on 24 March 2009.

4.4.3.2 WORLD SPORT GROUP

See Chapter 8, section 8.3.1 of the French Reference Document for 2008 filed with the French Financial Market Authority (AMF) on 24 March 2009, and section 8.3.1 of this Reference Document.

4.4.3.3 PSYCHOLOGIES MAGAZINE

See Chapter 8, section 8.3.1 of the French Reference Document for 2008 filed with the French Financial Market Authority (AMF) on 24 March 2009, and section 8.3.1 of this Reference Document.

4.4.3.4 ÉDITIONS ALBERT RENÉ

See Chapter 8, section 8.3.1 of the French Reference Document for 2008 filed with the French Financial Market Authority (AMF) on 24 March 2009, and section 8.3.1 of this Reference Document.

4.4.4 MAJOR INVESTMENTS IN 2009

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

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► CHAPTER 5

INFORMATION ON THE BUSINESS ACTIVITIES OF THE COMPANY AND THE GROUP

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5.1 BUSINESS ACTIVITIES AND STRATEGY

Operating in more than 40 countries, the Lagardère Group is a world leader in the media industry. Lagardère also holds a 7.5% share in the EADS group.

Following a decision in 2006, Lagardère stepped up the pace of its in-depth transformation by combining its “magazine publishing” and “audiovisual” businesses to create a high-performance business segment producing innovative contents for the digital world. Since 2008, the Group has also established itself as a key player in the world of sports, acquiring several companies that are rooted in the heart of the sports economy.

With its sights firmly set on the future and its attention focused on the demands of the globalised market, Lagardère today is a major communications corporation still actively engaged in the news, education, culture and entertainment businesses, but with a concern for strategy adjustment to keep abreast of the technological and other metamorphoses in its four main divisions: Lagardère Publishing, Lagardère Active, Lagardère Services et Lagardère Sports.

In the field of **book publishing**⁽¹⁾, **Lagardère Publishing**, which publishes educational works, general literature, illustrated books, practical guides and works for the youth market, gave priority to the three major language groups: English, French and Spanish. Publications in these three languages alone account for 60% of the world market. The largest European publisher and second-largest worldwide, Hachette Livre is therefore one of the top players in a market where its most powerful rivals are mainly from the United Kingdom, the United States and Germany.

There are three key success factors in Hachette Livre's publishing strategy: well-balanced positioning (between geographic areas and priority segments); decentralised organisation, leaving a large measure of autonomy to the Group's different entities and publishing houses; and central management of the resources required for a proactive strategy in digital media. Hachette Livre has used these levers to improve its profitability, which is on a par with the best global operators.

In the near future, Hachette Livre's prospects will depend on expansion in certain industrialised countries (particularly the United States, the United Kingdom and Spain), and in the emerging markets in Asia (China, India) and Latin America (Brazil, Mexico); they are also linked to Hachette Livre's capacity to offer products appropriate to new consumer trends (latest formats, availability through various distribution channels and media, including electronic media). The opportunities afforded by the arrival of digital technology and the internet have been embraced by Hachette Livre, which has positioned itself on the US e-book market, enhanced the functions of the Numilog platform and launched a number of initiatives to develop content for the internet and the iPhone.

At **Lagardère Active**, which encompasses the Group's **magazine publishing and audiovisual** businesses, the portfolio of business activities was rationalised and a new management structure has been rolled out. A strategy of migration towards **digital media** was also implemented, to stimulate growth and long-term profitability.

More specifically, the Group embarked on a plan intended to:

- enable the “magazine publishing” business to focus on segments and geographic areas that offer solid growth potential;
- lay the foundations for the division, which aims to become the leading producer of contents, particularly digital contents, and their aggregation across a range of markets in which the Group is already active.

Lagardère Active's strategy is firmly focused on several priorities:

- the implementation of a new, more marketing and digital-oriented corporate culture;
- a policy of streamlining the portfolio of business activities, including discontinuation of some magazines, disposal of certain under-profitable international operations or their replacement by licence agreements, and sale of interests in regional daily newspapers;
- the determination to enhance profitability by introduction of a cost savings plan in 2007, which achieved savings of over €80 million in 2009;
- a policy for stimulation and investment in the division's key business segments and brands in the magazine, radio and television portfolio, aiming to adjust to the changing requirements of advertising buyers and bring innovation to its advertising sales, chiefly through a comprehensive cross-media offer in France supported by strong positions in magazine publishing, radio, television and the internet;
- an ambitious digital strategy combining organic growth with external growth if the right opportunities arise.

⁽¹⁾ The names “Hachette Livre” and “Lagardère Publishing” in this Reference Document refer interchangeably to the Group's book publishing activity.

In the difficult economic environment including an unprecedented crisis in advertising, Lagardère Active applied robust specific measures such as salary freezes, together with intensification of cost-cutting plans and the beginnings of an in-depth review of its economic model.

Concerning Lagardère's share in Canal+ France (the Canal+ Group's pay television business), the agreement signed in 2006 gives Lagardère full latitude for action until 2010 (to maintain its share at 20%, increase it to 34% or apply the liquidity clause).

In the **distribution and services business, Lagardère Services**, the world leader in press distribution, focuses its development strategy on two business lines:

- retail sales, in travel areas, town centres and shopping malls;
- distribution to sales outlets for national and international press and other products.

Lagardère Services continued to develop retail activities in 2009 by expanding its existing networks. It won further concessions in travel areas in Europe, North America and Asia/Oceania, and opened sales outlets in town centres and shopping malls, mostly in Central Europe. Lagardère Services also launched tests of new retail forms of retailing, primarily through franchising existing concepts and brands. It is also developing operation of its retail concepts in central Europe and Asia.

Lagardère Services' distribution companies signed new press distribution contracts in Europe and North America, thereby reinforcing their unique expertise as specialist distributors of communication products.

In e-commerce, HDS Digital has a virtual electronic newsstand offering *à la carte* downloads of material from over 500 magazines. This service saw marked growth in 2009, totalling more than 1.8 million downloads.

In the **world of sports**, Lagardère has built up a very strong position on the sports rights market, particularly for its flagship product: football. This position is part of a long-term strategy to reinforce the Group's presence in high-growth-potential, exclusive media contents.

Lagardère Sports has grown constantly since the division was founded, and now has five subsidiaries:

- Sportfive, which has a sound business base across the European market for media and marketing rights, especially in football;
- IEC in Sports, which specialises in management of sports rights, essentially relating to olympic sports;
- Upsolut, a German marketing agency which organises mass sports events (triathlons and cycling events);
- PR Event, which has developed expertise in organisation of international-level tennis tournaments;
- World Sport Group, an agency for major sports events in Asia such as the Asian Football Cup, the Indian Premier Cricket League and the Asian Golf Tour.

These subsidiaries develop their expertise in three lines of business:

- media activities, consisting of management and operation of broadcasting rights for sports events, through traditional or digital media;
- marketing rights enabling advertisers to associate their brand with organisations or events from the world of sport;
- organisation of sports events.

Thanks to its organic growth, integration of its subsidiaries, geographical expansion and diversification of its portfolio of rights, Lagardère Sports is now positioned as a major player in the sports economy.

In addition to developing its sports-related businesses, the Group is also actively implementing an entirely separate sports sponsorship policy (see sections 5.2.2.7 and 5.2.2.8).

5.2 THE GROUP'S PRINCIPAL ACTIVITIES AND MAIN MARKETS – OPERATIONS DURING 2009

5.2.1 LAGARDÈRE MEDIA

	2009	2008 ⁽²⁾	2007	2006 ⁽¹⁾ restated	2005
Contribution to consolidated sales (in millions of euros)	7,892	8,214	8,582	7,910	7,901
Contribution to consolidated recurring profit before associates (in millions of euros) ⁽³⁾	463	648	636	520	503
Number of employees ⁽⁴⁾	29,028	29,393	32,810	31,528	30,863
(1) The comparative figures for 2006 have been restated with retrospective application of the equity method to jointly-controlled entities, and recognition in equity of actuarial gains and losses on provisions for employee benefit and similar obligations. (2) After pro forma restatement of brand royalties invoiced by "Other Activities". (3) Recurring operating profit before associates (as defined in note 3.3 to the consolidated financial statements). (4) Average number of employees (full-time equivalents) 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, in Chapter 6.

5.2.1.1 LAGARDÈRE PUBLISHING

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Publishing's activities are carried out under the name of Hachette Livre which is the second-largest publishing house worldwide and the largest trade publisher in Europe, in a position to equal the major competitors on each of its markets. Hachette Livre occupies 1st position in France, the United Kingdom and Australia and New Zealand, 2nd in Spain and 5th in the United States, and since its foundation in 1826 has always held the ambition to publish, sell and distribute quality innovative books which satisfy its readers' thirst for knowledge, culture and entertainment.

This mission is continued today by its 7,730 employees, who contribute to the growth and durability of the Group.

Hachette Livre has a balanced portfolio that is diversified across the editorial spectrum (textbooks, general literature, illustrated books, part-works, dictionaries, youth works, etc.) and strongly anchored in the three major language groups (English, Spanish and French). It offers new bases for expansion by geographic area and business line, so the group can capitalise on the most buoyant segments and the most dynamic markets.

Hachette Livre's business model is present throughout the entire book publishing/distribution value chain: with its reputed publishing houses and brand names, the group is able to draw the fullest benefit from its quality relationships with authors, the expertise of its sales forces, the rigorous logistics 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 in its success: each division forms a federation of small and medium-sized independent publishing houses, with its own native corporate culture and specific, not to say unique, editorial tone.

Each publishing house is responsible for relations with its own authors. Individual relationships are of extremely high quality, enabling control of the copyright portfolio, smooth supply to the paperback sector and merchandising opportunities.

Central management functions allow the Group to develop economies of scale, maintain a healthy financial position and make decisions from a global point of view in terms of balance and portfolio.

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

Outside France, Hachette Livre has succeeded in moving up from 13th to 2nd position worldwide in the space of a few years, against competition from publishers such as Pearson, McGraw-Hill Education, Random House, Scholastic, De Agostini, HarperCollins and Holtzbrinck.

A.1 ACTIVITIES IN FRANCE⁽¹⁾

The **Literature** segment comprises prestigious publishing houses: Grasset, Fayard, Stock, Calmann-Lévy, Lattès, Le Livre de Poche and Harlequin. Each has its own predominant lines, but remains in competition with the Group's other publishing houses, as well as those of rival publishing groups.

Hachette Illustré covers the entire range of illustrated works, from the 'useful' to the 'entertaining'. Number one in France for practical guides and DIY with Hachette Pratique and Marabout, and travel guides with Hachette Tourisme and Le Routard, Hachette Illustré is also number one in the high-quality illustrated book market with two prestigious publishers, Editions Le Chêne and Hazan, and in children's books (Hachette JD, Hachette Jeunesse Roman and Livre de Poche Jeunesse). Lagardère Publishing possesses very valuable editorial assets in this market, including characters such as Babar and Noddy.

Hachette Livre is France's leading publisher⁽²⁾ of **textbooks** through two separate entities, Hachette Education and the Alexandre Hatier group. These sub-groups comprise reputed publishers such as Hatier, Didier and Foucher, and strong brand names – Bled, Bescherelle, Littré, Gaffiot – which also put Hachette Livre in a leading position on the market for extra-curricular works.

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

Larousse, with its international reputation, registers more than 40% of sales outside France and is particularly well-established as a brand in Latin America.

Part-works are published by the Encyclopaedias and Collections segment, which has seen considerable international expansion particularly in Europe and Asia, in Spain through the subsidiary Salvat Editores, and also in the United Kingdom, Japan, Poland, Italy (with Hachette Fascicoli) and this year for the first time, Russia. Its marketing skills and capacity to create new products make it the number 2 player worldwide and a real asset for the global performance of Hachette Livre.

The **Academic** and **Professional** division comprises Dunod and Armand Colin, the leaders on the French market. Both these publishing houses are accelerating the pace of digitisation of contents in the sector.

Distribution, for Hachette Livre and other publishing houses under exclusive contracts, is carried out through a network managed from the national centre in Maurepas, in the Greater Paris Region. Hachette Livre handles 250 million copies per annum and supplies 12,000 bookshops, newsstands and supermarkets in France. Hachette Livre Distribution, the number 1 distributor in France, also operates in Belgium, Switzerland and French-speaking Canada.

A.2 ACTIVITIES OUTSIDE FRANCE⁽³⁾

In the United Kingdom, Hachette Livre is the leading trade publisher (see section 5.2.1.1 - A), with seven divisions: Octopus, for illustrated books, Orion, Hodder Headline and Little, Brown Book Group for general literature, Chambers in the dictionaries sector and Hachette Children's Books in the youth sector.

These publishing houses and their range of brand names have also enabled Hachette Livre to develop operations in Australia and New Zealand, where the group has now risen to top position.

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

Lastly, Hachette Livre has a distribution activity in the United Kingdom via its two centres BookPoint and LBS (LittleHampton Book Services).

In Spain, Hachette Livre is the second-largest publishing house, and the leading publisher of textbooks through Anaya and Bruño. Like Bruño, Anaya is active in educational publishing, and also does business in the extra-curricular, general literature and youth segments. Salvat Editores, a publishing house with operations in Spain and Latin America, also gives Hachette Livre a significant share of the part-works market, placing it second in Spain for publication of Reference works.

(1) The competitive positions of Hachette Livre are based on the statistics provided by the IPSOS (market survey) panels to which the Group subscribes.

(2) Internal estimates.

(3) Source: Internal data, based on Nielsen Bookscan in the United Kingdom, and internal sources in Spain.

In the United States, Hachette Livre is the fifth-largest trade publisher thanks to two publishing houses, Grand Central Publishing (formerly Warner Books) and Little, Brown, and their respective brands operated through subsidiaries such as LB for Young Readers on the youth segment, Faith Words in the religious literature segment, Orbit for science fiction, Twelve for quality nonfiction, and Hachette Audio on the fast-growing market for audio books.

Hachette Livre also has distribution operations in the United States.

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

B) OPERATIONS DURING 2009

Contribution to consolidated sales for 2009: €2,273 million

Distribution of sales by activity – France

	2009	2008
Education	24.8%	27.5%
Illustrated books	27.2%	21.7%
General Literature	17.4%	15.5%
Reference	7.1%	7.9%
Academic and professional	4.2%	4.7%
Other	19.3%	22.7%
Total sales	100.00%	100.00%

Distribution of sales by geographic area

	2009	2008
France	31.4%	31.0%
United Kingdom	14.8%	17.6%
United States	22.3%	19.8%
Spain	8.7%	9.8%
Other	22.8%	21.8%
Total sales	100.00%	100.00%

2009 saw further organic growth on difficult markets in the United Kingdom, United States and France. The excellent performance by Hachette Livre was complemented by growth driven by business in the United States, France and the United Kingdom. These results were largely attributable to the extraordinary success of the *Twilight* saga in all these three markets, and general literature sales in France, boosted by the release of Dan Brown's *The Lost Symbol*, the Practical/Guides segment and a new Asterix book.

There were also many digital developments in 2009, including substantial expansion on the e-book market in the United States, enhancement of functions for Numilog's distribution platform in France, and several content development initiatives for the internet and iPhone.

Hachette Livre continued to roll out its strategy in 2009 in the seven areas defined in 2003:

- constant search for acquisition-based growth opportunities to position Hachette Livre among the top-ranking publishing groups worldwide – an essential advantage conferring extra influence in negotiations with digital distribution giants;
- spreading risks across a significant number of markets and market segments in order to smooth the cyclical effects specific to each one;
- concentration of acquisitions and new subsidiaries in countries belonging to language areas that offer a critical size for potential markets;
- broad editorial independence for publishing subsidiaries, with the emphasis on creativity, rapid responses and team motivation;
- active search for international bestsellers able to attract an extensive readership in all the markets where the group operates;

- f. control of distribution, a cost centre and strategic link in the book value chain, in all the markets where Hachette Livre does business;
- g. sustained investment in digital technologies to meet the emerging demand for online reading and e-books;
- h. selective investment in high-growth markets (BRIC countries).

B.1 FRANCE

In France, Hachette Livre had a very successful year, driven by the performances of *Illustrated Books*" (largely due to Stephenie Meyer's bestselling *Twilight* novels and the takeover of Editions Albert René) and *General Literature*. These good results were achieved despite a downturn for *Education* on a shrinking textbook market since no high school reforms were introduced, and lower dictionary sales by Larousse.

General Literature sales registered a significant increase from 2008 against a declining market, especially at Lattès with publication in December of the French edition of Dan Brown's new novel *The Lost Symbol* (*Le Symbole Perdu*) (1.3 million copies sold) and the continued success of Stephenie Meyer's adult novel *The Host* (*Les Ames Vagabondes*) (155,000 copies sold). Grasset also reported higher sales, with Renaudot prize-winner *Un roman français* (300,000 copies sold) by Frédéric Beigbeder, and *L'Enigme du Retour* by Dany Laferrière which won the Medias prize. The group's other publishers had a good year too, with *Mauvaise Fille* by Justine Lévy at Stock, *D-Day* by Anthony Beevor at Calmann-Lévy, and *Le Monde selon K* by Pierre Péan at Fayard. Le Livre de Poche, meanwhile, returned to growth with bestsellers such as Katherine Pancol's *Les yeux jaunes des crocodiles*.

Claude Durand, the long-standing chairman and chief executive of publisher Fayard, decided to stand down in 2009. Olivier Nora was appointed to replace him while continuing to head Grasset, and has been asked to examine the best ways to take the two groups forward. Claude Durand remains a member of Fayard's board of directors.

In **Education**, Hachette Education and Hatier were affected by the downturn on textbook and extracurricular markets, but increased their market share. Both publishers also benefited from the recovery on the primary schools market after the unsettled environment of 2008 when primary school reforms were announced very late.

On the market for *Illustrated Books* for the general public, **Hachette Illustré** achieved record results, boosted by the success of Stephenie Meyer in the youth segment: the four *Twilight* novels sold more than 3.5 million copies over the year. Marabout also had another excellent year, particularly for cookery books and games/puzzles. Hachette Jeunesse Image benefited from the ongoing popularity of the *Mr Men/Little Miss* collection (called *Monsieur/Madame* in French) and Hachette Jeunesse Disney and Pika from the *Fairy Tail* manga series. Les Editions Albert René, which was consolidated by Hachette Livre after it acquired a majority interest in December 2008, successfully brought out the 34th book of Asterix adventures to mark the character's 50th anniversary.

Larousse was faced with erosion on the dictionaries market and lower sales of Harrap's language-learning books, but registered noticeable growth on the Practical/Guides and Youth segments. The interactive-contribution encyclopaedia Larousse.fr was a great success, marking the first of many digital developments on both the internet and iPhone.

In the **Academic and Professional** sector, Armand Colin and Dunod reported a slight downturn in 2009. The difficult economic context was made worse by university strikes in the first half of the year.

In **Distribution**, business levels rose in France and also in the Belgian, Swiss and Canadian platforms despite termination of business with the publisher Dupuis since January 1, 2009. Factors contributing to this growth were the popularity of authors Stephenie Meyer and Dan Brown, and contracts with new publishers including Panini and Les Editions des Deux Terres.

A joint venture was formed with Lightning Source France to set up an on-demand digital printing facility at the Maurepas Distribution centre. This facility is due to begin operations in 2010.

Digital activities gathered pace in 2009 with the development of new functions for the Numilog e-books platform: a pageflip facility, a tool to create digital bookshops under "white label" agreements (i.e. under the bookseller's own name), and the launch in December 2009 of the website Mybook.fr. The objective is to become the Allociné (the French Screenrush) and Facebook of the book world, offering exclusive content focusing on books (video interviews, presentations of authors and books), and offering readers a community space.

B.2 OUTSIDE FRANCE

Twilight, Stephenie Meyer's series of four novels published by LB for Young Readers, had sold 25 million copies outside France in 2008. A new record was attained in 2009, with sales of over 30 million copies.

United States

This spectacular success was boosted by the film adaptations of the first two books, and USA Today considered *Twilight* the biggest bestseller of the decade in the United States. Other exceptional drivers of sales were *The Host* by Stephenie Meyer, *Outliers* by Malcolm Gladwell, and *The Shack* by William Paul Young which were first published in 2008. Publication of Senator Ted Kennedy's volume of memoirs entitled *True Compass*, initially scheduled for November, was brought forward to September upon his death, and sold one million copies. The Oprah Winfrey Book Club selected a collection of short stories by an unknown author Uwem Akpan, *Say You're One of Them*, which went on to sell 600,000 copies and garner two literary prizes.

Hachette Book Group had 130 titles in the New York Times' 2009 bestseller lists, compared to 107 in 2008.

Orbit, the science fiction specialist, and the manga publisher Yen Press, continued to expand. Growth was supported by a significant rise in e-book sales, which accounted for almost 3% of total sales for the whole year.

Hachette Book Group was named by Crain's New York Business as one of the "Best Places to Work" in New York – the only publisher to receive the distinction.

United Kingdom and the Commonwealth

Hachette UK retained its top ranking among UK publishers in 2009 with a further increase in market share to 16.4% in trade publishing. On the youth market, market share rose from 12.3% to 20.4% putting the group in top place for this segment.

In *Literature*, growth was driven by the performance of Stephenie Meyer's *Twilight* books (Little, Brown Book Group sold more than 11 million copies in 2009). In contrast, the general recession caused a decline in sales at other publishing houses, with a particularly marked effect on the nonfiction segment.

Hachette UK nevertheless published 150 bestsellers during the year, thirty of which reached number one in the *Sunday Times* listings. Jodi Picoult, published by Hodder & Stoughton, topped these rankings with four different books, and Martina Cole (*The Business*, Headline), Linwood Barclay, Maeve Binchy, Harlan Coben, Michael Connelly, Kate Moss and Ian Rankin at Orion all contributed to the group's dominant position in all the bestseller lists.

Australia once again achieved record sales thanks to the spectacular success of the *Twilight* saga and excellent progress in local publishing. Hachette Australia became the country's leading publisher, with a 16% market share and a 22% rise in sales compared to 2008.

Hachette India continued to develop, and its growth has already made it India's number two in trade publishing.

In *Education*, Hachette Livre had good results on the textbook market, especially in post-reform human science subjects, but the general business environment was slow in the trade publishing segment (language-learning books).

On the market for *Illustrated Books*, Octopus saw another downturn, particularly in UK trade publishing, but its sales were up in the United States.

Other countries

In **Spain and Latin America** sales were down slightly for Anaya in *General Interest Books* as the markets felt the full effect of the economic climate, especially in the tourism and computing segments. Business at Bruño benefited from the successful launch of the 50th anniversary Asterix book.

In *Education*, a decline was observed in 2009 on the textbook market as the cycle of middle school reforms came to an end, but the market share was maintained.

In **Mexico**, business suffered from the economic environment and disruption caused by the swine flu epidemic. There were also some problems with exports, particularly to Venezuela.

Brazil reported significant growth, essentially attributable to government purchases under the National Educational Book Programme.

After a very successful year in 2008, sales of part-works retreated in 2009, particularly on the mature markets of France, the United Kingdom and Spain, and in Latin America as operations were closed down in Brazil and Japan. This was partly offset by good results in Germany, where a growing number of collections were sold, and Italy following a strong campaign in 2008. The first part-works launched in Russia early in the year, starting with the "Build the Bismarck" collection, showed signs of promise for future development in the segment.

B.3 OBJECTIVES AND ACHIEVEMENTS OF 2009

Hachette Livre's 2009 results were well above target.

As well as good forward planning for an economic slowdown, the group responded to public enthusiasm by bringing all available editorial and promotional levers into play to extend development of the Stephenie Meyer phenomenon on each of its markets in the United States, France, the United Kingdom, Australia and New Zealand.

On the General Interest markets where business was hampered by the economic crisis, independently of the *Twilight* saga sales the group showed resilience and met its objectives of a return to profitability for Literature in France; increased market share and constant growth in the Practical/Guides segment in France; and good results in the United States on the emerging segments (mangas, science fiction and e-books).

On the textbook markets, which receded everywhere except in Brazil, the group managed to maintain and even consolidate its market shares.

The objectives of cost-cutting and distribution optimisation by finding new publishers to work with were also achieved.

Geographical extension initiatives were pursued with the launch of part-works in Lebanon and Russia, and substantial investments in digital activities continued.

C) OUTLOOK

After the exceptionally high sales of Stephenie Meyer's novels in 2009 and the lack of any major school reforms in France and Spain, a decline is expected in 2010.

Hachette Livre intends to intensify initiatives already launched in the digital sector, in view of the anticipated fast-paced expansion in digital book sales in the United States and Europe.

This strategy will be supported by measures to protect the group's economic model and its position in the content value chain whenever new distribution methods for digital books are released. Using all its weight as the world's number two in the segment, Hachette Livre will aim to reinforce the position of content publishers in the ongoing negotiations with the giant internet operators.

5.2.1.2 LAGARDÈRE ACTIVE

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Active encompasses Magazine publishing, Licensing, Radio, Special interest television channels, Audiovisual production and distribution, Advertising sales brokerage, digital publishing and digital agency businesses, as well as a 20% share in Canal+ France.

A.1 MAGAZINE PUBLISHING

Lagardère Active is the world's largest publisher of magazines for the general public in terms of number of titles (212 titles published) and international operations (operations in 45 countries, through joint ventures or licence agreements).

Women's magazines form Lagardère Active's core magazine portfolio, which also covers themes such as current affairs, automobile, interior decor, youth, leisure, celebrities and television, in France and internationally.

Lagardère Active is the top magazine publisher in France⁽¹⁾, number 3 in Spain and Russia, the leading foreign magazine publisher in Italy, Japan and China, third-largest foreign magazine publisher in the United States and number 7 in the United Kingdom⁽²⁾.

The Magazine Publishing activity comprises Magazine Publishing in France and International Magazine Publishing. Lagardère Active deploys variations of its proprietary brands across the countries it operates in, with flagship publications such as *Elle* and its related titles, *Psychologies*, *Car&Driver*, *Woman's Day*, *Red*, etc.

Magazine publishing represents 71% of Lagardère Active's total sales, 58% of which are achieved outside France.

In the field of magazines for the general public, market players are either non-specialist groups with operations in one or two countries (e.g. Time Inc. in the United States and the United Kingdom, Mondadori in Italy and France), or groups with global brand policies (e.g. Hearst and Condé Nast).

46% of Lagardère Active's press sales, excluding digital sales, come from the sale of magazines (a quarter of which are sold by subscription), and 54% from the sale of advertising pages.

(1) Sources: OJD for distribution and TNS-MI for advertising.

(2) Source: Total sales revenues for 2009.

A.2 RADIO

Radio broadcasting contributes 13.8% of Lagardère Active's total sales, 39% of which are achieved outside France.

In France, Lagardère Active is one of the major players in the radio broadcasting market, owning three national networks:

- *Europe 1*, France's benchmark radio station, always remains faithful to its tradition of general interest, high-quality output for the general public. The cumulative audience reached 9.9 points⁽¹⁾, the station's second-best score in 23 series of surveys. Europe 1 attracts more than 5,164,000 listeners every day.
- *Virgin Radio*, a music channel for 20-to-34-year-olds, built on the key values of creativity and bold originality. Virgin Radio concentrates on pop and rock music with its roots in the 1990s, and works to foster the emergence of new talent. Virgin Radio attracts 2.7 million listeners every day⁽¹⁾.
- *RFM*, a music station aimed at the contemporary adult, is positioned as a player of diverse musical styles under the slogan "All the best hits". RFM is France's second most popular radio station for adults aged 30-49⁽²⁾.

Outside France, Lagardère Active Radio International (LARI) makes full use of the division's radio broadcasting skills in seven countries in Eastern Europe, Germany and South Africa. Every day more than 33 million listeners tune in to its 25 radio stations, mostly music channels.

In almost all the countries it operates in, LARI is the leading group in the private radio station market: number 1 in Russia, Poland, Romania, the Czech Republic, the Saarland region of Germany and South Africa.

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 require prior authorisation by the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel* – CSA).

Over 90% of these radio stations' revenues come from advertising sales, which largely depend on audience ratings and the state of the advertising market.

A.3 TELEVISION CHANNELS

Lagardère Active operates in two fields of special interest channels, broadcast on Digital Terrestrial Television (DTT) and on cable and satellite:

- music, with the free DTT channel Virgin 17, and four cable and satellite channels (MCM, MCM Top, MCM Pop and Mezzo, in which France Télévisions owns a 40% share);
- children and teenagers, with the pay channel Canal J (for children aged 6 to 14), and on cable and satellite TiJi (for the under sevens), June (for young women aged 20 to 30), and Gulli, in which France Télévisions holds a 34% share, also available on free DTT.

With this offer, Lagardère Active is an important player in France for music and children's channels⁽³⁾. More specifically, Gulli is the third most popular DTT channel and the leading independent channel in all of France for children aged four and over, with a 1.8% audience share⁽⁴⁾.

These television broadcasting activities are subject to the French and EU laws and regulations governing the audiovisual and telecommunications industries.

Most of the revenues from the cable and satellite channels take the form of fees paid by the broadcasting operators. Virgin 17 and Gulli, which are freeview DTT channels, draw their revenues entirely from advertising, and have the advantage of an extended pool of potential viewers and a dynamic advertising market in this fast-growing medium. By the end of July 2009, DTT coverage reached approximately 88% of the French population⁽⁵⁾ and 80% of French households now receive DTT via cable or satellite⁽⁶⁾. The analogue signal is due to be switched off in 11 regions in 2010, and Gulli and Virgin 17 will progressively become national terrestrial TV channels.

A.4 AUDIOVISUAL PRODUCTION

In the Film and TV production and distribution business, Lagardère Active supplies all the terrestrial channels with programme archives (drama, documentaries, animation) and programmes for immediate broadcast (features, light entertainment, prime-time access), through its subsidiary Lagardère Entertainment.

(1) Source: Médiamétrie Survey 126,000 radio: 13+ age group / CA / 5am-midnight / Monday-Friday / Nov-Dec 2009.

(2) Source: Médiamétrie Survey 126,000 radio: 13+ age group / CA / 5am-midnight / Monday-Friday / Jan-Dec 2009 - equal ranking with Chérie FM.

(3) Source: MédiaCabSat survey, December 2008 - June 2009.

(4) Source: Médiamétrie / Médiamat, year 2009.

(5) Source: CSA / Digital TV equipment observatory / 1st half-year of 2009.

(6) Source: Médiamétrie / Multimedia equipment benchmark / December 2008.

The revenues of these companies include financing from the broadcasters or co-producers, along with funding from bodies such as the French national cinema board (CNC). The sales for a given production do not depend directly on audience ratings, which means there is less risk involved than in the production of films to be shown in cinemas, for example.

A.5 ADVERTISING SALES BROKERAGE

Lagardère Publicité is proud of its diversity, with more than 150 media brands holding leading positions on key target segments:

- it is the leading French magazine advertising sales agency, with a 19.5% market share⁽¹⁾;
- it is number 1 in radio advertising sales, with a commercial audience share of 24% in its target category, high-spending adults aged 25-49 in the top occupational groups⁽²⁾;
- it is a powerful web advertising sales agency: Lagardère Publicité attracted 20 million unique visitors in October 2009⁽³⁾, placing it 7th on the market overall and number one advertising sales agency in the “media groups” category.

A.6 DIGITAL

Against a downturn in the display market, Lagardère Active consolidated its digital positions in 2009. The corresponding share of sales rose from 6% in 2008 to over 7% in 2009.

Lagardère Active achieved further growth in its digital publishing business, its primary ambition being to develop a leadership position in the women's interests/health segment, complemented by at least one strong position on the Group's other key segments: men's special interests (Cars/Stock market) and entertainment.

- Lagardère Active operates a worldwide portfolio of over 100 websites with a total of over 80 million unique visitors (MUV) and 840 page views in December 2009, an increase of some 13% and 25% respectively compared to December 2008.
- In France, Lagardère Active is the second-largest Media group after TF1, with an audience of close to 16 million unique visitors: 46% of French internet users visit Lagardère Group sites⁽⁴⁾.
- Capitalising on its strong brands, considerable increases in audience numbers have been achieved over the last eighteen months: the group now has 22 sites/networks with an audience of over 1 million unique visitors by the end of December 2009.
- Lagardère Active runs several popular sites both in and outside France: *Doctissimo.fr*, with almost eight MUV, is France's leading women's website *Elle.fr*, with more than 2 MUV, is the top French women's magazine website. *Premiere.fr*, with almost 4 MUV, is the number two French entertainment website and *Digitalspy.co.uk*, with 7 MUV, is the UK's number three News and Entertainment website.

B) OPERATIONS DURING 2009

Contribution to consolidated sales for 2009: €1,725 million

Distribution of sales by activity

	2009	2008
Press	74.1%	75.8%
Details: Magazine Publishing in France and advertising sales brokerage	29.9%	28.3%
International Magazine Publishing	41.2%	44.6%
Other	3%	2.9%
Audiovisual	25.9%	24.2%
Details: Radio	13.9%	14.5%
Television	12%	9.7%
Total sales	100.0%	100.0%
Including – Digital activities	7.2%	6.2%

(1) Source: TNS MI - 1 January - 6 December 2009.

(2) Source: Médiamétrie survey 126,000 Radio - ND 2009 - Monday-Friday 5am - midnight: groups: independent traders, executives and intellectual professions, company directors, intermediate job categories.

(3) Source: Médiamétrie / Netratings; all connection sites, France, October 2009.

(4) Sources: Nielsen Netratings, all connection sites.

Distribution of sales by geographic area

	2009	2008
France	53.4%	49.2%
United States	12.8%	13.8%
Asia-Oceania	6.8%	5.6%
Italy	4.6%	5.6%
Spain and Portugal	4.5%	4.7%
Russia	8.4%	11.0%
Other	9.5%	10.1%
Total sales	100.0%	100.0%

B.1 PERFORMANCE IMPROVEMENT PLAN

A three-year performance improvement plan was initiated in 2007 and continued during 2009.

This plan has several components:

- disposal or discontinuation of non-strategic assets: since 2007, the Group has disposed of a certain number of assets considered non-strategic, including the Daily Regional Press division (December 2007), SCPE (March 2008), certain TV production companies such as Les Films d'Ici (2007) and 13 Production (2007), TV channels such as MCM Belgium (December 2009) and the DTT channel Canal J (April 2009), and the radio activity in Hungary;
- rationalisation of the portfolio of countries for magazine publishing, replacing direct operation by local partner licence agreements. This strategy was applied in 2007 for Norway, Sweden, Poland, and Portugal, in 2008 for Belgium, Thailand, Greece and Lebanon, and in 2009 for South Korea;
- reorganisation of the press investments portfolio through:
 - discontinuation of under-profitable titles: 30 titles were withdrawn between November 2006 and December 2009, in France (*Match du Monde*, *l'Echo des Savanes*, *Elle à Paris*, *Guides Bonnier*, *Isa*, *Top famille*, *La Libre Match* and *Driven*), Italy (*Quark*, *Rakam*, *Gente Mese*, *Musica Jazz*), the United States (*Première*, *Shock*, *Home*), Spain (*Así son las Cosas*, *Teleindiscreta*, *Ragazza*), Japan (*Vingtaine*, *Marie-Claire*, *Première*, *Gentry*, *30 ans*), the Czech Republic (*Premiere*, *Yellow*), China (*Quo*), Hong Kong (*Elle Deco*), Russia (*IMG Daily*), Taiwan (*Elle Girl*) and the Netherlands (*Elle Girl*);
 - and sale of titles unrelated to strategic priorities: one in France (*Onze Mondial*), one in Italy (*Eva Tremila*), three in Spain (*Que Leer*, *Clio*, *Psychologies*), five in the United States (*Boating*, *Flying*, *Sound and Vision*, *Popular Photography*, *American Photography*) and one in the United Kingdom (*Real Homes*). Lagardère Active also contributed three automobile titles to a joint venture with De Agostini: *Gente Motori*, *Auto & Fuoristrada*, and *Riders*. Finally, in January 2009, Lagardère Active's TV Hebdo merged with the Figaro group's TV Mag.

In parallel to the performance improvement plan, a cost-cutting programme was launched in 2006, continued in 2007 and 2008 and intensified in 2009, involving:

- a worldwide call for tenders on paper and optimisation of specifications;
- a call for tenders for printing services in France and Italy, and revision of specifications throughout the world;
- a workforce reduction of more than 10% in France, excluding the digital sector, following introduction of a voluntary redundancy scheme;
- a workforce reduction outside France;
- a reduction in promotional expenses;
- a policy to restrict overheads and general running costs.

B.2 OPERATIONS IN 2009 BY BUSINESS SECTOR

B.2.1 Magazine Publishing in France

In terms of business scope, 2009 was marked by:

- the merger of *TV Hebdo* and *TV Magazine*: Lagardère Active holds 30% of the new entity;
- the effect of consolidation over the full year of *Psychologies*, which was taken over in June 2008;

- the effect of consolidation over the full year of *Art & Décoration* and *Maison & Travaux*, acquired on May 1, 2008 from the Massin group.

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

- *Elle* magazine registered excellent per-issue sales, up by +8.7% from 2008. It is planned to bring out a paid distribution edition for France (*Diffusion France Payée* – DFP). This is the fourth consecutive year of significant growth (+ 3.8 %).
- *Psychologies* magazine had stable results in terms of paid distribution in France, including for per-issue sales.
- Circulation figures for *Version Femina* fell slightly, by around 2 %.
- *Paris Match* per-issue sales held up better than its “news pictures” competitors, with paid distribution 3.4% lower than in 2008.
- In celebrity magazines, *Public* and *Ici Paris* achieved the market’s two best performances for per-issue sales, with paid distribution down by 2.5% for *Public* and 4.3 % for *Ici Paris*. In the art of living segment, the principal magazines registered very good circulation, with higher paid distribution for *Art & Décoration* (+ 2.4 %), *Elle Décoration* (+ 3.4 %), *Maison & Travaux* (+ 4.6 %), *Elle à table* (+ 6%) and stable paid distribution for *Mon Jardin & Ma Maison* and *Campagne Décoration*. The only decline in circulation was for *Journal de la Maison* (-6%).

In terms of **advertising sales**, Magazine Publishing in France registered better results than the market as a whole, with a change of -16.3% compared to the market average of -18%.

The weekly magazines in the portfolio held up better overall than the monthly magazines, and as a result Magazine Publishing in France gained market share in important segments:

- *Version Femina*: page volume increased by +0.9% against an overall market decrease of 2.4%;
- *Paris Match*: a decline of 3% in a market that fell 4.8%;
- *Télé 7 Jours*: page volume was down by -7.3% compared to -17% for the market overall.
- In the high-end women’s magazines segment, *Elle* and *Psychologies* stood up well to the arrival of a new weekly.

In the interior décor segment, which was particularly badly affected by the advertising crisis (-23% for the whole market), the Group’s magazines maintained their positions.

B.2.2 International Magazine Publishing

2009 was a difficult year for International Magazine Publishing due to the crisis on the advertising market, which was the worst in more than fifty years. Its impact was cushioned by the strength of Lagardère’s brands and the extensive restructuring plans initiated several years earlier, which were stepped up in early 2009; there were signs in the final quarter of 2009 that the market was perking up.

In the United States, *Elle* US continued to improve its advertising position (in terms of ad page volume), knocking Vogue off the top place for the first time ever in 2009 despite the difficulties of the crisis-ridden environment. *Elle Decor* also ended the year as number one advertiser in its category, ahead of Architectural Digest. Revenues from digital activity on the group’s women’s websites rose significantly, in line with the audience for all the sites run by Hachette Filipacchi Media US (up by 30% from 2008). Rationalisation of the existing titles portfolio continued. Five specialist titles were sold in the middle of the year in order to refocus on core target segments: women’s interests and the automobile market.

In Italy, Lagardère Active maintained its clear lead on the high-end women’s magazine segment, with *Elle* and *Marie Claire*. Portfolio repositioning was continued throughout the year, with a new look for *Gente* and *Gioia* that boosted newsstand sales, discontinuation of *Gente Viaggi* and the sale of *Musica Jazz*.

The Spanish crisis reached record levels in 2009 and several magazines ceased publication, but Lagardère Active succeeded in preserving its positions overall. The advertising market share for celebrity magazines in particular gained more than 4 points thanks to the performance of *Diez Minutos* and *Que me Dices*. Growth was also registered for the digital activities, driven by the popularity of the *Elle*, *Fotogramas* and automobile-related websites. Lagardère Active continued the portfolio streamlining begun in September 2008, transferring the *Psychologies* licence to a non-group publisher.

In the United Kingdom, audience figures saw strong rises for both *Digital Spy* and the *Elle* website. Lagardère Active’s magazine portfolio structure (with three celebrity magazines among its principal titles) kept up the balance between distribution and advertising revenues, thus limiting the negative impact of the crisis.

The Russian market was seriously affected by the international crisis, although its effects were felt later than in other countries. Weekly magazines stood up particularly well, and increased circulation in 2009. The advertising market share (in terms of ad page volume) for high-end women’s and men’s monthlies was higher than in 2008 (+1.5 points).

In Japan, 2009 was marked by the creation of the strategic alliance with Sumitomo Corp. (34%) to develop e-commerce (the *Elle Shop* website was launched in September 2009). In an unfavourable environment, the market share for the group’s international titles (*Elle*, *Elle Déco*) and domestic titles (*25 ans*, *Wedding*, etc) held up well. Nonetheless, *Marie Claire* was withdrawn from publication.

China was the country that coped best with the crisis in 2009. *Femina*, a magazine launched in June 2008, continued to develop and went weekly in May 2009. The emphasis was on development of digital activities: the *Elle.cn* website is the network's leading site, with more than 4 million unique visitors. The men's website *MrModern* was launched on several media platforms in January 2009.

B.2.3 Radio

On Europe 1, the strategic scheduling decisions of autumn 2009 were validated by the audience figures: the station recorded its 6th consecutive increase in audience share in six surveys, once again breaking its own record by achieving an 8.6% share for the 13-plus age group.

Excellent results were also registered for Europe 1's target commercial sectors:

- 9.2% audience share for the CSP+ occupational group (+ 0.1 pt),
- 7.0% audience share for the 25-59 age group (+ 0.5 pt).

Thanks to the new grid introduced in September 2009, Virgin Radio became France's second most popular station with the 25-34 age group⁽¹⁾. A single "pop-rock" musical format and two flagship programmes presented by Bruno Guillon (mornings, 5.30-9am) and Camille Combal and his band (evenings, 6-8pm), underpin Virgin Radio's current success.

RFM is positioned as the number two music station for adults⁽²⁾, with a new slogan "All the best hits", a morning programme presented by Laurent Petitguillaume and Stefan Caza (which registered its best cumulative audience share since the first programme in September 2008), and continuation of Bruno Roblès' afternoon slot.

After the first call for tenders for digital terrestrial radio (DTR) licences in 19 major French cities and their suburbs opened on 26 March 2008, the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel* – CSA) announced its shortlists on 26 May 2009, which included the bids by Europe 1, Virgin Radio and RFM for three zones (Paris, Nice and Marseille). The CSA has not yet issued the licences required to broadcast on these frequencies, and is preparing an analysis of the general roll-out of DTR in France with the assistance of dedicated working parties (resource planning, rollout schedule, signalling, content of associated data). For the time being, issuance of the first licences has been put back to a later date.

Outside France, 2009 was a year of expansion for the radio stations launched in 2008 by Lagardère Active Radio International (LARI) in Russia, Poland and Romania.

Building on its success in the Czech Republic since 1990, Evropa 2 was extended to Slovakia in a format named Europa 2 (formerly Radio Okey) in December 2009.

To complement its operation of Jacaranda (South Africa's leading regional radio station), LARI bid as part of a consortium for three regional radio licences that could be awarded before the start of the 2010 World Cup.

These developments, combined with high audience figures in Russia, Poland and the Czech Republic, enabled LARI to consolidate its positions in all seven countries where it operates.

LARI's radio stations attracted over 17 million listeners daily in Russia⁽³⁾, 8.7 million in Poland⁽⁴⁾, over 3 million in Romania⁽⁵⁾, 2 million in the Czech Republic⁽⁶⁾, more than 1 million in South Africa⁽⁷⁾ and approximately 1 million in Germany⁽⁸⁾, a total 33 million listeners⁽⁹⁾.

In keeping with Lagardère Active's general strategy, LARI also stepped up the pace of digital development in 2009.

After the overhaul of its radio websites, new platforms were set up:

- simultaneous launch of eleven iPhone applications;
 - creation of *Koule.cz*, the leading music portal in the Czech Republic;
 - rapid intensification of the text-messaging strategy in Poland which became possible after process industrialisation.
- Lagardère Active is now looking at similar approaches in other countries.

(1) Source: Médiamétrie Survey 126,000 radio 25-34 age group / CA and PDA / 5am-midnight / Monday-Friday / Nov-Dec 2009.

(2) Source: Médiamétrie Survey 126,000 radio 13+ age group / PDA / 5am-midnight / Monday-Friday / Jan-Dec 2009 - equal ranking with Chérie FM.

(3) Source: TNS Gallup Media, July / September 2009.

(4) Source: SMG/KRC September / December 2009.

(5) Source: SAR June 2009.

(6) Source: Radio Project April-September 2009.

(7) Source: RAMS December 2009.

(8) Source: AS&S May 2009.

(9) Sources: TNS Gallup Media Régions September / November 2009; MML Sk April / September 2009.

In parallel to its editorial content activity, LARI has systematically developed its own advertising brokerage operations. In addition to sales for its own radios, it has exclusive contracts for a number of external broadcasters such as the Czech Republic leader Radio Impuls and the PN network in Poland.

Application of this strategy reinforced LARI's commercial leadership: it is the top radio advertiser in Russia, Poland, Romania, the Czech Republic and South Africa.

LARI operates principally on Eastern European markets which were seriously affected by the economic crisis, and results for 2009 were thus unable to match the excellent performances of 2008. LARI's radio stations nonetheless generally outperformed average market levels. The prospects for 2010 remain unclear. The upturn in business on the main markets (Russia, Poland and the Czech Republic) in the final few months of 2009 is encouraging, but is not at this stage a firm indication of a robust recovery.

B.2.4 Television channels

2009 was marked by the expansion of Digital Terrestrial Television in France, and audiences grew in line with the increasing number of subscribers and extension of coverage. The audience share for "Other TV" (i.e. other than traditional terrestrial channels) increased from 23.7% to 27.9%⁽¹⁾, with a noticeable rise in DTT audience share (15.2% compared to 11.1%) while special interest channels maintained a stable audience share of 12.7%.

In an intensely competitive environment, the good audience figures confirm the excellent performance by the Lagardère Active group's channels, both on DTT and on cable and satellite:

- Gulli is the 3rd most popular DTT channel, with a 1.8% audience share for children aged 4 and over across all of France⁽²⁾; for children aged 4-10 (all of France), Gulli is France's second most popular channel after TF1, with an audience share of 12.1%, ahead of M6 and France 3⁽³⁾.
- Lagardère Active's Youth channels represent a 60.4% share of the audience for children's channels. Tiji and Canal J are respectively in 3rd and 4th positions on cable and satellite for all audience categories together, with a 0.7% and 0.6% share of audience in the 4+ age group. Both are in the top 5 cable and satellite channels most watched by children⁽⁴⁾.
- With its new autumn programme grid, Virgin 17 has strengthened its position in the under 50s age group since September 2009. Virgin 17 achieved the highest one-year increase for DTT channels: +89% for viewers aged 4 and over (all of France), +78% for the 15-34 age group, and +77% for the 25-49 age group.
- MCM is the number two music channel on cable and satellite for the 15-34 age group, with audience share of 0.7%;
- Mezzo continued to expand internationally: it is received by 16 million subscribers in 39 countries. Development will continue in 2010 with the launch of a VOD offer and a new HD channel dedicated to live music.

In May 2009, Lagardère Active launched localised versions of Tiji and Gulli in Russia on the NTV+ satellite platform, in Russian using a subscription-based economic model. Distribution of these channels is expected to extend during 2010 to other cable and broadband platforms.

B.2.5 Audiovisual production and distribution

The advertising crisis of 2009 forced channels to bring forward budget reductions, freeze programme grid funding increases and announce cost-cutting plans.

Lagardère Entertainment (LE) had to cope with cuts in subsidies, and this led to a review of working methods in order to maintain margins.

(1) Source: Médiamat January-December 2009 vs January-December 2008, 4+ age group.

(2) Source: Médiamétrie / Médiamat - January-December 2009.

(3) Source: Médiamétrie / Médiamat - November-December 2009.

(4) Source: Médiamétrie / Médiacabsat - January-June 2009.

LE is still involved in production of drama, programmes for immediate broadcast and animation, which account for 40% of all programme costs.

TF1 and France Télévisions are the two largest players on these markets, and also LE's biggest customers.

LE acquired investments in two production companies: Electron Libre, which specialises in quality productions that meet the new cost requirements for DTT channels, and Carson Prod, which produces entertainment and high-profile prime-time programmes.

LE's productions continued to lead the rankings for French drama programmes for the 8th year running, notably with two flagship series: *Joséphine ange gardien* and *Julie Lescaut*.

LE was very successful in prime-time drama, attracting 338,469,000 viewers, far ahead of its competitor TelFrance (172,216,000 viewers) (source: Ecran total N° 769).

The top five audience scores for French drama programmes were all for LE productions, as were seven of the 100 highest-rating programmes in 2009.

The 2nd and 3rd-ranking programmes for M6 were also produced by LE.

The series *Mafiosa* recorded the 2nd and 3rd highest audiences for French series on Canal+.

LE produced a total of 111 hours of drama in 2009.

B.2.6 Digital

A large number of websites were launched or expanded significantly in 2009 in Lagardère Active's priority segments:

- For its longstanding brands, Lagardère Active consolidated its positions in the women's segments (*Elle*, parental websites, *Psychologies*) and developed a valuable Entertainment asset in its *Première* portal (4 million unique visitors (MUV), and three new themes opened in 2009: TV series, video games and music).
- Doctissimo remained the leader on the women's segment, with an audience of over 8 million unique visitors in September 2008. Sales diversification measures were begun with introduction of sponsored links, an online shop and commercial partnerships. The brand is being extended, mainly through production of a health programme on Europe 1 radio station and the launch of an iPhone application.
- Newsweb preserved its top audience figures across all its "longstanding" themes: stock markets, sport, automobile and an impressive News theme (3.8 MUV), involving three group brands: *Europe1.fr* with a new version due for release in early 2010, *ParisMatch.com* (800,000 UC) and *Jdd.fr* (1.9 MUV).
- Outside France, the principal network is the Elle network, which now boasts 15.6 million unique visitors worldwide, four times as much as in 2007, and holds strong positions in Europe and Asia. Several of the network's sites were relaunched in 2009: Elle China, Japan, Taiwan, Hong Kong and Russia.
- In China, the group launched a new Mens' Lifestyle website, *MrModern.com*, which attracted 2.5 MUV.

Following the partnership agreement with Sumitomo, an e-commerce site *Elleshop.jp* came into operation in Japan in September 2009.

- In 2009, Lagardère Active acquired strong positions in mobile communications, particularly on the iPhone market, launching 11 applications over the year (*Première*, *Elle Astro*, *Public*, *Sports.fr*, *Virgin Radio*, etc). Lagardère Active is the leading French media group for iPhone operations, and one of the Top 3 alongside Facebook and Google, with a cumulative total of 2 million downloads by 31 December 2009, almost 60 million page views in December and 25% of users active each week.
- Eight iPhone applications and channels for the women's, men's and automobile segments were released internationally in the 4th quarter of 2009 in the United States, China and Japan.
- The first *Elle* international widget (installed on Nokia mobile phones) was released simultaneously in 160 countries.
- In media agency activities, the Nextedia group's agencies were merged into a single entity renamed NextIdea, to improve the response to customers' digital marketing issues.

B.3 OBJECTIVES AND ACHIEVEMENTS OF 2009

Lagardère Active's objective for 2009 was to intensify its performance improvement plan and asset portfolio rationalisation, in order to compensate for the marked decrease in advertising revenues.

In March 2009, the positive impact of these actions on recurring operating profit was valued at €90 million compared to 2008.

When the improvement plan was stepped up in 2009, Lagardère Active sold or discontinued non-strategic assets such as MCM Belgium in December, the DTT channel Canal J in April and radio operations in Hungary.

The portfolio was also streamlined in certain countries, principally South Korea.

Finally, the group began reorganisation of the publishing portfolio, leading to withdrawal of several magazine titles.

All in all, the savings generated by these plans in 2009 compared to 2008 exceeded the objective defined in March 2009.

C) OUTLOOK

In 2009, 54% of Lagardère Active's total revenues derived from advertising sales. It remains unclear at the time of writing in early 2010 how the advertising market will behave for magazines, radio and web media.

Against this background, efforts will be more strongly focused than ever on cost control and performance improvement.

5.2.1.3 LAGARDÈRE SERVICES

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

Lagardère Services has the largest international network of stores dedicated to cultural leisure products, duty-free shops and specialist concept outlets (3,800 stores) under international store names (Relay and Virgin in travel zones) or store names with a strong local identity (Payot, Inmedio). Lagardère Services is also the world's leading player in press distribution.

Key figures for Lagardère Services are as follows:

- a unique network of 3,800 stores in 20 countries all over the world;
- 1,300 sales outlets trading under the Relay name in 17 countries, serving a million customers every day;
- over 50,000 newsagents supplied daily by Lagardère Services in Europe and 180,000 in North America.

Lagardère Services' development focuses on two business lines:

- retail sales, comprising:
 - sales outlets dedicated to travel areas,
 - and local retailing in town centres and shopping malls;
- press distribution to the sales outlets.

A.1 RETAIL SALES

Retail sales in travel areas

Lagardère Services is the world leader in retail sales dedicated to travellers, with companies such as Relay France, Lagardère Services Asia-Oceania, HDS North America and Aelia, and has set up new sales outlets in airports and train stations in the 18 countries where its store names are present.

a) With almost 1,300 Relay stores in nearly 100 international airports and Newslink stores in Australia and Singapore, Lagardère Services currently runs the largest international network of press retail stores in travel areas. Taking advantage of new sales outlets regularly opened in Poland, the Czech Republic, Romania, the United States, Australia, China, and more countries, Relay offers an increasing number of customers a wide range of products for consumption while travelling: newspapers, magazines, books, confectionery, souvenirs and food products, etc.

In train stations and airports, Lagardère Services also operates a large number of stores selling music, reading materials and small electronic devices under the Virgin name (in France, Australia, China, Germany and the United States). Meanwhile, the Découvrir stores in France, and Discover stores in America, Australia and Singapore, sell tourists products that promote local culture and regional produce.

Competition in the field of press retail outlets in travel areas is mainly from local businesses: Hudson News, Paradies and HMSHost in North America, Valora in Switzerland, Valora and Eckert in Germany, Areas in Spain, Ruch and Kolporter in Poland, etc.

b) In addition to the Relay outlets, Lagardère Services also operates duty-free sales and specialist stores through Aelia, France's number 1 company for retail sales in airports.

Aelia manages over 140 sales outlets in 20 French airports, three outlets in the United Kingdom (Belfast and Luton) and nine in Poland (Warsaw, Krakow, Poznan and Szczecin). As well as operating franchise stores such as Virgin and Hermès, Aelia possesses a portfolio of its own store names, such as Pure & Rare, Beauty Unlimited, French Days, The Gourmet Shop, Cosmopole, etc.

Aelia also handles onboard sales of top of the range products on behalf of certain airlines, particularly Air France and Iberia.

The principal global players in duty-free sales and specialist stores in travel areas are World Duty Free and Aldeasa (Autogrill group), DFS (LVMH group), TNG (The Nuance group), Heinemann, Dufry and Aelia.

Local retailing in town centres and shopping malls

Lagardère Services also has an extensive network of 1,800 press sales outlets in town centres and shopping malls, trading under names with strong national identities such as Inmedio in Eastern Europe, Press Shop in Belgium, Naville in Switzerland and BDP in Spain. Competitors are local independent retailers.

This network is complemented by the Payot bookshop chain in Switzerland, with 12 stores, competing against independent booksellers and the FNAC.

In response to the steady decline in press sales, Lagardère Services is pursuing a plan to diversify its retail business in fast food, coffee shops and specialised concepts.

With establishments in 20 countries and expertise acquired on these different markets, Lagardère Services has entered into partnerships with major retail players such as Casino and L'Occitane (France), Paul (Czech Republic), Costa (Czech Republic, Hungary), Empik (Poland), Monceau Fleurs (Germany), Moa (Romania), Bijoux Ternier and Lonely Planet (Australia).

A.2 NATIONAL PRESS DISTRIBUTION AND PRESS IMPORTS AND EXPORTS

Supplying the sales outlets with newspapers and magazines is a crucial function in press sales, exercised by Lagardère Services in 10 countries at two levels:

- the world's leading national press distributor, Lagardère Services is the largest distributor in the United States, Belgium, French-speaking Switzerland, Spain and Hungary. In many countries, Lagardère Services supplies networks of convenience stores: Lapker in Hungary (11,979 sales outlets, 673 of which are operated by the company) and SGEL in Spain (16,000 sales outlets). In North America, the leading national magazine distributor Curtis Circulation Company runs a network of independent wholesalers and manages sales of press titles to the major retail sale chains. Its market share stood at 30%⁽¹⁾ in 2009. Competitors are major local players such as TDS/WPS (Time Warner group), Kable, and Comag (Hearst/Condé Nast). In Spain, SGEL, the leading national press distributor, holds 20% of the market; its main rivals are Logista and GDER (a newspaper publishing cooperative). Lagardère Services has no significant competitors in Hungary, Belgium or Switzerland;
- Lagardère Services is also a leading enterprise in the import and export of international press, with operations in ten countries (Belgium, Bulgaria, Canada, Spain, the United States, Hungary, the Czech Republic, Romania, Serbia and Switzerland).

B) OPERATIONS DURING 2009

Contribution to consolidated sales for 2009: €3,388 million

Distribution of sales by activity

	2009	2008
Retail	68.3%	66.3%
Distribution	31.7%	33.7%
Total sales	100.0%	100.0%

Distribution of sales by geographic area

	2009	2008
France	30.3%	28.3%
Europe	59.0%	61.7%
North America	6.3%	5.9%
Asia/Oceania	4.4%	4.1%
Total sales	100.0%	100.0%

⁽¹⁾ Source: internal survey.

Sales by Lagardère Services were down by 3.2% (unadjusted) or 2.3% on a like-for-like basis.

The market environment in 2009 was marked by the international financial crisis, the continued press market decline, and a significantly lower level of air traffic. North America and Europe both suffered from their weak economies.

Air traffic was down worldwide by 4.6% at the end of September 2009, with decreases of 7.2% in Europe and 7% in North America, although it increased by 1.1% in the Asia-Oceania region (source: ACI). The situation has improved since the summer of 2009: September saw the year's first upturn in air traffic levels, a rise of +1.3% explained by the fact that the downturn in traffic began in the final quarter of 2008 and changes are now comparable. Nevertheless, this apparent recovery is misleading, as air traffic volumes remain lower than 2007 levels for these months and the preceding months.

For the period 2007-2009, the press markets reported declines of 2% to 15% depending on the country (source: internal study). It is worth noting that the significant falloff of late 2008/early 2009 generally appears to have been halted.

The downward trends in air traffic and press sales weighed heavily on Lagardère Services' results for 2009, as did the interest rate reductions, despite the action plans introduced right from the start of the year to cut costs and protect cash resources.

Lagardère Services responded to the crisis, particularly the downward trends in air traffic and press sales, by setting itself two new objectives at the beginning of 2009:

- A profit protection plan with an initial objective of €25 million in savings on the budget in February, revised to €35 million for April. This objective was achieved. For example, a significant restructuring plan was launched in summer 2009 in the Belgian press distribution activities (including stopping the bookselling activity altogether) in order to return to profitability. Meanwhile, Lagardère Services sold off its unprofitable press distribution operations in Poland.
- A cash protection plan, involving savings on investments and action plans for working capital. This objective, too, was achieved despite the decline in business, which had a knock-on effect on working capital requirements for the distribution companies. Long-term cash resources thus increased from €222 million to €245 million in 2009.

Another noteworthy factor was the growth in electronic sales via the internet (HDS Digital recorded 1.9 million downloads in 2009).

B.1 RETAIL SALES

With its 851 sales outlets, Relay France showed resilience in the face of market developments and registered a slight 1.3% increase in business in 2009, thanks to network growth (several outlets were opened in hospitals) and the effect of full-year operation of sales outlets opened in 2008.

The contribution of these new stores was complemented by very good like-for-like results for non-press products (including foodstuffs (+4.4%), tobacco goods (+4%), and books (+0.6%) sustained by an innovative sales policy of product diversification. 2009 business was nonetheless adversely affected by the significant downturn in press sales (-5.1%) and the ongoing decline in telephone product sales (-8.8%).

In the rest of Europe, growth registered varying levels.

Business in Germany increased by 3.7% and the network continued to expand with four sales outlets opened over the year, raising the total to 76 units at the end of 2009.

Belgium also experienced a 2.5% rise in sales, following modernisation of its sales network and the opening of new outlets bringing the total number to 279 at the end of 2009.

Growth was low in Switzerland (+1.1% at constant exchange rates). The Naville brand name fared well against a troubled press market (-4.8% against a 6.1% market decline), and progressed thanks to excellent sales performances for tobacco goods (+4.9%), telephone products (+7.2%), and higher foodstuff sales (+4.1%). At the end of 2009, the network had 177 sales outlets.

The 12-store Payot chain of booksellers also achieved growth of 3.3% in 2009.

In Spain, business declined by 2.3% in 2009 with:

- the 5.1% downturn at press sales outlets: street outlets and stores in shopping malls (-9.5%) and travel area sales outlets (-4.5%), affected by the -8.1% decline in airport traffic over 2009.
- At 31 December 2009, the network had 156 sales outlets, a number that has been declining since 2005 following closures caused by new legal restrictions on tobacco sales.
- the opening of three new outlets operating under the La Cure Gourmande brand name, which contributed +2.8% to the overall increase in activity compared to 2008.

In Central Europe, Lagardère Services continued to enjoy strong growth, particularly in Poland and Romania; business was stable in 2009 in the Czech Republic, and declined in Hungary:

- in Poland, sales increased by 15.9%, with 27 sales outlets added to the network in 2009 (bringing the total to 660);
- in Romania, sales increased by 36.6%: 26 new sales outlets were opened in 2009 (bringing the total to 163);
- in the Czech Republic, sales increased by 1.0%: six new sales outlets were opened in 2009 (bringing the total to 171);
- in Hungary, sales declined by 5.9%, largely due to closures of 76 newsstands (336 newsstands in all) while business by outlets trading under the "Relay" and "Inmedio" store names was stable, with 334 sales outlets in total.

In North America, where Lagardère has a network of 282 sales outlets (176 in Canada and 106 in the United States), retail sales rose by 7.7% (at constant exchange rates):

- This increase was entirely due to external growth. At the end of 2008, HDS RNA acquired two American companies, Delstar and NGSI, which operate 17 and 40 sales outlets respectively in airports and hotels (generating sales of \$43 million).
- Excluding the impact of acquisitions, there was an 11.4% downturn in sales or a 6.3% decrease including changes in the network structure (due to lower volumes of travellers) and a 5.1% decline excluding changes in the network structure (due to the loss of the Newark contract and closure of unprofitable urban stores in 2009).

In the Asia/Oceania region (Australia, Hong Kong, mainland China, Singapore and Taiwan), sales increased significantly (+6.5% compared to 2008). The key factors were network growth, plus the effect of acquisition of a 51% interest in Purely Group in March 2008 (21 airport outlets selling gifts/souvenirs/merino wool garments, under the Purely Australian and Purely Merino brands). Lagardère now has 166 sales outlets in the Asia/Oceania zone (102 in Australia, 17 in Hong Kong, 25 in China, 17 in Singapore and 5 in Taiwan).

In 2009, Aelia saw a 5.1% decline in business due to the lower air traffic volumes (there were sharp falls in France: -4.7% in Paris and almost -10% in the rest of the country). Sales increased outside France:

- +8.9% in the United Kingdom through the new activity of onboard sales on four ferries between France, Ireland and Wales, which began operation in early 2009;
- and +31.9% in Poland: the full year effect of outlets opened in 2008 at Warsaw, Szczecin and Poznan airports, and the two new stores in Warsaw and Krakow.

In Paris, spirits/tobacco/perfumes shops are operated by SDA in partnership (50/50) with Aéroports de Paris. SDA now operates the concessions at the Paris airports of Charles de Gaulle (Terminals 1, 2, and 3), Orly Sud and Orly Ouest, and gourmet shops at certain.

In early 2008, Lagardère Services sold an 80.2% share in Virgin to Butler Capital Partners. Virgin now only operates in travel areas, where its brand continues to expand, with a total of eight sales outlets in train stations (six in France and two in Germany) and 31 sales outlets in airports: 15 in France, two in Germany, two in Poland, nine in North America and three in Australia).

All these country figures include the effect of the ongoing diversification plan. In view of declining press and tobacco sales, Lagardère Services has begun a process to diversify its traditional businesses. A network of 91 sales outlets has been developed under several partnership agreements already signed:

- with the supermarket chain Casino in France for a local convenience food store project under the Chez Jean brand name (4 stores);
- with the Cure Gourmande confectionery chain in France (3 stores) and Spain (3 stores);
- with Nature & Découverte in French-speaking Switzerland (1 shop);
- with the Happy flower brand in Germany (2 stores);
- with the bakers Paul in the Czech Republic (3 stores);
- with Costa Coffee in the Czech Republic (6 stores) and Hungary (3 stores);
- with Empik for development of the Empik Café brand in Poland (56 stores);
- with the fashion accessories retailer Moa in Romania (10 stores).

Naville ceased operations under the Paul brand in Switzerland, closing four sales outlets in mid 2009 as the market turned out to be less promising than expected.

B.2 NATIONAL PRESS DISTRIBUTION AND PRESS IMPORTS AND EXPORTS

The 2009 results for press distribution activities were negative in all countries except Switzerland.

In Spain, sales by the distribution business were down by 10.4% due to adverse trends on the magazine market (per-issue sales fell by 11% and advertising revenues by 38%), the lower number of part-works collections (-27.1%) and the continuing slowdown in sales of telephone cards (-14.8%).

In Belgium, AMP distribution activities saw a 2.0% decline in sales in 2009, particularly concerning press products, but also resulting from discontinuation of the bookselling activity on June 30. Telephone card sales rose significantly (+7.0%). The action plan for reorganisation launched in 2007 continued over 2009 (major measures concerned the installation of Pick & Pack lines and recycling of all unsold magazines), improving the company's profitability.

In Switzerland, the erosion of press sales also affected Naville's distribution activities, with press sales revenues down by 6.1% despite a considerable rise in the price of Swiss and French daily newspapers. In contrast, distribution of non-press products grew by 2.2%, driven by good performances on telephone cards (+5.5%) and tobacco goods (+16.3%).

There was a downturn of 4.9% in Hungary as press sales were down by 6.5% and non-press sales also declined.

In the United States, Curtis' consolidated distribution sales registered a 12.5% decrease at constant exchange rates, in a shrinking magazine market. Business was also disrupted by the bankruptcy of one of the four largest wholesalers (Anderson) in February 2009.

In Canada, sales by LMPI were down by 9.6% as business was affected by the slowdown on the press market.

B.3 OBJECTIVES AND ACHIEVEMENTS OF 2009

The 2009 objectives set in 2008 focused on retail activities:

- strengthening the group's leadership positions in travel area sales;
- development of well-known brand sales outlets in travel areas, and also in shopping malls and town centres;
- ongoing implementation of the diversification plan;
- further expansion of business in the Asia/Oceania and Central Europe regions.

The following was achieved in 2009:

- Lagardère Services continued to reinforce its retail activities, which now account for 68.3% of total sales (66.3% in 2008). Distribution activities accounted for 31.7% of total sales, after 33.7% in 2008.
- The plan for diversification into new retail concepts continued, generating sales of €19 million through a 91-store network using a range of trade names (Chez Jean, La Cure Gourmande, Paul, Costa, Empik, Happy, Moa, Nature et Découvertes).
- Business in Asia/Oceania grew by 6.5%, while there was a slight 1.7% decrease in Central Europe (at constant exchange rates) in a crisis environment.

C) OUTLOOK

Once again, Lagardère Services' prospects for business expansion in 2010 will depend on:

- airport traffic levels, which have been significantly reduced by the international financial crisis, particularly since the second half of 2008;
- trends on press markets, where the downturn has intensified since the final quarter of 2008;
- and general economic trends.

Nonetheless, after the degrowth of 2009, Lagardère Services intends to return to steady growth in its core businesses during 2010 and beyond, while entering new markets through internal growth and possibly external growth in particularly favourable conditions, systematically seeking out geographic or operational complementarities with existing activities.

Retail business goals will focus on:

- strengthening leadership positions in travel areas;
- development of well-known brand sales outlets in travel areas and shopping malls, and in town centres;
- ongoing implementation of the diversification plan;
- further expansion of business in the Asia/Oceania and Central Europe regions.

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

5.2.1.4 LAGARDÈRE SPORTS

A) **PRINCIPAL ACTIVITIES AND MAIN MARKETS**

Lagardère Sports' business is carried out through five companies:

- Sportfive (100% - acquired in 2007);
- IEC in Sports (100% - acquired in 2007);
- Upsolut (100% - acquired in 2008);
- PR Event (100% - acquired in 2008);
- World Sport Group (71% - acquired in 2008).

These subsidiaries do business in three separate domains:

- Media Activities,
- Marketing Rights,
- Sports Event Organisation and Merchandising.

A.1 **MEDIA ACTIVITIES**

Lagardère Sports' core business is media rights, encompassing management and operation of broadcasting rights for sports events through traditional or digital media. Lagardère Sports' main customers in this market range from television channels to all other content distribution platforms (satellite, cable, internet, mobile telephones, etc.), and the media rights in Lagardère's portfolio are mostly second party and third party rights (i.e. excluding host country rights). Media activities also involve Production, which covers all the resources necessary to record an event or a programme intended for broadcast on any content distribution platform.

Lagardère Sports draws on the expertise of three entities for its Media Activities: Sportfive, IEC in Sports and World Sport Group.

A.1.1 **Sportfive**

Sportfive is one of the principal players on the worldwide sports media rights market, and operates through three separate divisions with complementary geographical coverage: Sportfive France & Africa, Sportfive Germany and Sportfive International, which handles most of the agency's media rights sales business.

Sportfive has entered into partnerships with the major European football leagues and close to 30 national and international sports federations, thus developing a unique positioning and expertise enabling the main rights holders to optimise their media income.

The agency's main assets include the Olympic Games and football, the most highly-developed and popular sports on the planet. Sportfive markets the media rights for the principal European football championships, the African Nations Cup, the 2014 Olympic Games to be held in Sochi, Russia and the 2016 Olympic Games to be held in Rio de Janeiro, Brazil, to broadcasters across the whole world.

A.1.2 **IEC in Sports**

The Swedish company IEC in Sports specialises in the management and operation of sports media rights. Its portfolio covers over 250 events in Europe (a region that represents 75% of IEC's contracts), the United States and Asia, totalling more than 3,500 hours of sports broadcasts annually.

IEC in Sports works mainly with olympic sports such as athletics, tennis, volleyball and gymnastics, and has also developed a football portfolio, including marketing the international rights for the Portuguese football league and production rights for the Swiss football league.

The company is also in charge of sales of European and African media rights for the World Athletics Championships on behalf of the IAAF (International Association of Athletics Federations).

With the impressive range of sports in its portfolio, IEC in Sports offers customers (television channels and all other types of multimedia distribution platforms) a full array of turnkey sports programming solutions covering events in several different sports.

A single economic model is used to market most of these rights. The complete spectrum of media-related services can be carried out for customers: scheduling, production, post-production. These turnkey offers include live production ("host

broadcasting”), dubbing, editing, commentary, collection of statistics, television branding and transmission via satellite. Business in these services is growing fast and complements the distribution of media rights.

A.1.3 World Sport Group

The Singapore-based World Sport Group specialises in management of broadcasting rights for Asian sporting events. It has achieved rapid expansion by developing key partnerships with the main rights holders on the Asian continent. The BCCI (Board of Control for Cricket in India), the AFC (Asian Football Confederation) and the OneAsia Super Series (a new Golf Tour in Asia) have all engaged World Sport Group to optimise income from their rights.

With a portfolio comprising more than 1,000 hours of live sports programming and 600 days of sport annually spread over more than 30 different countries, and as distributor of prestigious events such as the Asian Football Cup, qualifying matches for the FIFA 2010 football World Cup, and the Indian Premier League cricket competition, World Sport Group is well-established as a major player in sports media rights in Asia.

A.2 MARKETING RIGHTS

Sports marketing enables advertising buyers to associate their brand and image with organisations, events and personalities from the sports world. The channels used by private sponsors to create this link range from image rights and uniforms to signage in stadiums, and also include corporate hospitality and other approaches.

Sports sponsoring is a powerful corporate communication tool, able to meet external objectives (raising brand profile and reputation, developing local connection with consumers) as well as convey internal messages (communication), etc.

The impact of the message and values conveyed through marketing operations varies with the sport, but the Olympic Games and football undeniably generate the most interest among broadcasters and viewers all over the world. These disciplines form the most highly-coveted marketing platforms in the world of sport.

A.2.1 Sportfive

Sportfive’s marketing rights are mainly managed by the France & Africa and Germany divisions. Their portfolios consist of exclusive marketing rights for the leading German and French football clubs, including Olympique Lyonnais, Paris Saint-Germain, Lens Racing Club, Hamburg SV, Borussia Dortmund and Bayer Leverkusen.

Sportfive also manages marketing rights for the African Football Federation and is also involved in various other sports such as rugby, skiing and handball.

A.2.2 World Sport Group

The sports rights portfolio in Asia has enabled World Sport Group to benefit from significant growth on the Asian market. Sports sponsorship is one of the principal ways of building up reputation and brand image.

World Sport Group handles marketing rights for the Asian Football Confederation, the home matches for the Indian national cricket teams, OneAsia tournaments, the new Golf Tour launched in 2009 and the 2010 Commonwealth Games.

World Sport Group also represents top-level Asian golfers and cricketers, marketing their image rights and managing their financial situation for the long term. For instance, it has signed contracts with the cricket star Sachin Tendulkar and the golfer Daniel Chopra.

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

A.3 ORGANISATION OF SPORTS EVENTS

To diversify its activities and increase its involvement along the entire value chain of the sports market, Lagardère Sports has developed a position as a sports event organiser and manager. Development in this field of business is continuing through the subsidiaries Upsolut and PR Event.

A.3.1 Upsolut

Upsolut has developed expertise in organisation and management of sports events, with a special focus on mass sports and endurance sports, which are currently growing in popularity. These events are often open to both professionals and amateurs (“pro-am”) in popular disciplines such as cycling and triathlon.

Upsolut’s portfolio currently includes the Hamburg and London triathlon, Berlin’s *Skoda Velothon* (a marathon for amateur cyclists) and the cycling race *Vattenfall Cyclassics*, which is part of the International Cycling Union Pro Tour.

Upsolut also organises the world triathlon championships (Dextro Energy World Series) for the ITU (International Triathlon Union).

A.3.2 PR Event

PR Event has developed expertise in organisation of international-level tennis tournaments.

It is the owner and organiser of the ATP and WTA tournaments held in Bastad, Sweden, and from 2010 will also organise the ATP tournament held in Stockholm.

B) OPERATIONS DURING 2009

Contribution to consolidated sales for 2009: €507 million

Distribution of sales by activity

	2009	2008
TV rights and production	62%	63%
Marketing rights	35%	33%
Other	3%	4%
Total sales	100%	100%

Distribution of sales by geographic area

	2009	2008
Europe	61%	79%
Asia/Oceania	22%	6%
The Americas	2%	1%
Africa	7%	6%
Middle East	8%	8%
Total sales	100%	100%

Distribution of sales by sport

	2009	2008
Football	76%	86%
Tennis	2%	2%
Rugby	1%	1%
Other sports	21%	11%
Total sales	100%	100%

Football, the major sport for Lagardère Sports, contributed 76% of sales in 2009 compared to 86% in 2008. The difference is mainly explained by consolidation of World Sport Group, which operates primarily in cricket and golf.

The media and advertising sectors did not escape the effects of the worldwide economic and financial crisis. Although the negative trends in these industries affected the value of media and marketing rights, different sports and geographic areas sent out contradictory signals: the value of premium rights remained stable (and in some cases even increased), while the value of other rights decreased. In terms of geography, Asia and Africa stood up to the crisis better than Europe.

This economic environment caused a difficult year for Lagardère Sports in 2009, but with the contracts signed or renewed and the reorganisation of Sportfive, the division will be better equipped to adjust to future market developments.

B.1 REORGANISATION OF SPORTFIVE

In 2009 Sportfive was reorganised into three independent operating units covering complementary geographical areas: France & Africa, Germany and International. These changes will increase Sportfive's efficiency and productivity, by simplifying decision-making processes for a more practical response to rights holders' expectations and improved cost control.

B.2 MEDIA ACTIVITIES

B.2.1 Sportfive

The Olympic Games, the most popular sports event in the world, will be distributed by Sportfive in 40 European territories. Sportfive won the contract for management of media rights in Europe for the 2014 and 2016 Olympics, to be held respectively in Sochi, Russia and Rio de Janeiro, Brazil. This major acquisition will enable Lagardère Sports to diversify into Olympic sports and strengthen its position as a major player in the sports market.

In football, Sportfive signed a 3-season exclusive agreement to market the media rights to Spanish League matches in Eastern Europe. The company was also selected to distribute the German football championship in certain areas of Europe and Asia.

Sportfive also renewed existing partnerships with several European federations, including in Poland and Luxembourg.

B.2.2 IEC in Sports

In 2009, IEC in Sports successfully bid for a major contract with the IAAF (International Association of Athletics Federations), and will thus market media rights in Europe and Africa for the World Athletics Championship of 2011 (in Daegu, South Korea) and 2013 (Moscow, Russia). The agreement also covers all the other World Athletics Series meetings between 2010 and 2013. This gives IEC in Sports a sound foothold in the very closed market of premium rights.

IEC in Sports again represented Manchester United for the sale of broadcasting rights in the club's Asian tour of summer 2009.

The other significant event of the year was the signature of a new production contract for the Swiss football league Xpo Super League. This contract diversifies IEC in Sports' portfolio and confirms the health of its business.

B.2.3 World Sport Group

The major event of 2009 was conclusion of a new sales contract with the Asian Football Confederation, covering the media rights for all Asian Football Confederation competitions until 2020.

Also in football, World Sport Group signed an agreement with Dentsu for distribution of media rights for FIFA club World Cup matches in 2009 and 2010 all over the world (except Japan and the Middle East).

In golf, World Sport Group became the exclusive commercial partner of the OneAsia Super Series, a new Golf Tour launched in Asia.

B.3 MARKETING RIGHTS

B.3.1 Sportfive

Sportfive consolidated its portfolio of European football club rights in 2009, negotiating agreements for exclusive management of marketing rights with Toulouse FC in France and Dresden in Germany.

Sportfive also renewed a long-term contract with Paris Saint-Germain.

In sales, Sportfive negotiated a ten-year contract for Olympique Lyonnais with a new equipment supplier (Adidas) and a new uniform sponsor. A new naming contract was also signed with Imtech for the Hamburg SV club's stadium, and Orange became the official sponsor of the African Football Confederation's main tournaments (African Nations Cup Champions League, etc).

B.3.2 World Sport Group

The contract between the Asian Football Confederation and World Sport Group also covers management of marketing rights of the confederation and its competitions.

In cricket, an agreement was entered into in 2009 for World Sport Group to represent Gautam Gambhir, one of the greatest cricketing stars.

World Sport Group was also appointed as promoter of the Australian Open Golf competition for the next six years.

Finally, the commercial partnership for the OneAsia Super Series also includes sales of marketing rights for this prestigious new tour.

B.4 ORGANISATION OF SPORTS EVENTS

B.4.1 *Upsolut*

The new format for the world triathlon championships organised by the ITU (International Triathlon Union) was very successful in 2009. Upsolut was behind the redesigned championship format and organised the Hamburg, London and Washington events.

There will be seven events in the 2010 world championship series, with the final in Budapest (Hungary). Upsolut is in charge of organising the London and Hamburg events.

The *Vattenfall Cyclassics* race, which is part of the UCI Pro Tour, and the *Skoda Velothon* cycling marathon in Berlin were once again very popular. The Velothon broke last year's record as the number of participants rose from 10,500 to 12,000.

B.4.2 *PR Event*

For the first time, PR Event organised the WTA women's Swedish Open in Bastad (Sweden) in 2009. This takes place one week before the prestigious ATP men's tournament organised by PR Event in the same city, which was again elected the players' favourite tournament on the ATP circuit.

In 2010, PR Event will organise the Stockholm ATP tour in partnership with IEC in Sports, which will handle media rights sales. The skills of both Lagardère Sports subsidiaries will thus be combined to serve this new project.

B.4.3 *IEC in Sports*

IEC in Sports announced during 2009 that it was preparing a new football tournament, La Copa del Sol, a preseason international tournament for Nordic, Russian and Ukrainian clubs to be held for the first time in Marbella, Spain in February 2010. This strengthens Lagardère Sports' positioning on friendly tournaments between football clubs, a type of event that has high development potential.

IEC in Sports will also work with PR Event to organise and manage the Swedish Open tennis tournament in Stockholm.

B.4.4 *Sportfive*

Sportfive set up a new German subsidiary, The Sports Promoters, to organise sports events in stadiums and sports complexes. In 2009, it organised a friendly match between Borussia Dortmund and Real Madrid.

B.5 OBJECTIVES AND ACHIEVEMENTS OF 2009

The economic crisis shook up the forecasts of 2008. Thanks to long-term contracts specific to Lagardère Sports' activities, advertising and sponsorship revenues were protected for the first half of 2009, but in the second half-year the intensity of the crisis and the disappearance of certain media players (particularly in the United Kingdom) had a negative impact on the anticipated results. These effects were most marked in European media activities, whereas Asian-based activities lived up to their promise and delivered the expected growth. Sports marketing activities generally stood up to the crisis in an environment weakened by the collapse of the advertising market.

C) OUTLOOK

The contracts for management of media rights for the 2014 and 2016 Olympic Games and the 2010-2013 World Athletics Championships, awarded to Sportfive and IEC in Sports respectively, place Lagardère Sports in a position to pursue its ambitions as worldwide leader in its areas of business.

Non-European sports activities expanded, especially in Asia, thanks to good performances by World Sport Group.

Upsolut and PR Event are continuing their proprietary event strategy to increase business by Lagardère Sports along all sections of the value chain.

Lagardère Sports is continuing to develop a number of sports events through its subsidiaries.

In 2010, Lagardère Sports will continue to pursue the following objectives:

- foster organic growth through acquisition of new rights;
- further integrate subsidiaries and develop operational synergies in the sports division;
- continue Lagardère Sports' geographic expansion into new territories;
- diversify the portfolio of premium rights in new sports disciplines;
- grow in all services along the value chain of sport, particularly arena management, player representation, event organisation and advice to rights holders.

5.2.2 OTHER BUSINESS ACTIVITIES

5.2.2.1 EADS⁽¹⁾

A) GOVERNANCE

After the 2007 governance reform, the organisation of the EADS group remains faithful to the founding principles of EADS NV as defined in 1999 by the French government, Lagardère SCA, Daimler and the Spanish government (via the holding company SEPI), which are the following:

Principle of parity

- **In the structures of the controlling bodies:** this principle of parity is primarily reflected in the French holding company, the limited partnership Sogead, in which equal rights are held by the French government and Lagardère SCA, although their respective interests are different from the original parity.

The capital of Sogead, which until the end of June 2007 was held half by Sogepa (fully-owned by the French government) and half by Désirade (fully-owned by Lagardère SCA), is now owned 2/3 by Sogepa and 1/3 by Désirade after the remittal of EADS shares by Lagardère SCA to the holder of the Mandatory Exchangeable Bonds (see below) on 25 June 2007, 25 June 2008 and 24 March 2009.

Sogead is managed by Sogead Gérance (owned 50% by the French government and 50% by Lagardère SCA). In application of the reform of 2007, which also concerned Sogead's governance system, the Chairman of Sogead Gérance is appointed upon proposal by Lagardère SCA. Arnaud Lagardère has been Chairman of Sogead Gérance under this procedure since 25 October 2007.

The principle of parity is also visible in the Dutch "Contractual Partnership" empowered to exercise the voting rights of Sogead, Daimler and SEPI at EADS general shareholders' meetings, in accordance with the EADS shareholders agreement. Sogead and Daimler each hold identical percentages in this partnership.

- **At managerial level:** EADS' Board of Directors comprises the following members, appointed at the shareholders' meeting of 22 October 2007 for terms of office that will terminate at the annual general meeting of 2012. Subsequent terms of office will last five years:
 - two representatives of Sogead, appointed upon proposal by Lagardère SCA - Arnaud Lagardère and Dominique D'Hinnin - and two representatives of Daimler appointed upon proposal by Daimler - Rolf Bartke et Bodo Uebber;
 - the Chairman of EADS NV - Rüdiger Grube;
 - its CEO - Louis Gallois;
 - a representative of SEPI, appointed upon proposal of SEPI - Juan Manuel Eguíagaray Ucelay; and
 - four independent directors - Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker and Michel Pébereau - appointed upon joint proposal by the Chairman and the CEO of EADS NV to contribute their experience and independent point of view to the group.

Decisions of the Board require a straightforward majority of 6 votes out of 11, except for decisions concerning a limited list of reserved subjects. These include the appointment of the Chairman and the CEO of EADS NV, appointment of the CEO of Airbus and strategic decisions or decisions on major investments, and require the approval of four directors representing Sogead and Daimler.

EADS NV is managed by a Chairman and a CEO nominated upon joint proposal by Sogead and Daimler, currently Rüdiger Grube and Louis Gallois, appointed at the Board of Directors' meeting of 22 October 2007.

The Chairman of EADS NV and the CEO of Airbus must be of the same nationality, either French or German, while the CEO of EADS NV and the COO (Chief Operating Officer) of Airbus must both be of the other nationality. Consequently, when the terms of office of Rüdiger Grube and Louis Gallois expire upon the annual general meeting of 2012, the nationality of the holders of these positions will change. The French government, Lagardère SCA and Daimler have agreed that Arnaud Lagardère would succeed Rüdiger Grube as Chairman.

The Chairman of EADS NV is, among other things, in charge of overseeing group strategy – teaming up with the CEO for top-level strategic discussions with third parties – and relations with principal shareholders. In particular, he chairs the Board's

(1) Accounted for by the equity method.

Strategic Committee (see below). The CEO of EADS NV is more particularly in charge of the management team for execution of group strategy, and handles the company's relations with institutional and private shareholders.

Principle of uniqueness

- In compliance with the wishes expressed when the company was founded, EADS NV has only one General Management, one Financial Division, one Strategy Division, etc.
- The Executive Committee of the EADS NV group, which is jointly responsible for the executive management of the group along with the CEO, comprises twelve members.

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

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

Appointments of management in the EADS group aim to select the “best man for the job”, while maintaining the group's balance and diversity in coherence with its heritage and founding shareholders.

At Airbus, Thomas Enders is the CEO (candidates for this post are proposed by the CEO of EADS NV and submitted for approval to the Chairman and Board of Directors of EADS NV), and Fabrice Brégier is the COO (candidates for this post are nominated by the CEO of Airbus and require the approval of CEO and Chairman of EADS NV).

The Audit Committee and Remuneration and Nomination Committee of EADS NV each consist of one director representing Sogea, one director representing Daimler and two independent directors, and are both chaired by an independent director.

A Strategic Committee provides support for the Board of Directors. It consists of one director representing Sogea, one director representing Daimler, one independent director, the CEO of EADS NV and the Chairman of EADS NV who acts as committee chairman.

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

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

On 6 April 2006 Lagardère SCA concluded a contract with IXIS Corporate & Investment Bank and Nexgen Capital Limited for subscription of Lagardère SCA bonds exchangeable for EADS NV shares subject to an adjustment mechanism (Mandatory Exchangeable Bonds). Under this contract, on 11 April 2006, Lagardère SCA issued and IXIS Corporate & Investment Bank (now named Natixis) subscribed bonds with nominal value of €1,992,186,000, exchangeable for a maximum of 61,110,000 existing EADS NV shares, in three tranches concerning a maximum of 20,370,000 shares each, on 25 June 2007, 2008 and 2009 respectively.

When the bonds are exchanged, Lagardère SCA is entitled to receive the full benefit of any rise in the EADS share price up to a maximum of 115% of the reference price set at €32.60 per share, by reducing the number of EADS shares to deliver to bondholders to a number no lower than 53,139,130 shares. Conversely, Lagardère cannot be obliged to deliver more than 61,110,000 EADS shares in the event the share price declines to below the reference price.

61,110 Mandatory Exchangeable Bonds were issued at the price of €32,600 each, paying an annual coupon of 7.7%.

Lagardère's partial withdrawal took place in parallel to another operation by Daimler, which sold a 7.5% share in EADS NV on the market, immediately reducing its holding in the capital of EADS NV from approximately 30% to 22.5%.

In 2007 and 2008, Lagardère SCA redeemed the tranches of the Mandatory Exchangeable Bond issue maturing on 25 June 2007 and 25 June 2008 by remitting 20,370,000 EADS NV shares to Natixis, the sole holder of the bonds, at each of those dates.

In an amendment to the subscription contract signed on 26 January 2009, Lagardère SCA and Natixis agreed at the initiative of Natixis to bring forward the date of redemption of the bonds, and thereby the date of delivery of the third tranche of EADS shares, from 25 June 2009 to 24 March 2009. In execution of this amendment, on 24 March 2009, Lagardère SCA delivered to Natixis 20,370,000 EADS NV shares representing 2.5% of EADS' share capital and voting rights.

This early redemption reduced the 2009 coupon payable to Natixis, thereby generating interest expense savings of approximately €1.8 million for Lagardère SCA.

Meanwhile, on 13 March 2007, Daimler initiated a plan to transfer the equivalent of 7.5% (one third of its current holding) in the capital of EADS NV to German investors, while retaining the attached voting rights. In 2010, if Daimler decides not to renew this arrangement, it will be entitled to sell the 7.5% holding concerned directly to the said investors, and in such a situation Sogade and the German government would then each benefit from a pre-emptive right, which, if exercised, would enable them to ensure an equal French-German balance of control in EADS NV. Daimler is expected to continue to exercise the voting rights attached to the EADS shares acquired by the German government, which would only be transferable as stipulated in the EADS NV shareholders agreement.

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

B) KEY FINANCIAL DATA PUBLISHED BY EADS

	2009	2008	2007
Revenues ⁽¹⁾ (millions of euros)	42,822	43,265	39,123
EBIT ⁽²⁾ (millions of euros)	(322)	2,830	52
Net income (loss) ⁽³⁾ (millions of euros)	(763)	1,572	(446)
Number of employees	119,506	118,349	116,493
Order intake ⁽⁴⁾ (millions of euros)	45,847	98,648	136,799
Order backlog ⁽⁴⁾ (millions of euros)	389,067	400,248	339,532
(1) Including €1.1 billion due to inclusion of the head office in the consolidation. (2) Operating profit before interest, tax, depreciation, goodwill amortization and exceptionals. (3) EADS continues to use the term "Net income". It is identical with "Profit for the period attributable to equity holders of the parent" as defined by IFRS. (4) Contributions from commercial aircraft activities to EADS order intake and order book are based on list prices.			

C) PRINCIPAL ACTIVITIES AND MAIN MARKETS ⁽¹⁾

With total revenues of €42.8 billion in 2009, EADS is the leading aeronautics, space and defence group in Europe and the second largest in the world. In terms of market share, EADS is one of the world's two leading manufacturers of commercial aircraft, helicopters for the civil and parapublic markets, commercial launch vehicles and missile systems. It also holds leading positions in the field of military aircraft, satellites and electronic defence systems. In 2009, EADS achieved approximately 75% of its sales in the civil sector and 25% in the military sector.

Organisation of EADS' activities

In 2009 a simplified, leaner divisional structure was adopted under the 'Future EADS' programme. The decision will lead to further integration of EADS and comprises two major adjustments:

- integration of the Military Transport Aircraft Division (MTA) into Airbus, under the name Airbus Military;
- establishment of coordination between the Astrium and Defence & Security Divisions.

EADS now comprises four major Divisions: Airbus, Eurocopter, Astrium and Defence & Security.

C.1 AIRBUS⁽²⁾

Airbus is one of the world's two leading suppliers of commercial airliners with more than 100 seats. From its foundation in 1970 up to 31 December 2009, Airbus received 9,486 orders for aircraft from some 316 customers all over the world. With 498 deliveries in 2009, Airbus was the world's largest supplier of commercial aircraft for the 7th consecutive year. Airbus Commercial also recorded a total of 310 new orders (271 net of cancellations), representing 54% of worldwide orders for aircraft with more than 100 seats.

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

(2) Airbus now reports results for two segments: Airbus Commercial (comprising EFW and the aerostructure activities) and Airbus Military (comprising the former Military Transport Aircraft Division and all business relating to the A400M). Eliminations are carried out at the level of the Airbus Division. 2008 figures have been restated to reflect these changes, except for the Augsburg site, which has been transferred from the Defence and Security Division to Airbus.

The military arm of Airbus, **Airbus Military**, is in charge of development for the A400M high-capacity European military transport aircraft. Airbus Military also manufactures and sells mission aircraft, including aircraft derived from Airbus' commercial range, for use in special missions such as marine surveillance, anti-submarine weaponry and in-flight refuelling. Airbus Military manufactures and sells small and medium capacity military transport aircraft.

In 2009, the Airbus Division achieved sales of €28.1 billion (2008: €28.9 billion after adjustments).

C.2 EUROCOPTER

Eurocopter is the world's largest manufacturer of civil and parapublic helicopters, with one of the most comprehensive, modern ranges of helicopters and associated services. In 2009, Eurocopter confirmed its position as the world's number one, attaining a 53% share of total worldwide orders for civil and parapublic helicopters.

Eurocopter has an extensive international presence through 18 subsidiaries located on all five continents, backed up by a dense network of distributors, certified agents and maintenance centres. Exports account for 65% of sales compared to 35% for the domestic markets (France, Germany and Spain), proving the success of Eurocopter's strategy to expand into emerging markets. More than 10,500 Eurocopter helicopters are currently in use by approximately 2,800 customers in a total of 140 countries.

85% of the Division's customers have a fleet of between one and four helicopters. The main Military customers are the Ministries of Defence of EU member states, but also Asian countries and the United States. The Eurocopter Division achieved sales of €4.6 billion in 2009 (2008: €4.5 billion).

C.3 ASTRIUM

Astrium is the third-largest supplier of space systems in the world, behind Boeing and Lockheed Martin, and the leading European supplier of satellites, orbital infrastructures, launch vehicles and space services. The Astrium Division comprises three operating units: Astrium Satellites, Astrium Space Transportation and Astrium Services. Astrium also provides launch services via its shareholdings in Arianespace (the Ariane 5 launcher), Starsem (the Soyouz launcher) and Eurockot (the Rockot launcher), as well as satellite telecommunications and earth observation services, chiefly through its subsidiaries Paradigm Secure Communication, Infoterra and Spot Image.

In 2009, Astrium achieved sales of €4.8 billion (2008: €4.3 billion).

C.4 DEFENCE & SECURITY

The Defence and Security (DS) Division operates in the field of integrated solutions for the defence and security industries, particularly combat aircraft, missile systems, defence and communications systems, defence electronics, and related services. Its customers are the armed forces and police forces of countries all over the world. The Division's Military Air Systems operating unit is part of the Eurofighter consortium (EADS holds 46% of the capital of Eurofighter GmbH). The DS Division is also a key player in the border and coastal surveillance market and plays a major role in the market for secure and encrypted military communications.

In 2009, the DS Division achieved sales of €5.4 billion (2008: €5.7 billion).

C.5 OTHER ACTIVITIES

Other activities in 2009 comprise ATR, the world leader for turboprop aircraft in the 50-74 seat market segment; EADS Sogerma, specialised in aerostructures and cabin fittings; and the North American subsidiary EADS North America, the leader in all defence and territorial security sectors. Other activities also include 30% of DAHER Socata under the equity method.

Sales by the Other activities were down in 2009 at €1.1 billion (2008: €1.4 billion after adjustments).

D) OPERATIONS DURING 2009

EADS' results for 2009 showed the group's capacity to cope with a difficult macroeconomic and commercial environment through proactive management of order books and customer financing sources, which kept delivery levels high across all the group's activities. The order intake (€45.8 billion) reflects the much slower commercial environment of 2009. Meanwhile, the group did good business in the institutional and defence markets. EADS' order book (€389 billion) forms a solid base for future deliveries. The excellent net cash position (€9.8 billion) results from above-forecast free cash flow, and remains a powerful asset for the group.

In 2009, EADS continued its initiatives to improve group efficiency. Its *Power8* programme generated €2 billion in gross savings on cost projections for the end of 2009 (different from net impact on EBIT). Purchasing and supply chain rationalisation, logistical integration and more efficient production all made a substantial contribution to improving efficiency at Airbus.

The *Power8+* version of the programme has now started and all Divisions will be contributing. Additional projects are also planned at Airbus, including redefinition of single-aisle and long-haul aircraft programmes.

Regarding the *Future EADS* cost-cutting and integration plan designed to streamline, harmonise and integrate support functions in all areas of business the EADS group raised its target for gross annual savings compared to the projected cost base from € 200 million to € 350 million by the end of 2012.

EADS reached a protocol for agreement with the customer nations for the A400M military aircraft. Under this agreement the customers have agreed to increase the contract's initial price by €2 billion, waive all indemnities related to current delays and provide an additional amount of €1.5 billion, in exchange for a share in future export sales (export levy facilities) and accelerated pre-delivery payments in the period 2010-2014 following a revised schedule to be finalised in the amended contract.

In view of this agreement, the A400M loss provision was increased by €1.8 billion (pre tax) for the full year 2009 following an updated estimate of revenues and costs upon completion, including an assessment of risks.

In the EADS group's tanker aircraft activities, Northrop Grumman has decided not to submit a bid to the US Department of Defense (DoD) for the KC-X programme. After evaluating the new Request for Proposals issued by the US Air Force and the acquisition method selected, Northrop Grumman considered that it would heavily weigh the competition in favour of the smaller, less capable Boeing tanker. This decision in no way affects EADS' commitment to the United States of America or its armed forces.

As it enters 2010, EADS has sound resources to cope with the improving but still volatile economic environment. This confidence is based on a resilient, actively managed backlog of orders. Progressive recovery in air traffic and yield, especially in emerging markets, is expected to stabilise airline financials before it leads to an upturn in aircraft orders.

In 2009, EADS sales were stable at €42.8 billion (2008: €43.3 billion), benefiting from record deliveries of commercial aircraft by Airbus and a 12% increase in sales revenues by Astrium taking all its activities together.

EBIT was -€322 million in 2009 (2008: €2,830 million), heavily affected by provisions (for the A400M and A380) and particularly unfavourable foreign exchange effects. The consolidated net loss was -€763 million (2008: €1,572 million).

D.1 AIRBUS

In 2009, **Airbus** delivered a record number of aircraft while at the same time managing the impact of the economic crisis. Deliveries totalled 498 commercial aircraft, fifteen more than in 2008. Airbus Commercial achieved its targets with 310 new orders (270 firm orders) despite the uncertainties of the market, bringing orders booked to 3,488 aircraft, representing 6 years' production output on a full-capacity basis. Industrial manufacturing and raising the production rate remained difficult for the A380 in 2009, and the programme continued to affect results significantly.

In 2009, the cargo version of the A330 executed its maiden flight and development of the A350 XWB continued to progress. Airbus made use of available built-in time margins in the programmes development schedules, and the date for commissioning the aircraft remains unchanged. In China, the first A320 came off the assembly line in Tianjin in June 2009, and 11 had been delivered by the end of the year.

Airbus Military delivered 16 light/medium transport aircraft in 2009 and recorded 18 new orders (10 confirmed). The A400M programme reached a key milestone in December 2009 with the aircraft's first flight. Airbus Military also consolidated its position as world leader for tanker aircraft with further orders from Saudi Arabia, and successful conversion and test flights for the first A330 MRTT constructed for Australia.

In the consolidated Airbus order book at 31 December 2009, Airbus Commercial orders amounted to €320.3 billion (2008: €337.2 billion) and Airbus Military orders amounted to €20.7 billion (2008: €22.3 billion).

D.2 EUROCOPTER

With 558 helicopters delivered in 2009, **Eurocopter** achieved the objectives set for 2009. Orders were received for 334 helicopters, including an order from France for 22 new NH90 tactical transport helicopters and an order from Brazil for 50 EC275s, reflecting the strength of Eurocopter's military business. Orders taken in 2009 amounted to €5.87 billion. Support & Services operations were reinforced with conclusion of several major contracts, including for the modernisation of 26 CH53s belonging to the German army and 34 Panthers belonging to the Brazilian armed forces.

In 2009, the EC 175 prototype of the new 7-tonne helicopter developed in cooperation with Chinese partners successfully undertook its maiden flight, and on 31 July the Korean military transport aircraft KUH (Korean Utility Helicopter), developed in collaboration with Korea Aerospace Industries, left the factory. In Defence activities, the Tiger combat helicopter was deployed by the French army in Afghanistan and demonstrated its mission capacities. Deliveries of the NH90 continued at a high level in 2009, bringing the total fleet to 40 helicopters in five countries.

Eurocopter's order book reached a total value of €15.1 billion in 2009 (2008: €13.8 billion), corresponding to 1,303 helicopters (2008: 1,515 helicopters).

D.3 ASTRIUM

In 2009, **Astrium** registered a record level of new orders totalling €8.3 billion, including signature in January 2009 of a contract worth over €4 billion for 35 Ariane 5 launchers. Launches are due to start from mid 2010. In telecommunications satellites, the Division has garnered a quarter of the world market, including an order worth over €500 million from SES Astra. Skynet 5, the UK army's secure communications programme, successfully completed the full operational service stage when the UK Ministry of Defence selected Astrium as the most reliable supplier. In Defence, Astrium tested the M51 with success, sent the Spirale demonstrator and the intelligence satellite Helios 2B into orbit for France, and the COMSATBw 1 satellite for Germany. The Division delivered seven Ariane 5 launchers during the year and was awarded the contract for further development of the launcher by the European Space Agency, ESA. This contract is worth €150 million and will see the development of a new version named Ariane 5 ME (Midlife Evolution) with payload capacity raised from 10 to 12 tonnes or 20% of additional capacity.

The Division's order book amounted to €14.7 billion at 31 December 2009 (2008: €11.0 billion).

D.4 DEFENCE & SECURITY

Business for the **Defence & Security** Division was boosted by growth at Eurofighter and integrated logistics support.

The Division strengthened its position on the worldwide combat aircraft market in July 2009, when Eurofighter project member nations reached an agreement for the 3A tranche (112 units in all), and the 200th Eurofighter was delivered to the German air force. The drones business was expanded with the deployment of the Harfang drones in Afghanistan by the French army, completion of the risk reduction study for the European drone Talarion, and successful tests for the Barracuda drone demonstrator. Further contributions came from improvements to the Division's radar portfolio and signature of new contracts in digital PMR radiocommunications. At 31 December 2009, the Division's order book totalled €18.8 billion (2008: €17.0 billion).

D.5 OTHER ACTIVITIES

In 2009, ATR delivered 53 aircraft thanks to proactive management of its order book. Net orders reached 26 units in 2009 compared to 20 in 2008, bringing the total in the order book to 133 aircraft. Production rates have been reduced by some 10% for 2010 to reflect the economic environment. EADS North America delivered the 100th UH-72A Lakota to the US army, and an order was placed in December 2009 for a further 51 Lakotas, increasing the contractual order to a total 178 units. At 31 December 2009, the order book for the Other activities totalled €2.0 billion (2008: €3.2 billion after adjustments); the downturn is mainly explained by the change in the consolidation scope for DAHER Socata.

5.2.2.2 PRESSTALIS (FORMERLY NMPP)⁽¹⁾

2009 was marked by ongoing application of the strategic *Défi 2010* modernisation plan. This plan was devised in 2007 by the Management Board of Nouvelles Messageries de la Presse Parisienne (NMPP) (the Board being the only body with power to govern the company; Lagardère only holds a minority representation) and implemented under its supervision by the general manager, who had developed the initial proposal. This plan covers four dimensions:

- a policy to reconquer sales, through development of the network and strengthening network motivation;
- achievement of significant savings through in-depth reorganisation of the distribution structure;
- capitalising on the skills and know-how of NMPP in terms of logistics, through diversification;
- matching the product offer and pricing.

(1) Not consolidated.

The number of sales outlets remained stable in 2009 as new openings compensated for closures. The proactive policy to create new sales outlets was unable to curb the downturn in business, which was accentuated by the economic crisis: sales were down by 7.2% in 2009 compared to 2008.

Regarding the industrial and social dimensions of the plan, the process of informing and consulting personnel was completed at the end of 2008, within the stipulated timeline. This resulted in closure of the Combs-la-Ville centre at the beginning of 2009 and implementation of the early retirement scheme, with the first departures scheduled for the beginning of 2009. The implementation of the industrial plan ultimately generated savings of approximately €20 million over 2009.

The company's registered office changed location during the year. This move will generate recurring savings of €7 million from 2010.

The company's name was also changed, in December 2009, to Presstalis.

Presstalis' operating result was -€28.5 million in 2009 compared to -€12 million in 2008.

Including financial income, State aid (subsidies for daily press distribution were raised to €11 million in 2009) and exceptional items, Presstalis registered a net loss of -€23 million in 2009 after net income of €2.4 million in 2008.

In this increasingly difficult context caused by additional national press distribution costs, which have been consistently in deficit for several years, and falling sales, France's Prime Minister recently asked Mr. Bruno Mettling to set up a commission to advise the public authorities on the financial efforts needed to help Presstalis, its strategy regarding areas for development and its overall industrial model, and the governance adjustments required to guarantee a secure future for modernised press distribution. This commission will also define the conditions that should apply to State support for Presstalis, which to date has always operated as a cooperative interprofessional system. Its conclusions are to be reported by the end of March 2010. As a publisher, the Lagardère Group will participate in the interprofessional support measures for application of the commission's recommendations, with the aim of securing the future of press distribution.

5.2.2.3 MATRA MANUFACTURING & SERVICES (FORMERLY MATRA AUTOMOBILE)

In the course of 2009, Matra Manufacturing & Services continued to implement the strategy for industrial reconversion of its automobile spare parts business to the design, manufacture and distribution of light electric vehicles, particularly electric bicycles and quadricycles.

Significant developments in this activity include:

- the French Post Office's choice to use Matra electric quadricycles for postal deliveries;
- successful launch of a mass market electric scooter that very rapidly became the best seller in its category;
- sales of electric bicycles, which rose by almost 50% over 2009 despite the unfavourable economic environment.

The spare parts business for Renault customers experienced a further decline as anticipated, with sales amounting to €30 million.

5.2.2.4 LE MONDE⁽¹⁾

Lagardère's share in the capital of Le Monde SA remains at its original level of 27 October 2005, 17.27%.

Le Monde SA heads a group that owns the publishers of titles such as Le Monde, Télérama and Courier International.

Control of the company continues to be exclusively in the hands of Le Monde & Partenaires Associés (itself controlled by in-house shareholders, in particular the Société des Rédacteurs du Monde), thereby ensuring the newspaper's continued editorial independence.

Despite achieving an operating profit (+€2 million) for sales of close to €397 million, Le Monde group's net profit in 2009 is expected to be negative by over -€10 million including impairment recognised on intangible assets⁽²⁾.

The subsidiary Le Monde Interactif (publisher of the website www.lemonde.fr), in which Lagardère holds a direct investment of 34%, registered revenues of approximately €17 million in 2009 for net income of €0.5 million⁽³⁾.

Lagardère is open to all possible options regarding the group's recapitalisation, which will be necessary in 2010 both to improve results and to protect the economic and financial balance.

(1) Not consolidated.

(2) Provisional figures at 18 March 2010, not yet approved by Le Monde SA's Management Board.

(3) Provisional figures at 18 March 2010, not yet approved by Le Monde Interactif's Board of Directors.

5.2.2.5 CANAL+ FRANCE ⁽¹⁾

A) CANAL+ FRANCE SHAREHOLDER AGREEMENT

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

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

- The Chairman, and all the members of the Canal+ France Executive Board, are appointed by the Supervisory Board, whose members are mostly appointed by Canal+ Group. Canal+ Group and Lagardère have, respectively, seven and two representatives on the Supervisory Board, which consists of eleven members and also includes an independent member and an employee representative. The number of Lagardère representatives on the Board will be raised to three in the event Lagardère's investment is increased to 34%.
- Lagardère holds rights to veto certain operations (IPO of Canal+ France, external investments in Canal+ France or its principal subsidiaries in certain circumstances), and certain rights (tag-along rights and anti-dilution rights) designed to protect its economic interests.
- In the event control of Canal+ France is transferred to a third party, Lagardère would hold a pre-emptive bid right entitling it to acquire Canal+ France if Lagardère is the highest bidder.
- Vivendi has a pre-emptive right exercisable in the event Lagardère sells its shares in Canal+ France, and a drag-along right that could force Lagardère to sell its investment in Canal+ France should Vivendi accept an outside offer for acquisition of at least 95% of the capital of Canal+ France (subject to prior application of Lagardère's pre-emptive bid right).
- Between 2008 and 2014, as long as Lagardère holds 10% at least and 20% at most in the capital or voting rights of Canal+ France, and has waived its right to exercise the call option enabling it to raise its investment in Canal+ France to 34% (or the option has expired), Lagardère will have a liquidity right exercisable between 15 March and 15 April of each calendar year. Under this liquidity right, Lagardère will be able to request an IPO for Canal+ France. In this event Vivendi/ Canal+ Group would be entitled to acquire all of Lagardère's investment in the company.
- The financing of Canal+ France has been structured through a mechanism which includes shareholder loans and the delivery of parent company guarantees. This mechanism gives Lagardère the option to participate in such financing and guarantee arrangements in proportion to its level of ownership in Canal+ France. From 2011, after the reimbursement of any shareholder loans to which Lagardère has not contributed in proportion to its ownership level, and subject to compliance with certain indebtedness ratios, Canal+ France will distribute a dividend equal to its available cash flow not required for the financing of its operations, provided that Lagardère owns at least 34% of the share capital of Canal+ France.

Vivendi and Canal+ Group, and Lagardère and Lagardère Active, have not entered into any non-competition commitments to each other or to Canal+ France.

B) CONSOLIDATED KEY FIGURES

(in millions of euros)	2009	2008	2007
Sales	3,837	3,858	3,750
EBITA ⁽¹⁾⁽²⁾	555	451	311
Net result	308	262	151
(1) Adjusted operating income (EBITA) corresponds to operating income (EBIT) before depreciation and amortization and impairment of intangible assets arising from business combinations.			
(2) Including non-recurring transition costs related to the merger with TPS: €69 million in 2008 and €88 million in 2007.			

(1) Accounted for under the equity method.

C) DESCRIPTION OF ACTIVITIES

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

C.1 PRODUCTION ACTIVITIES

Canal+ / TPS Star channels

Canal+ France produces five premium channels showing exclusive, original, innovative programmes.

Canal+ proposes a unique format of premium general interest channels with films, sports, news, drama, documentaries and entertainment programmes.

Around Canal+, Canal+ France has created four high value-added channels, each with their own programmes and brand identity: Canal+ Cinéma, Canal+ Sport, Canal+ Family and Canal+Déclic. This offering is marketed under the brand name Les Chaînes Canal+.

At 31 December 2009, Canal+ had 5.3 million subscribers (individual and group subscribers in mainland France and in the overseas départements and territories), 93% of which were for digital television.

TPS Star complements the Canal+ France premium offer. It broadcasts exclusive first television showings, mainly of films (French and American) and sports events (football matches, boxing and basketball).

Special interest channels

Canal+ France produces around twenty special interest channels covering the most sought-after subjects on television: films (CinéCinéma), sports (Sport+, Infosport), news (i>Télé), documentaries (Planète channels), entertainment (Comédie !), lifestyle (Cuisine TV, Seasons), series (Jimmy) and youth (Piwi, Télétoon).

C.2 BROADCASTING ACTIVITIES

CanalSat

Canal+ France assembles and markets the widest range of quality special interest channels in a single package: CanalSat. Available on satellite, broadband and DTT, CanalSat offers almost 300 channels, 55 of which can only be accessed through CanalSat. At the end of 2009, CanalSat had 5.5 million subscribers.

Canal Overseas

Canal Overseas is the Canal+ subsidiary that handles international broadcasting as well as broadcasting in the French overseas territories and départements. Canal Overseas distributes Canal+, CanalSat and bouquets of channels outside France; it also broadcasts Canal+ in Sub-Saharan and North Africa. With satellites covering five continents, these bouquets are marketed in more than 40 countries and the potential audience numbers tens of millions of households worldwide. Canal Overseas passed the one million subscriber mark in 2009.

Broadband television

The Canal+ Group began broadcasting television via broadband in the first quarter of 2004 in order to reach new households, particularly in large cities. Its packages, Les Chaînes Canal+ and CanalSat, are available through SFR's Neufbox, SFR Box, Orange, Free and Darty Box.

Digital Terrestrial Television (DTT)

The Canal+ Group has broadcast two pay television packages on DTT since November 2005: Les Chaînes Canal+, i.e. Canal+HD, Canal+ Cinéma and Canal+ Sport, the only premium multiple-channel package that is immediately available in plug & play form, and a special interest package comprising Planète, Eurosport, Paris Première, TF6 and LCI. Alongside these paid packages the Canal+ Group offers 24-hour uncoded broadcast of i>Télé, a general news channel.

In 2007, the Canal+ Group launched TNTSat. This free DTT by satellite package offers 18 free channels, along with France Ô and the 24 regional variations of France 3, to all households everywhere in mainland France. TNTSat is available via the Astra satellite and does not require a subscription or rental of a decoder. In December 2009, TNTSat passed the 1.5 million milestone for households equipped.

In the spring of 2009, the Canal+ Group began migration of its 900,000 analogue subscribers to digital (TV broadcasting in France will be entirely digital by November 2011). Canal+ benefits from a specific schedule for signal switchoff associated with the end of its broadcasting licence in December 2010, but has brought the transition forward by one year, in some regions switching off the analogue signal before other broadcasters. The first region concerned was Provence-Alpes-Côte d'Azur in the south of France on 25 November 2009, and almost 500,000 analogue subscribers had already been converted to digital by the end of the year.

Canal Ready

The Canal Ready logo, launched in May 2009, is designed to inform consumers on the point of purchase that items are fully compatible with Canal+ packages and services. The label is awarded to industrial partners based on technical and operating quality criteria, and acts as a guarantee that security levels meet customer requirements, particularly for High Definition broadcasting. Many manufacturers already market a range of Canal Ready terminals (HD satellite receivers, set-top boxes for DTT, CI+ modules) to propose an ever-broader choice to the public.

C.3 NEW SERVICES

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

High Definition (HD) Television

Canal+ France was a groundbreaking operator of satellite HD in France, and proposes the fullest and most diversified package on the market with 15 channels: Canal+HD, TF1 HD, France 2 HD, M6 HD, Arte HD, National Geographic HD, CinéCinéma Premier HD, Disney Cinémagic HD, 13^{ème} Rue HD, Syfy Universal HD, Ushuaïa TV HD, Eurosport HD, MTV HD, Brava HD and Penthouse HD. HD packages are also available via cable, broadband and DTT via rented terminals or purchased "Canal Ready" satellite or DTT receivers.

Catch-up TV

Canal+ A La Demande and CanalSat A La Demande are the catch-up TV services run by the Canal+ Group.

These services are included in the subscription package and available on PC or on the television set via satellite or broadband, allowing users to watch a large selection of programmes whenever they wish, independently of the broadcasting schedules. Canal+ A La Demande covers over 80% of Les Chaînes Canal+ programmes and offers a regularly updated list of some 300 programmes online every day depending on the schedules.

This catch-up service recorded 20 million viewings in 2009, including almost 3 million in December alone. Launched in autumn 2008, CanalSat A La Demande covers 23 channels that are significant in their specialist area, and offers nearly 500 different programmes.

Legal video download

The Canal+ Group's legal video download platform, CanalPlay, was launched in late 2005. It is available on PC or television via cable or broadband, and offers almost 7,500 programme titles, including over 3,500 films, with the most recent available in high definition. In November 2009, after signing an agreement with Thomson (TLC), Canalplay became the French market's first VOD offer to be available on the new generation of connected TVs. CanalPlay is also the exclusive VOD partner for Allociné (the French Screenrush), France's leading supplier of information on the cinema via the internet.

By the end of 2009, CanalPlay had passed the milestone of 15 million downloads since its launch, and in 2010 it celebrated its one millionth customer.

Mobile services and web TV

On 16 December 2009, the Canal+ Group launched its mobile TV application for the iPhone and iPod Touch. It is free to download and available with 3G/3G+ and WiFi, and provides users free access to programmes shown uncoded by Canal+ (live and on demand) and i>Télé, with the possibility to subscribe to Canal+ channels (including catch-up services) and/or the CanalSat bouquet via their mobile telephone.

Another new format launched was the Web + Mobile package, enabling subscribers to receive their programmes on two different media (PC and mobile phones). This provides a seamless extension to the TV subscription, whether for use on a second screen at home or while away from home.

Agreement between Canal+ Group / Microsoft

In June 2009, the Canal+ Group and Microsoft announced a strategic partnership to associate the contents of the Canal+ Group with Microsoft products and innovations. After adopting Silverlight technology to distribute pay-per-download contents in September 2009, two further key stages in the strategy to open up live and on-demand packages on Microsoft equipment were reached in December: the launch of the Foot+ service on Xbox 360 consoles, then access to Canal+ uncoded, i>Télé and Infosport on all computers equipped with Microsoft Windows 7.

D) SALES AND SUBSCRIBER PORTFOLIO IN 2009

Sales for Canal+ France in 2009 amounted to €3,837 million compared to €3,858 million in 2008.

At 31 December 2009, the global portfolio of Canal+ France subscribers stood at 10.8 million for pay television (individuals and group subscriptions; figures for France including Overseas territories and Africa), a net increase of 240,000 subscribers since 2008.

5.2.2.6 LAGARDÈRE UNLIMITED

On 17 April 2009 Lagardère SCA announced the creation of a subsidiary Lagardère Unlimited, set up to manage careers and image rights marketing for athletes and artists both in France and internationally.

Less than a month after it was set up, Lagardère Unlimited's growth was boosted by an agreement signed on 7 May 2009 with BEST (Blue Entertainment Sports Television), a US group specialising in management and representation of athletes. Under this agreement, the former BEST Tennis Division President, Kenneth Meyerson, and 15 tennis players joined Lagardère Unlimited LLC, the US subsidiary of Lagardère Unlimited, which was set up in this context and operates from Miami, Florida. Growth continued with the acquisition in November 2009 of Sporteam, a French-based agency specialised in representing and managing professional rugby players. Sporteam's two founders Romain Collinet and Jérémy Bouhy joined Lagardère Unlimited as part of this takeover. Finally, in January 2010, Lagardère Unlimited started business in the United Kingdom where it set up a new subsidiary Lagardère Unlimited UK.

Today, after less than a year of existence, Lagardère Unlimited has signed up several internationally-renowned sports personalities, especially in tennis (including Andy Roddick, Fernando Gonzalez, Jérémy Chardy, Josselin Ouanna, Gaël Monfils, Tommy Haas, Paul-Henri Mathieu, Dominik Schulz and Justine Henin), athletics (Leslie Djhone) and fencing (Laura Flessel).

The formation and growth of Lagardère Unlimited, through the direct impetus of Arnaud Lagardère, is part of Lagardère's move into the world of sport initiated six years ago.

5.2.2.7 LAGARDÈRE PARIS RACING

Since 1 September 2006, the Group has held the occupation and operating rights for the La Croix Catelan sports centre (in the Bois de Boulogne), pursuant to the 20-year public domain occupation agreement signed with the City of Paris on 20 July 2006.

In late 2006, the Group agreed with Racing Club de France on the general terms for transferring sports activities, and on a 20-year lease for a sports centre in Rue Eblé in Paris.

To implement the takeover of the La Croix Catelan and Rue Eblé sports centres, the Group set up in 2006 a professional sports limited company (SASP) named Lagardère Paris Racing Ressources. This company is the holder of the occupation rights to the two centres, which it also manages.

On 11 September 2006, the company Paris Tennis applied to the Paris Administrative Court to have the agreement of 20 July 2006 reclassified as a delegation of a public service. The Court rejected this application in a decision issued on 12 June 2009. An appeal by Paris Tennis against this decision is now pending before the Paris Appeal Court.

Some of the events of 2009 at the Croix Catelan site were:

- the third EDF Swimming Open in June, attended by top swimmers.
- the 2009 Worldwide Paris Junior Lagardère Trophy tournament (*Mondial Paris Cadets — Trophée Lagardère*) in early July. This is one of the best European tennis tournaments, attracting future champions aged under 16.
- the Jean-Luc Lagardère Trophy in mid September, which brought together international legendary veterans of tennis, including Stefan Edberg and Michael Chang.

Also in 2006, the Group set up a non-profit association called “Lagardère Paris Racing”, which hosts the sports sections (athletics, badminton, bridge, fencing, judo, swimming, pentathlon, tennis and triathlon) where club members, who belong to the relevant federations, can improve their physical and technical performances, follow training sessions and take part in competitions. These activities take place on various sites, particularly at La Croix Catelan and Rue Eblé.

5.2.2.8 TEAMLAGARDÈRE / PARIS JEAN BOUIN

TeamLagardère is a training centre for high-level athletes combined with a sport research centre. Founded in May 2005, TeamLagardère has developed an ambitious, innovative programme designed to favour high-level sports training. The centre combines human skills and state-of-the art sports, research and medical equipment, all on a single site, to optimise a rigorously professional approach to training and international competition. All its teams work on the site of the Paris Jean Bouin Sports Club, where they have developed a modern technical platform comprising training and assessment rooms, finalised in 2008.

TeamLagardère was established on the Jean Bouin stadium when it was first created, under a sub-occupation agreement between the company and the Paris Jean Bouin Association, which itself holds the concession under a public domain occupation agreement with the City of Paris signed in 2004 for a 20-year period.

In January 2009, the City of Paris decided to unilaterally terminate this public domain occupation agreement on grounds of general interest, since there are plans to build a large rugby stadium on the Jean Bouin sports ground. This termination *de facto* terminates the sub-occupation agreements signed by the Paris Jean Bouin Association (including the agreement with TeamLagardère), and took effect on 20 January 2010. The Paris Jean Bouin Association has filed an appeal seeking cancellation of this decision.

Given the circumstances, during 2009 the Lagardère Group terminated with effect on 31 December 2009, the sports and image agreement signed in 2004 with the Paris Jean Bouin Association.

Meanwhile, in February 2009 the City of Paris launched a tender for the grant of a new concession on the remaining section of the Jean Bouin sports ground, excluding areas to be occupied by the future rugby stadium. Lagardère submitted a bid, but on 11 December 2009 the City of Paris declared this tender unsuccessful and announced that it would shortly launch a new call for proposals.

Until a new occupier is named for the site, the City of Paris has decided to manage the Jean Bouin sports ground itself, and has given TeamLagardère a temporary occupancy authorisation valid until 30 June 2010.

In addition, the company Paris Tennis applied to have the agreement of 2004 reclassified as a delegation of a public service. The Paris Administrative Court upheld this claim in a decision issued on 31 March 2009. The City of Paris and the Paris Jean Bouin Association, together with TeamLagardère, applied to have execution of this ruling suspended, and the Council of State (France's highest Administrative Court) accepted their request on 13 January 2010. The City of Paris and the Paris Jean Bouin Association have also appealed against the merits of the Administrative Court's decision. The decision on this appeal is expected to be announced in mid-2010.

5.3 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP - ETHICS

Creating purpose. Fostering personal fulfilment at work. Combining excellence with corporate citizenship. Harmonising respect for targets with respect for the planet. These issues are also the core concerns of the Lagardère Group.

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

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

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

As the Lagardère Group announced last year, it has decided this year to take its CSR reporting forward by following Global Reporting Initiative (GRI) guidelines.

It has therefore drawn up a Sustainable Development Report intended for its different stakeholders, available on its website (*Lagadere.com*). This report, which furthermore confirms the Group's commitment to the global compact, gives details of the Group's approach, which is now structured around four priorities:

- Reinforcing our position as a responsible employer;
- Developing business activities in an environmentally-friendly way;
- Fostering access to information and knowledge;
- Contributing as a media group to enhancing the social fabric.

The twelve commitments corresponding to these four priorities are also described in detail in our Sustainable Development Report.

This Chapter 5.3, which makes regular reference to the online Sustainable Development Report, concentrates on the information listed by France's *Nouvelles Régulations Économiques* (NRE) law, including reports on the three domains of Employees, Society and the Environment.

5.3.1 THE CSR POLICY - PLAYERS AND INSTRUMENTS

In compliance with the French NRE law of 2001, the Group has implemented a Corporate Social Responsibility (CSR) policy. The issues involved and the objectives are revised and fine-tuned annually.

5.3.1.1 THE MEN AND WOMEN ENGAGED IN CSR

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

At Group level, a Sustainable Development Department reporting to the Human Relations and Corporate Communications Department, has been coordinating a Steering Committee composed of representatives from several cross-functional departments since September 2008. This committee is in charge of devising the CSR strategy and action to be undertaken, and conducting dialogue with the different stakeholders.

The Sustainable Development Report describes the organisation and missions of this Steering Committee, as well as those of the different departments concerned.

5.3.1.2 THE CSR REFERENCE FRAMEWORK

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

The Sustainable Development Report gives details of these documents, in particular those issued by the ILO and the OECD, as well as the Group's code of ethics and the different charters that are applicable either internally or to our stakeholders.

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

With operations on all the continents, the Lagardère Group is one of the world's leading media companies. As an international corporation, it is our duty to be rigorous and exemplary in the promotion of certain rights and principles that are universally recognised and adopted for a globalisation that is more respectful of man and his environment. This international commitment is expressed through the Group's membership of the United Nations Global Compact, which we joined in 2003, and which encourages enterprises to align their operations and strategies with the principles of responsibility.

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

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

Human rights

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

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

Working conditions

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

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

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

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

Environment

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

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

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

Anti-corruption measures

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

Arnaud Lagardère

5.3.1.3 CSR METHODOLOGY AND INDICATORS

A) REPORTING SCOPE

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

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

The labour and social data presented below (with the exception of data pertaining to changes concerning the total number of Lagardère employees) therefore covers 179 Group companies, representing more than 95% of the Lagardère Group's total workforce. The coverage rate is almost 80% for Lagardère Services, 99% for Lagardère Publishing, 99% for Lagardère Active (press, audiovisual) and 95% for Lagardère Sports. Geographic coverage varies from 90% to 100% of employees depending on the area.

Environmental information concerning water and energy consumption is integrated into the Group's financial data consolidation system. The corresponding data covers 100% of **Lagardère's consolidated subsidiaries**, representing more than 500 companies. The full list is appended to the consolidated financial statements.

Variations in scope

Changes in the scope of **labour and social reporting** are related to the financial consolidation scope comprising fully consolidated companies. The list is presented in note 36 to the consolidated financial statements, in Chapter 6.

As **water and energy consumption** indicators have been incorporated into the financial reporting system, changes in the water and energy consumption scope are identical to changes in the financial reporting scope. Companies acquired in the course of the year are included in the scope for the entire year in which the acquisition took place, and companies disposed of are removed from the scope from the date of disposal, the relevant data being taken into account up to the actual disposal date.

B) CHOICE OF INDICATORS AND REFERENCE BASE USED FOR REPORTING

- Labour-related reporting follows the Group's Human Resources policy, taking into account the specific needs of each business line and geographic area. In 2006, driven by a concern for continuous progress, the Group improved the indicators used by refining the range of selected indicators in order to obtain a greater level of detail and precision. Certain parameters were also redefined for application across the board of Lagardère's global scope. Since then, the Group has decided to stabilise the reference base to facilitate monitoring. The reference base for labour and social reporting can be accessed through the Intranet by over 200 staff contributors; it specifies the procedures for data collection and reporting, as well as the definition of the selected indicators and the calculation formulas used, to ensure satisfactory, uniform comprehension by all contributors. The data is entered for each Group subsidiary in the reporting scope, then validated by either the Human Resources Director, where relevant, or by the subsidiary's Management; a second level of validation exists in each division. Consistency checks are run on the data entered, including comparison with the data for previous periods and a systematic alert requiring explanation when the variances are deemed significant. These consistency checks guarantee data integrity and therefore contribute to the reliability of the information system. At each level of contribution or validation, operators can extract consolidated reports on the data entered in order to make use of the data for operational management within their particular scope.

In France, Lagardère continues to apply the classification distinguishing between executives/managers and other employees/non managers rather than the statutory reference of "*cadre/non-cadre*" used for local labour reporting. The Lagardère workforce is therefore divided into four occupational groups: Executives (*Cadres Dirigeants*), Managers, Journalists (including Photographers) and Other Employees.

- **The instructions for reporting on water, energy and paper consumption** define the selected indicators and the procedures relative to data collection and reporting. This reference base is sent to all the employees involved in reporting such information. Data is input by a contributor in each of the Group's consolidated subsidiaries. A data presence check is run and a consistency check is implemented (the data is compared to data from previous periods, with a systematic alert whenever a variance is deemed significant, requiring explanations from the contributor).

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

- The methodologies relative to certain labour-related and environmental indicators may present limitations due to:
 - difficulties in interpreting the data by some contributors, due to the absence of internationally-recognised definitions;
 - the necessary use of estimations, or the practicalities of data collection and entry.

5.3.2 IMPLEMENTATION OF THE CSR POLICY

The labour, social and environmental information given below corresponds to the requirements of the French NRE law of 15 March 2001.

5.3.2.1 LABOUR INFORMATION

Performance levels of the Lagardère Group are a direct result of the qualifications of its staff and appropriate resource management.

For optimum deployment of human resources that takes the specific features of the Group's various business lines into consideration, the operating units manage human resources in their own way, but following priorities, principles and commitments common to all the business divisions. The common framework is defined and formalised at Group level in agreement with the Divisions' Human Resources Directors.

As part of the work carried out in 2009 to align reporting with the GRI guidelines, Lagardère has articulated its CSR approach around four priorities, the first of which, **"reinforcing our position as a responsible employer"**, directly concerns the Group's commitment in labour-related issues.

This priority is divided into three commitments that the Group strives to apply with a concern for continuous improvement:

- ensuring balance and diversity in the workforce;
- fostering harmonious working conditions;
- encouraging skills development.

A) ENSURING BALANCE AND DIVERSITY IN THE WORKFORCE

This commitment corresponds to the first NRE disclosure requirements concerning employee numbers and the organisation of working hours.

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

To achieve this, the Group undertakes to:

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

A.1 ADAPTING RESOURCES TO ORGANISATIONS

Global changes in the workforce

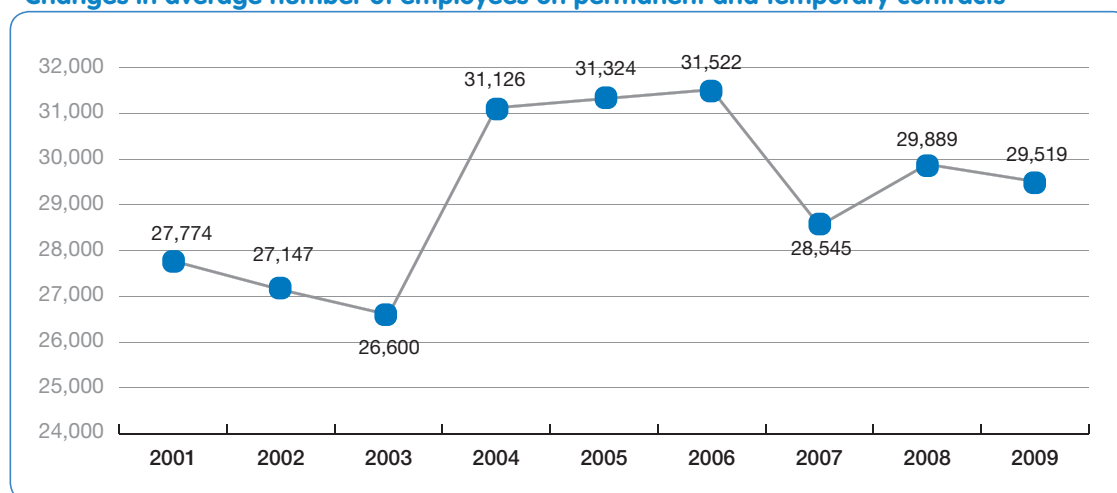
At 31 December 2009, the number of employees on permanent contracts was 26,893, compared to 28,813 at the end of 2008. This decrease is due to changes mainly affecting two divisions: Lagardère Active and Lagardère Services.

Concerning Lagardère Active, the Division had to face not only the impacts of the crisis in consumer sales and advertising investments but also, more generally, structural changes in modes of information consumption.

Lagardère Services, meanwhile, made structural changes in response to a decline in the volumes of business in the Travel retail activity and also decided to dispose of its Press distribution activity in Poland.

These changes can be seen below in the overall figures for employees on permanent and temporary contracts (fixed-term and temporary agency contracts) presented on a full time equivalent (FTE) basis.

Changes in average number of employees on permanent and temporary contracts



The principal downward movements were as follows:

Lagardère Active recorded a fall of 730 employees (FTE), principally resulting from downsizing outside France. Almost all countries were affected by the combination of the general economic crisis and the internal media sector crisis, but the most significant measures were taken in Russia (-286 FTE) and the United States (-199 FTE).

With the exception of advertising which had to contend with a sharp fall in revenues, France was spared in this Division because workforce adjustment measures had already been taken in 2008.

For Lagardère Services the drop of 238 employees (FTE) was mainly due to the sale of the national press distribution business in Poland (-114 FTE), the introduction of the sales outlet manager status in Switzerland, and adjustment of Travel Retail structures in response to the decline in business caused by the much lower air traffic volumes.

The principal upward movement results from 100% consolidation of World Sport Group by the Lagardère Sports Division.

Permanent employees at 31 December by division

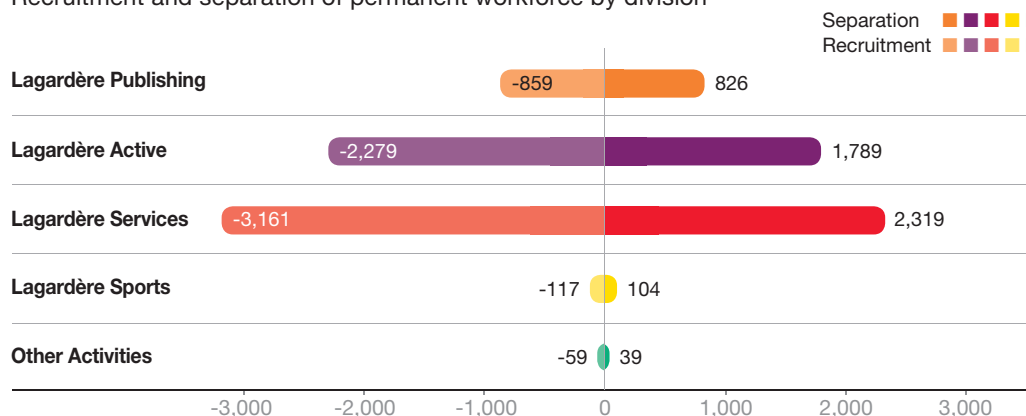
Divisions	Men	Women	Total workforce	% Men	% Women
Lagardère Publishing	3,063	3,951	7,014	43.67%	56.33%
Lagardère Active	3,144	5,665	8,809	35.69%	64.31%
Lagardère Services	4,239	5,599	9,838	43.09%	56.91%
Lagardère Sports	448	266	714	62.75%	37.25%
Other Activities	346	172	518	66.8%	33.2%
Total	11,240	15,653	26,893	41.79%	58.21%

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

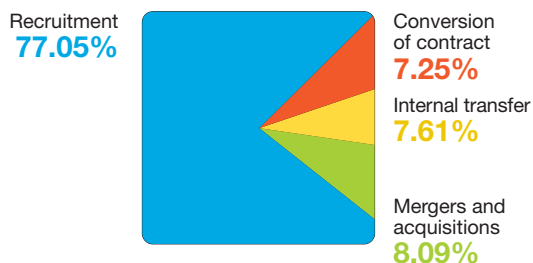
	Male Executives	Female Executives	Total Executives	Male Managers	Female Managers	Total Managers	Male Journalists and Photographers	Female Journalists and Photographers	Total Journalists and Photographers	Male Other employees	Female Other employees	Total Other employees
Lagardère Publishing	187	123	310	1,239	1,628	2,867	9	12	21	1,628	2,188	3,816
Lagardère Active	130	62	192	1,034	1,423	2,457	749	1,366	2,115	1,230	2,815	4,045
Lagardère Services	91	20	111	881	703	1,584	0	0	0	3,267	4,876	8,143
Lagardère Sports	41	3	44	127	31	158	1	0	1	279	232	511
Other Activities	25	6	31	121	50	171	0	0	0	200	116	316
Total	474	214	688	3,402	3,835	7,237	759	1,378	2,137	6,604	10,227	16,831

Recruitment – Separation

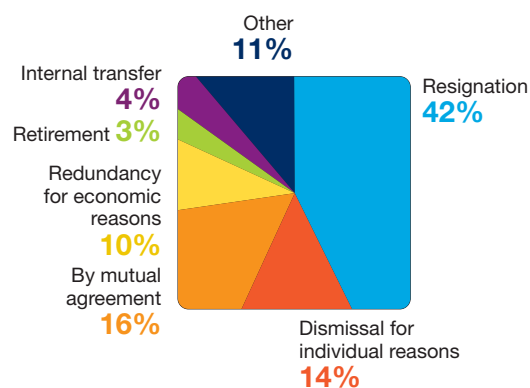
► Recruitment and separation of permanent workforce by division



► Typology of staff recruitment



► Typology of staff separation



The Group's recruitments/separations are consistent with the global trend in permanent employee numbers. At the end of 2009, a relative decline was observed in the number of separations, from 7,231 to 6,475, and there was also a substantial decline in recruitment, from 7,736 to 5,077. This trend differs from previous years, where a general balance had been achieved between recruitments and separations, and the numbers for both were higher.

Here, again, the effects of restructuring are clearly visible, with an increase of almost 2% in separations in the form of economic redundancy compared to 2008, which was already up 3% on previous years.

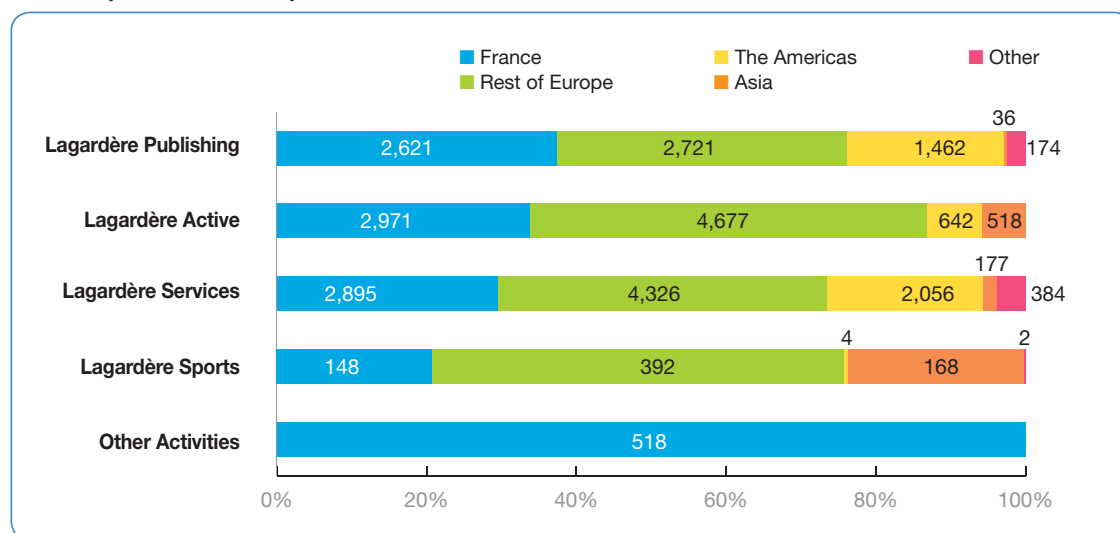
The number of separations by mutual agreement also showed an increase of 6%, mainly outside France. On the whole, these separations also correspond to workforce reduction measures related to the decline in business volumes.

The resignation rate also fell sharply, by 12% (from 55% in 2008 to 43% in 2009), consistent with the general trend in other reasons for separation and the worldwide economic situation in 2009, which was not conducive to a fluid employment market. "Unexpected turnover"⁽¹⁾ fell in 2009 to 13.7%, compared to 16% in 2008.

Concerning fixed-term contracts, the situation was slightly different. The usual balance between recruitments and separations was observed with 2,863 recruitments and 2,652 separations, while the number of fixed-term contracts on a full time equivalent basis (FTE) was 2,424.

With its excellent reputation and strong brand names, the Lagardère Group has the benefit of tangible staff loyalty (28% of the Group's total workforce have more than ten years' seniority, a figure that rises to 38% in France) and has great appeal to potential applicants (more than 190,000 job applications were received in 2009, 180,000 in 2008, 165,000 in 2007 and 170,000 in 2006 compared to 150,000 in 2005). In 2009 the Group once again encountered no difficulties in terms of recruitment, even in highly sought-after skills.

The Group's international presence



The international expansion of the Group, with operations in 32 countries, is reflected in employee numbers: 67% of employees were working outside France in 2008 and 66% in 2009.

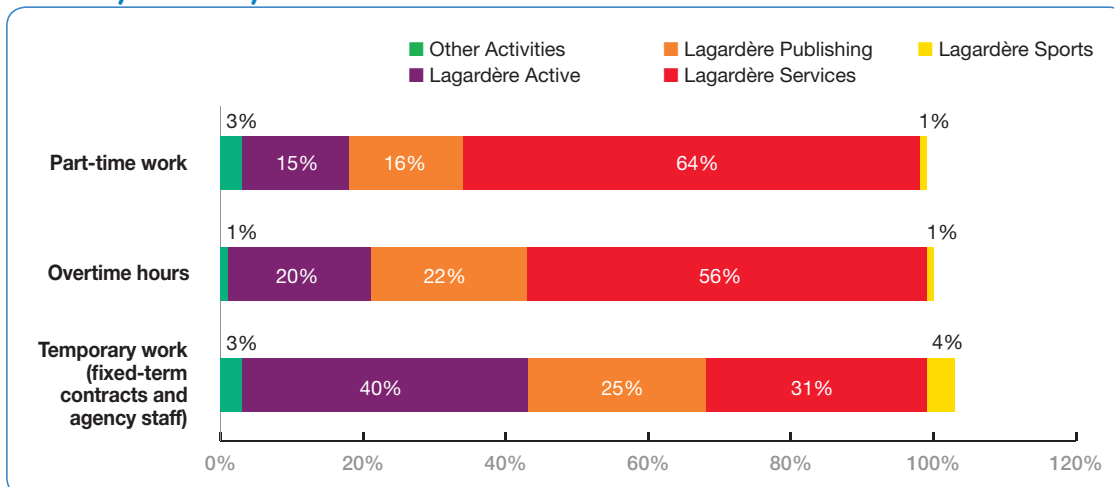
This very slight reduction is due to the restructuring operations engaged in 2009, mainly outside France (in Russia, the United States, Spain and Poland). France was relatively unaffected due to the anticipatory measures taken during 2007 and 2008.

The Group remains predominantly French-based, however, with 34% of the total workforce in mainland France. After France, the next two principal countries in terms of employee numbers are the same as last year, Russia and Spain, despite the measures taken in 2009.

(1) The unexpected turnover index corresponds to the calculation of staff turnover including separations not initiated by the company (resignations, deaths, retirement and other).

**Adjusting staff numbers to variations in business activity through organisation of working hours
(NRE disclosure requirements concerning the organisation of working hours)**

Flexibility of work by division



The proportion of staff on fixed-term contracts remained relatively stable at 9% of the total workforce (2,424 compared to 2,338 in 2008). The number of employees from temporary staffing agencies, on the other hand, rose from 1,042 to 1,352 (FTE).

Lagardère aims to preserve the degree of flexibility and responsiveness required for the management of its business activities, while maintaining the proportion of staff on temporary contracts at a reasonable level of around 12% of the total workforce.

Concerning overtime, in 2009 a total of 360,082 hours of overtime were worked, less than the 598,477 hours recorded in 2008.

Part-time work remained stable at around 12% (12.07% in 2009 compared to 12.2% in 2008). This type of organisation is mainly present in the Services division (21.1%) and Other Activities (17.57%), and the majority of employees concerned are women.

Permanent workforce at 31 December in part-time work

Divisions	Male	Male (%)	Female	Female (%)	Total workforce in part-time work	Total workforce (%)
Lagardère Publishing	56	1.83%	473	11.97%	529	7.54%
Lagardère Active	108	3.44%	393	6.94%	501	5.69%
Lagardère Services	590	13.93%	1,485	26.52%	2,075	21.10%
Lagardère Sports	8	1.79%	40	15.04%	48	6.72%
Other Activities	59	17.05%	32	18.60%	91	17.57%
Total	821	7.31%	2,423	15.48%	3,245	12.07%

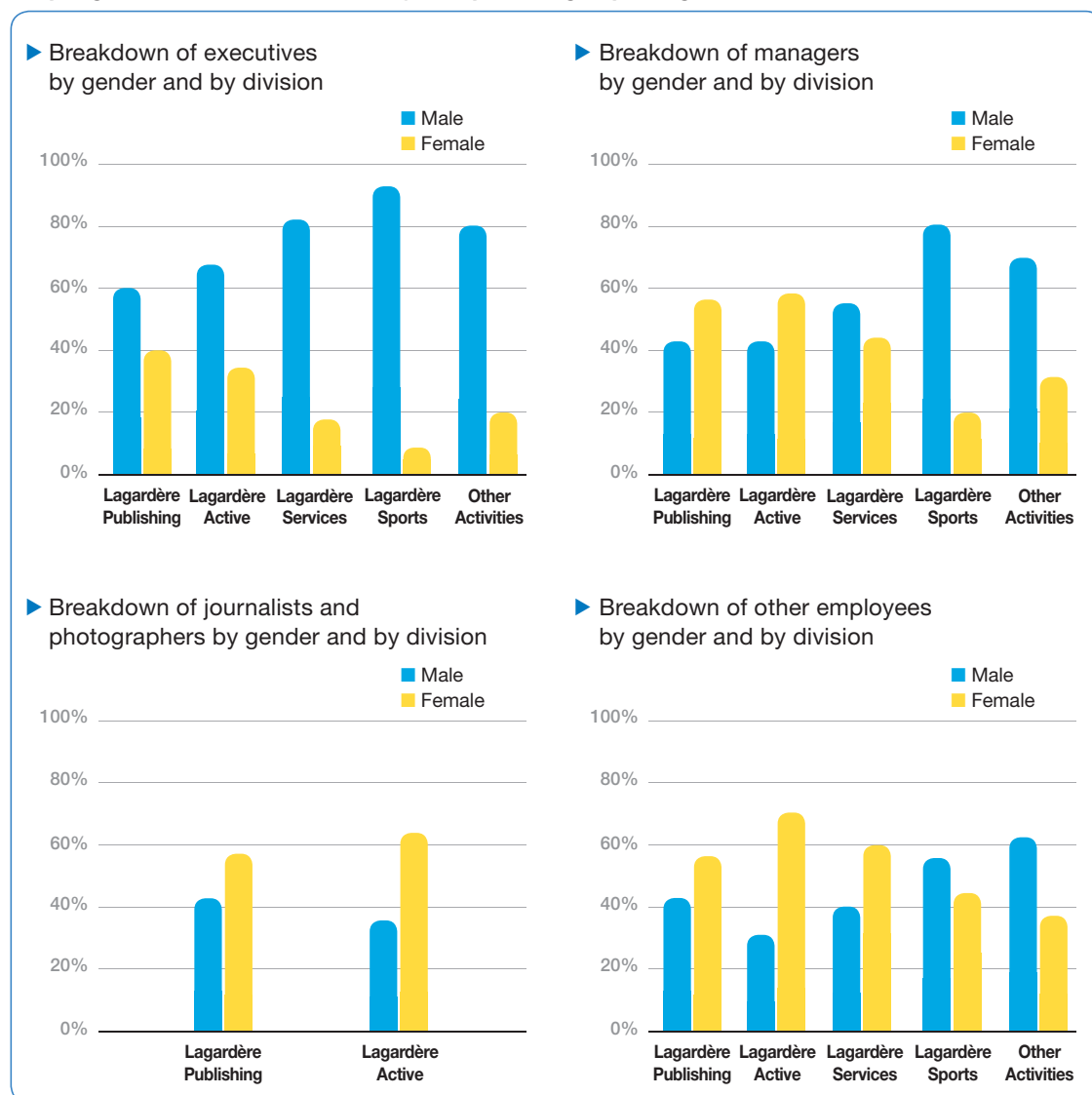
The Group takes care to respect the legal regulations specific to each country, particularly in terms of working hours and the management of overtime. Group entities have implemented a work organisation scheme that provides the flexibility to meet the specific requirements of their operations. This scheme includes part-time work, overtime hours and temporary work. This flexibility allows Group employers to take the aspirations of the workforce into consideration, and provides adaptability when staff on sick leave or maternity leave need to be replaced.

Employment of temporary staff (on fixed-term work contracts or through temporary staffing agencies) is an inherent part of the specific nature of certain activities. This is particularly true for seasonal peaks in business at Lagardère Publishing and Lagardère Services (the publication of new works of literature, generally scheduled from September to November in France, school textbook orders and the Christmas season). Other factors include the constraints related to distribution activities (replacing store managers on leave, extensive opening hours, training of store managers, etc.), and the organisation of sports events.

As flexibility and optimising labour costs are essential to the distribution activities, Lagardère Services makes considerable use not only of temporary staff (see above), but also of overtime and part-time work, mainly in Asia. This type of organisation is also to be found, to a lesser extent, in the distribution activities of the Book Publishing division, which faces the same needs.

Furthermore, in France, due to the nature of its press and audiovisual production activities, Lagardère calls on the services of specific types of employees: freelance journalists and seasonal entertainment workers. Aware of the special status of these categories, the Group is involved in global discussions of changes affecting them, participating in the various sector-specific negotiations regarding social security coverage, unemployment benefits and occupational training.

Adapting the workforce distribution by occupational group and gender



The breakdown of the workforce by occupational group varies from one division to another, and reflects the diversity of the Group's activities.

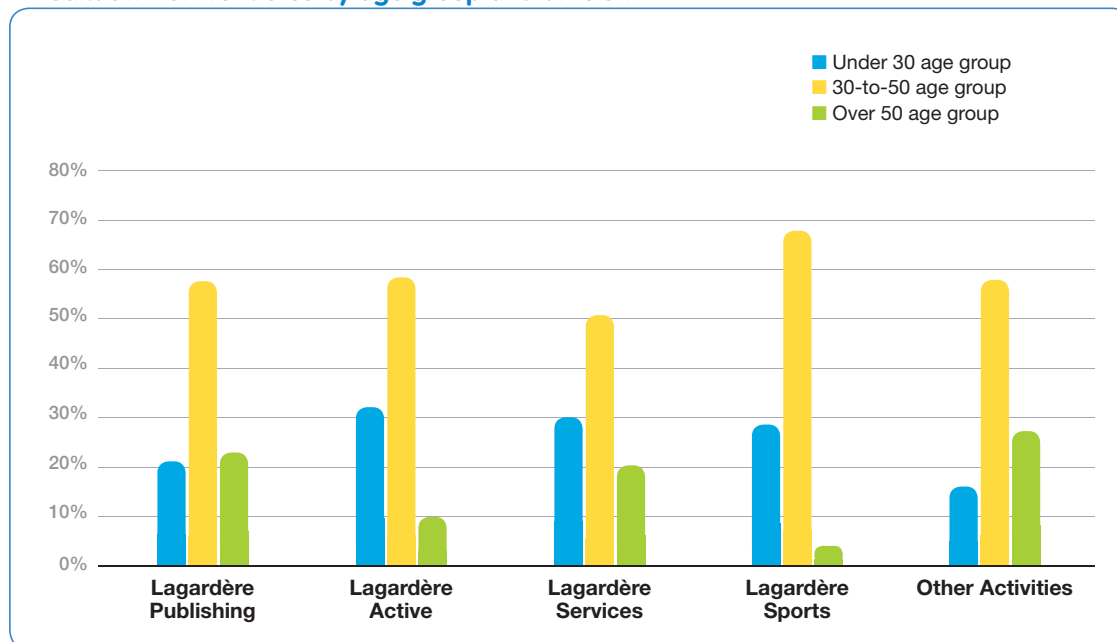
At Lagardère Services, for instance, the proportion of managers is 17.23%, which can be explained by the large number of unskilled positions inherent to the retail trade. In the other divisions, this proportion is between 28% and 45%, normal for editorial content publishing. This distribution remains stable from year to year.

On the other hand, 2009 saw a 10% reduction in the number of Executives in the workforce and a 20% reduction in the number of Journalists. These reductions were much more significant than for the other categories, and result chiefly from the measures described above, in particular at Lagardère Active.

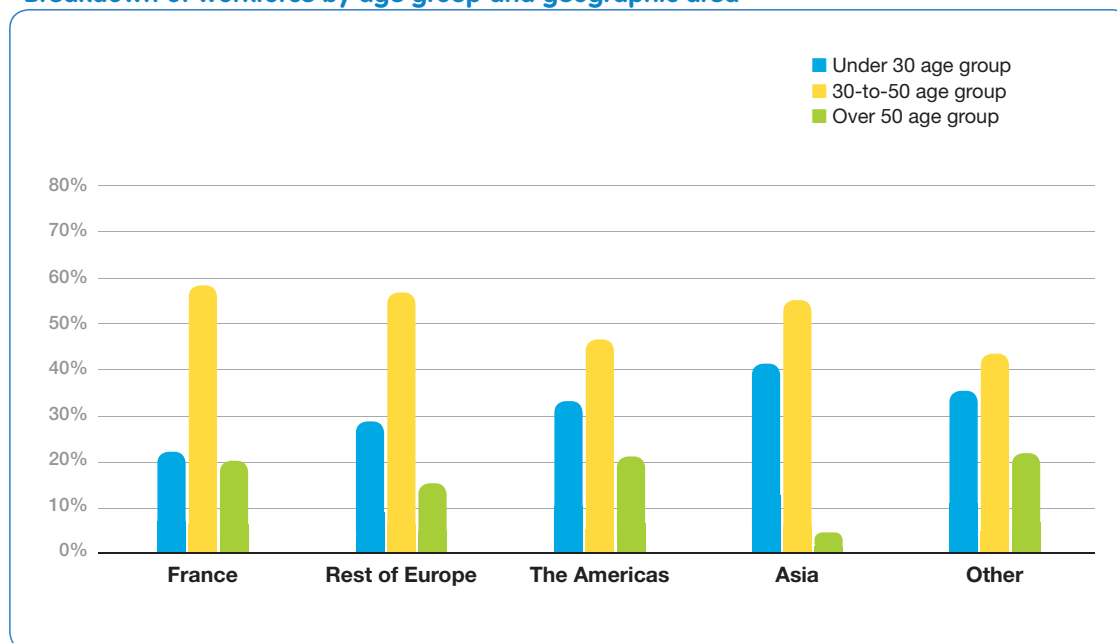
A.2 ENSURING AGE BALANCE IN THE WORKFORCE

The Group's age pyramid reflects the balance between a youthful workforce, with almost 58.5% of employees under 40 and 27.5% under 30, and the experience acquired through seniority, which is a requisite in the field of the traditional media.

Breakdown of workforce by age group and division



Breakdown of workforce by age group and geographic area



A.3 PROMOTING EQUAL OPPORTUNITIES AND DIVERSITY AND ANTI-DISCRIMINATION ACTION (NRE DISCLOSURE REQUIREMENTS CONCERNING LABOUR RELATIONS AND DISABILITY)

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

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

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

In 2006 the Group's Human Resources Department initiated a meeting of the business divisions' Human Resources teams to consider the subject of equal opportunities and their implementation within the Group. This was taken further in a seminar devoted to the subject of Diversity held in October 2008, attended by all the Human Resources managers from the business divisions.

It was decided at this seminar to focus on three aspects:

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

Guaranteeing women's career development in the company (NRE)

Women account for 58% of the total workforce, a figure that is comparatively stable compared to 2008, and the debate on sex equality at work is thus slightly atypical in the Lagardère Group. The nature of the Group's business lines, which largely explains this strong female presence, should not obscure the progress that remains to be made in terms of equal opportunities and career development. The question to address in the different divisions is not so much how to achieve a balance between the number of male and female employees, but rather how to apply truly equal treatment in appointments to positions of responsibility.

Making access to the highest levels a possibility for women is one of the goals the Group intends to set itself for the coming years.

In 2009, women represented 63% of total recruitments in the Group, an increase of 2% compared to 2008.

Women account for 31% of executives, 53% of managers and 65% of journalists. The proportion of women among "other employees" is 61%. All of these figures have been stable over the last two years.

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

- Hachette Livre SA – Management & Other: 476 women of a total 695 employees, or 68% of the workforce;
- Aelia, which employs 1,136 women in a total workforce of 1,629 employees, or 70%;
- Lagardère Publicité: 541 women in a total 731 employees, or 74%.

Recruitment of women on permanent contracts in 2009, by division

Divisions	Recruitments	Internal transfers	Merger or acquisition	Conversion of fixed-term contract into permanent contract
Lagardère Publishing	328	7	77	36
Lagardère Active	774	164	102	98
Lagardère Services	1,338	21	22	76
Lagardère Sports	27	2	0	6
Other Activities	8	0	0	2
Total	2,475	194	201	218

Female permanent staff separations in 2009, by division

Divisions	Resignation	Dismissal for economic reasons	Dismissal for individual reasons	Internal transfer	Retirement	By mutual agreement	Other
Lagardère Publishing	227	82	91	7	26	22	27
Lagardère Active	322	216	150	88	14	96	65
Lagardère Services	1,003	43	249	1	46	352	279
Lagardère Sports	28	4	7	0	0	15	1
Other Activities	8	1	1	5	2	2	1
Total	1,588	346	498	101	88	487	373

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

Divisions	Executives	Managers	Journalists & Photographers	Other employees	Total
Lagardère Publishing	35%	75%	25%	76%	74%
Lagardère Active	25%	36%	32%	14%	24%
Lagardère Services	50%	72%	0%	73%	73%
Lagardère Sports	33%	42%	0%	75%	71%
Other Activities	83%	100%	0%	94%	100%
Total average	35%	60%	32%	57%	56%

Average annual salary of permanent female staff (in euros)

Areas	Executives	Managers	Journalists & Photographers	Other employees
France	174,735	47,692	56,747	22,649
Rest of Europe	90,855	38,532	54,189	20,838
The Americas	198,670	57,688	60,408	18,114
Asia	119,459	55,785	10,960	23,117
Other	51,703	38,488	-	21,329
Total	127,120	46,568	55,859	20,986

Proportion of permanent female workforce who attended at least one training course, by occupational group and by division

Divisions	Executives	Managers	Journalists & Photographers	Other employees
Lagardère Publishing	46%	0%	62%	55%
Lagardère Active	28%	66%	63%	76%
Lagardère Services	26%	0%	49%	66%
Lagardère Sports	0%	0%	28%	52%
Other Activities	13%	0%	40%	48%
Total	34%	66%	58%	64%

Encouraging integration of disabled employees

Disabled people are still largely underrepresented in the Group. In response to the downward trend in the proportion of disabled employees over three years, the Human Resources departments decided to step up both in-house and external campaigns to reverse the trend and take a proactive approach to increase the integration of disabled employees.

In 2009, the Group was pleased to observe that the trend has been reversed, with an increase in the proportion of disabled employees compared to 2008. This achievement is partially explained by the special attention paid to the subject but also by the spreading of good practices throughout the Group, initiated by Lagardère Active under the banner of the “Je suis Handicap” (“I am disabled”) mission.

Proportion of disabled employees for one thousand permanent employees at 31 December

Divisions	France	Rest of Europe	The Americas	Asia	Other
Lagardère Publishing	14.1	11.8	0.0	0.0	0.0
Lagardère Active	8.4	4.1	0.0	5.8	0.0
Lagardère Services	5.9	20.6	1.0	0.0	2.6
Lagardère Sports	0.0	5.1	0.0	0.0	0.0
Other Activities	25.1	0.0	0.0	0.0	0.0
2009	10.1	11.7	0.5	3.3	1.8
2008	9.6	10.1	0.9	3.9	1.8
2007	8.5	11.9	1.0	4.1	0.0

Outreach to young people in sensitive urban areas

In 2009, the Lagardère Group continued the partnership initiated in 2006 with the non-profit organisation “*Nos quartiers ont des talents*” (“Our suburbs have talent”). The organisation was founded in Seine Saint-Denis (north of Paris) in 2005, and is active throughout the Greater Paris Region (where the majority of the Group’s French operations are located).

B) FOSTERING HARMONIOUS WORKING CONDITIONS

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

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

The Group also strives to:

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

B.1 PROVIDING EMPLOYEES WITH FAIR FINANCIAL CONDITIONS

Providing an attractive remuneration package

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

Lagardère’s determination to **maintain employees’ purchasing power** and **encourage commitment and performance** is unaffected by its concern to control labour costs. The Group also has the medium-term objective of **promoting the notion of global remuneration** (salaries, variable salary components, social security, savings schemes, etc.).

Salary levels

Lagardère's salary policy follows fair, equitable and consistent practices.

Salary practices comply with local legislation and are also attuned to the economic and labour conditions prevailing in each country, and agreements negotiated with the employee representative bodies of the business sector concerned (particularly in terms of minimum salary and general salary increase scales). In certain other countries where the notion of a minimum wage may sometimes be purely symbolic, or there is no minimum wage, salary practices are defined according to the practices of the local labour market.

The average annual salary worldwide (including bonuses and variable remuneration) for all occupational groups taken together was €36,066 in 2009 (compared to €35,568 in 2008).

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

Areas	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees
France	217,474	174,735	59,256	47,692	71,273	56,747	24,447	22,649
Rest of Europe	129,177	90,855	49,863	38,532	34,512	54,189	26,766	20,838
The Americas	144,144	198,670	72,788	57,688	4,700	60,408	18,839	18,114
Asia	184,406	119,459	70,091	55,785	22,587	10,960	23,437	23,117
Other	90,093	51,703	39,698	38,488	-	-	21,272	21,329
Average	162,719	127,120	57,664	46,568	40,304	55,859	24,720	20,986

These averages are given as an indication only, and should be interpreted with care: they correspond to a wide disparity of situations due to the very nature of the activities and geographic locations, with lifestyles and the cost of living varying greatly from country to country.

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

The differences observed in the table above are due essentially to disparities in the nature of the positions and responsibilities held, as well as differences in age, seniority and level of qualifications between the two groups. The salary scales implemented in some of the Group's subsidiaries are one means of achieving this equality. 61% of all employees work in an entity which has defined salary ranges for each level.

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

It is Group policy to encourage salary increases that reward individual performance levels, assessed on quantitative and qualitative criteria defined by the subsidiaries. To take into account employees' levels of skills, training and responsibility, and the specific nature of the sectors they are working in, individualised pay rises are therefore increasingly common. Here again, each business unit is largely free to award individual and/or collective salary increases appropriate to its business line and the context.

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

In 2009, there was a significant reduction in the proportion of the workforce who received a salary increase, a direct result of the cost-cutting measures requested in all our business activities. It should be noted, however, that efforts were made to maintain salary increases in the occupational groups of other employees and managers⁽¹⁾. The efforts to restrict pay rises primarily concerned Executives and Journalists.

(1) For France, the "Managers" category, which is the international reference, corresponds to "cadres".

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

Divisions	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees	Male all occupational groups taken together	Female all occupational groups taken together	All occupational groups taken together
Lagardère Publishing	39%	35%	77%	75%	22%	25%	85%	76%	79%	74%	76%
Lagardère Active	14%	25%	35%	36%	28%	32%	13%	14%	24%	24%	24%
Lagardère Services	62%	50%	82%	72%	0%	0%	78%	73%	79%	73%	75%
Lagardère Sports	46%	33%	55%	42%	100%	0%	75%	75%	67%	71%	68%
Other Activities	72%	83%	64%	116%	0%	0%	96%	94%	83%	100%	89%
Average	39%	35%	64%	60%	28%	32%	68%	57%	63%	56%	59%

Individual variable salary components: encouraging individual performance

In addition to basic salary, most of the Group's entities make use of individual and collective performance incentives (such as bonuses or a variable component of pay). These practices make it possible to link an employee's remuneration to the achievement of personal targets and collective objectives at the level of the subsidiary concerned. More than 49% of the Group's workforce has a variable component of pay (a certain degree of disparity is emerging between different geographic areas, particularly due to local market practices, with salary policy remaining the prerogative of local management).

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

Proportion of permanent workforce who received a variable component of pay, by occupational group, gender and division

Divisions	Male Executives	Female Executives	Male Managers	Female Managers	Male Journalists and Photographers	Female Journalists and Photographers	Male Other employees	Female Other employees	Male all occupational groups taken together	Female all occupational groups taken together	All occupational groups taken together
Lagardère Publishing	88%	99%	65%	58%	0%	0%	49%	45%	58%	52%	55%
Lagardère Active	78%	90%	68%	65%	37%	28%	45%	49%	52%	48%	50%
Lagardère Services	97%	90%	93%	92%	0%	0%	36%	38%	49%	45%	47%
Lagardère Sports	25%	67%	95%	65%	0%	0%	54%	43%	63%	46%	57%
Other Activities	80%	100%	30%	40%	0%	0%	0%	1%	16%	16%	16%
Average	81%	95%	73%	67%	36%	28%	41%	42%	52%	48%	49%

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

Incentives and profit sharing: collective performance bonuses

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

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

43.2% of employees in France belong to a collective incentive scheme.

Employee savings schemes: encouraging savings

39% of all employees of the Group belong to an employee savings scheme. In France the percentage is **24%**.

1.38% of the shares issued by the Group are held by employees, including **0.46%** held through mutual funds.

Permanent workforce at 31 December in an entity that has an employee savings scheme, by division

Divisions	Proportion of the workforce in an entity that has an employee savings scheme
Lagardère Publishing	64%
Lagardère Active	26%
Lagardère Services	29%
Lagardère Sports	37%
Other Activities	97%
Total	39%

Free shares: retaining high potential employees

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

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

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

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

Each entity thus pays social welfare contributions depending on the obligations and practices in force in its country.

Employee benefit expenses, in thousands of euros

By division	2009	2008	Variation
Lagardère Publishing	78,529	75,432	3,097
Lagardère Active	141,978	144,236	(2,258)
Audiovisual	46,477	53,460	(6,983)
Press	95,501	90,776	4,725
Lagardère Services	62,623	65,357	(2,734)
Lagardère Sports	8,858	8,807	51
Other Activities	13,963	14,138	(175)
Total	305,951	307,970	(2,019)

By geographic area	2009	2008	Variation
France	217,798	217,412	386
European Union	55,869	59,632	(3,763)
Other European countries	8,188	8,291	(103)
USA and Canada	18,797	18,576	221
Asia-Oceania	4,166	3,826	340
Other (Middle East, Africa, Latin America)	1,133	233	900
Total	305,951	307,970	(2,019)

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

B.2 PROTECTING HEALTH AND SAFETY AT WORK

(NRE DISCLOSURE REQUIREMENTS CONCERNING HEALTH AND SAFETY CONDITIONS)

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

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

Stress

In France, the Group began to address the question of the prevention of stress-related risks, and more generally malaise in the workplace, in 2006, independently of government directives on the subject.

In 2009 audits were carried out with the Health & Safety and Working Conditions Committees at Hachette Livre and Corporate level, to assess the stress factor and identify any at-risk populations and the main causes related to the work environment. The Group is aware of the extensive scope and difficulty of the subject, and long ago decided to work in an open, cooperative manner, at a pace in keeping with the issue's complexity.

H1N1 ("swine flu") virus

In 2009, like all French companies the Group launched a global health risk prevention plan related to the swine flu pandemic. Although it now appears that the risk was overestimated (no operational difficulties were experienced and there were no unusual levels of absenteeism due to flu), all the material means of protection were deployed (masks and antibacterial gels) and a major awareness-raising campaign on basic hygiene procedures was addressed to Group employees. A central crisis unit was set up and will continue to meet regularly to monitor changes in the situation and retrigger the action plans should the need arise.

Collective action: training and management-workforce dialogue

Regular health and safety training is organised within the Group's individual entities. In 2009 this represented 2,803 days or 16.44% of training efforts, a very substantial increase over 2008 when 2,236 days or 12.76% of training topics concerned health and safety.

Along with staff representation, health and safety issues were among the subjects most often discussed in specific or general instances of dialogue between management and the workforce. 65.56% of the workforce is covered by an agreement concerning health and safety and working conditions, an increase from 2008 (62.07%).

Accidents at work: frequency and severity rates

To reduce the frequency and severity rates of work accidents⁽¹⁾, Lagardère's various divisions conduct continuous prevention campaigns as appropriate to the specific nature and constraints of their businesses.

The efforts deployed over the past few years continue to bear fruit, and in 2009 the frequency rate for the Group fell to 8.18 compared to 9.85 in 2008 and 9.68 in 2007. For France, the rate was 13.79 in 2009 compared to 16.82 in 2008 and 14.01 in 2007. The overall severity rate of work accidents also declined for the Group, to 0.29, compared to 0.32 in 2008 and 0.31 in 2007. In France, it remained stable at 0.7.

(1) Frequency rate = (number of work accidents resulting in sick leave x 10⁶): number of hours worked.

Severity rate = (number of days sick leave x 1,000): number of hours worked.

Working hours

The maximum working hours by geographic area were the following:

Areas	Maximum number of days per year	Maximum number of hours per day
France	228	8
Rest of Europe	247	9
The Americas	246	9
Asia	253	10
Other	286	8

These figures correspond to local practices and systematically comply with local laws.

Rate of absenteeism

Absenteeism was lower overall in 2009 in what was ostensibly a difficult year, under the strong threat of a flu pandemic. The various divisions of the Group were prepared for every eventuality but the abnormal rise in absenteeism expected due to the swine flu virus did not materialise.

Accident-related absenteeism is decreasing steadily as a result of the efforts invested in health and safety at work.

Absenteeism

Divisions	Sick leave, men and women (days/person)	Maternity/paternity leave, men and women (days/person)	Accidents, men and women (days/person)
Lagardère Publishing	4.9	2.9	0.5
Lagardère Active	4.6	4.3	0.1
Lagardère Services	6.2	2.4	0.7
Lagardère Sports	2.8	1.1	0.3
Other Activities	4.7	1.5	0.7
2009	5.2	3.1	0.4
2008	5.2	3.2	0.4
2007	5.2	2.6	0.5

B.3 PROMOTING EMPLOYEE RELATIONS

(NRE DISCLOSURE REQUIREMENTS CONCERNING LABOUR RELATIONS)

Employee relations are an essential component of the Lagardère Group's human resources policy, based on the clear principle of seeking a continuous balance between economic and labour issues, at **all levels of the organisation** (entities, divisions and Group).

Group Employees' Committee and European Works Committee

Beyond the principle of autonomy for the business divisions, the Group aims to promote cooperation and dialogue with employee representative bodies and between the various subsidiaries, in France and the rest of the world. Two Works Committees have been set up to this end: the European Works Committee, set up in January 2003, and the Group Employees' Committee, set up in January 2002. These two bodies have regular exchanges with the Top Management about the key issues and transformations necessary for the Group's business activities.

The Group Employees' Committee comprises 30 members representing employees of the Lagardère Group. The European Works Committee also comprises 30 members who are employees of the Lagardère Group in Europe (France holds 15 seats, and the remaining 15 are held by representatives from six other European countries – Spain, Belgium, Hungary, the United Kingdom, Italy and Germany).

The articles of association of the Group Employees' Committee and the European Works Committee stipulate that each of these bodies must hold an annual meeting. In addition to the plenary sessions, meetings of the members of the Bureau (committee) and the Union Representatives may be held if the current situation so requires. In 2009, the Bureau of the

European Works Committee met twice. The subjects discussed at these meetings included the measures accompanying restructuring operations outside France, particularly in Spain and Scotland.

Renewal of the Group Employees' Committee took place in 2009 and the ordinary annual meeting was held in October.

The plenary meeting of the European Works Committee was held in June 2009; the next renewal will be in 2010.

Local employee representation

In 2009, employee representation concerned 74% of Lagardère's total workforce. This figure was stable compared to 2008. In France, the rate was over 97%. Employees without representation work in very small entities with only a few employees.

Collective agreements

At 31 December 2009 there were 493 collective agreements in force in the Group, an indication of the vitality of employee relations. These agreements generally concerned pay, working hours, social welfare coverage, etc.

132 new collective agreements were signed in 2009, 20 more than in 2008. This change is due to two factors:

- first of all, in France, government directives regarding negotiation obligations are becoming increasingly strict; in late 2009 they particularly concerned the employment of seniors.
- secondly, in Asia, 17 new agreements were signed in 2009, following the 2008 creation of a publishing business in India by Lagardère Publishing.

Percentage of the workforce covered by a collective agreement, by type:

- 76.13% of the workforce is covered by an agreement concerning working hours;
- 65.56% of the workforce is covered by an agreement concerning health and safety and working conditions;
- 75.82% of the workforce is covered by an agreement concerning pay;
- 63.09% of the workforce is covered by an agreement concerning social welfare;
- 24.55% of the workforce is covered by an agreement concerning training.

Percentage of the workforce covered by a collective agreement, by type and by geographic area

Areas	Social welfare	Working hours	Training	Health, safety and working conditions	Pay	Other
France	70%	95%	24%	66%	88%	82%
Rest of Europe	41%	50%	31%	51%	54%	5%
The Americas	55%	58%	10%	58%	55%	0%
Asia	22%	26%	0%	22%	49%	0%
Other	86%	86%	70%	85%	86%	70%
Average	53%	67%	25%	57%	66%	32%

Social dialogue at industry level

The Group also belongs to a large number of representative bodies in the media, such as the Press and Book Publishing Unions. In this capacity, it takes part in negotiations with employee representative bodies in France (particularly concerning freelance journalists, entertainment workers and home workers).

In publishing, Lagardère Publishing is actively involved in joint negotiations between the French National Publishers' Union and the trade union organisations.

In press-related occupations, Lagardère Active was one of the first companies in 2008 to set an example on the subject of intellectual property in the written press and digital media.

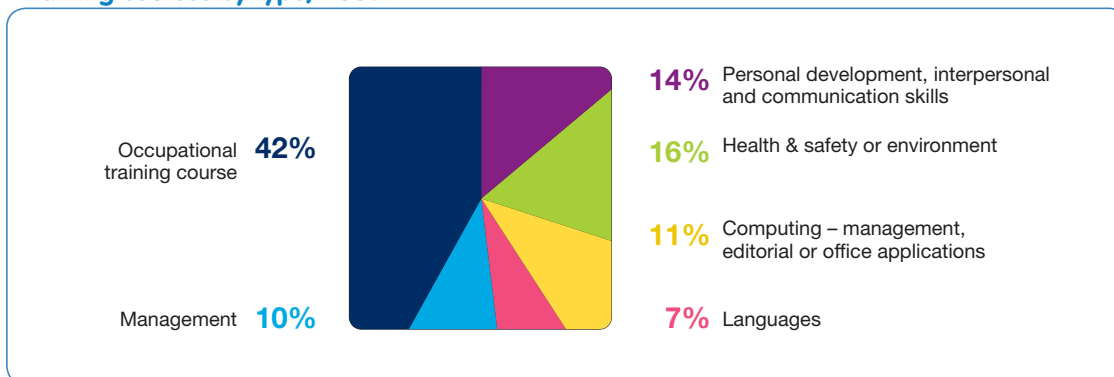
C) ENCOURAGING SKILLS DEVELOPMENT

In compliance with the principle of autonomy of the Group's individual divisions, measures for skills development and internal mobility are taken at the level of each entity. However, they all reflect Lagardère's commitment to investing in development of the professional skills and individual responsibilities of staff, and fostering fulfilling career development through increased internal mobility.

C.1 TRAINING

In 2009, the Group's main concerns revolved around acquiring the skills related to digital technologies (particularly their use in combination with traditional media), and improving talent management, including on a cross-divisional basis.

Training courses by type, 2009



Training is underpinned by each division's concern to foster and develop the skills of its employees. Training programmes have been drawn up at every level and training efforts in 2009 were sustained, with 49.91% of the Group's permanent workforce attending at least one training course. The average duration of training decreased slightly, however, from 2.28 days in 2008 to 2.02 in 2009.

Average investment per employee trained increased slightly in France, from €1,137 in 2008 to €1,354 in 2009. For the Group as a whole the figure fell slightly, from €724 in 2008 to €705 in 2009.

The Group also strives to build a corporate culture in its Managers, and foster development of the key values of creativity, independence, daring and entrepreneurship. These values are conveyed through the in-house university "Media Campus", which offers training designed for managers in the Group. Three programmes – "Leadership", "Integration" and "Lagardère Business Management" – provide support to managers and serve to strengthen their management skills.

The latest of these programmes is "Lagardère Business management", a 10-month academic training course developed in partnership with Paris Dauphine University which, for successful candidates, leads to a university-level diploma. This course covers the different aspects of the way a company operates, from a theoretical point of view and also in practice, with input from a large number of the Group's Operational Directors.

Management training continues to play an important role, representing 10% of the total training dispensed in 2009, a level similar to that in 2007 (11%).

The core training effort in 2009 focused on occupational training, which represented 41.4% of the training dispensed compared to only 23.5% in 2008. This trend is largely driven by the Services sector.

The Group also takes measures to prepare managers for future revolutions in the digital world. In 2009 around twenty managers represented the Group at Netexplorateur, an international digital culture forum partly sponsored by the Group.

C.2 ENCOURAGING PLACEMENTS AND APPRENTICESHIPS

Each entity has a significant policy for exchanges with schools and universities, particularly through work placements.

In 2009, Lagardère welcomed some 1,712 placement students, 150 more than in 2008.

The number of alternate work/study contracts reached 426 in 2009, an increase of 70 over the previous year. This type of contract is particularly advantageous for both the Group and the trainees. It allows young people to gain experience of a real business environment over a relatively long period of time (1 to 2 years), while at the same time continuing their basic training and education.

C.3 PROMOTING INTERNAL MOBILITY

Career management, internal promotion and internal career opportunities involve each entity's management and human resources teams and are essentially the responsibility of each division. For example, annual interviews for assessment and promotion are gradually being introduced systematically throughout the Group.

To help employees define their career plans, information and guidance on mobility is available through the Group's Intranet, which also contains lists of vacant positions within the Group. Employees can create personalised alert message systems for notification when new vacancies of potential interest are published online.

In 2009, internal transfers represented 7.6% of recruitment, up slightly from 5.9% in 2008.

Although the specific nature of the different entities (business activity and distant geographic locations) may hinder mobility between the divisions, the slight improvement between 2008 and 2009 shows that mobility is a topic of importance in the Group's human resource policy. The increase between 2008 and 2009 is not an end in itself, and the action taken to organise, facilitate and develop internal transfers will continue to be a priority in the years to come.

5.3.2.2 EXTERNAL RELATIONS

Two of the four priorities (see above) defined by Lagardère involve concerns related to corporate citizenship, and they have generated six commitments:

- defending the pluralism of news and information and guaranteeing the diversity of our contents;
- increasing access to our contents for vulnerable people;
- being attentive to our different audiences;
- encouraging debate on sustainable development;
- making an active commitment to promoting culture and sport;
- showing solidarity and helping new talents to emerge.

These commitments are described in detail in the Sustainable Development Report (part 2), but the NRE law requires disclosure of the Lagardère Group's relations with subcontractors and links with Society in general in this Reference Document.

In the different countries where the Group does business, the divisions take into account the territorial impact of their activities in terms of employment and regional development.

A) RELATIONS WITH SUBCONTRACTORS

The Group maintains close relations with its numerous subcontractors, and responds to these issues in two ways:

- First of all, for some time it has incorporated ethical, social and environmental criteria into relations with partners, in particular by drawing up a certain number of charters or codes of conduct specific to its business entities.
- Secondly, it conducts awareness-raising programmes for partners, and monitors their performance levels.

A.1 INCORPORATING THE GROUP'S ETHICAL, SOCIAL AND ENVIRONMENTAL CRITERIA INTO RELATIONS WITH OUR PARTNERS

The criteria in the Sustainable Development Charter, which apply to all foreign subsidiaries, mainly concern:

- respect of the principles defended by the International Labour Organisation (including the prohibition of child labour and all forms of forced or compulsory labour);
- prohibition of illegal employment;
- anti-corruption measures;
- compliance with applicable social welfare regulations;
- existence of risk prevention measures for work safety;
- implementation of a labour policy based on a quality approach;
- respect of the fundamental principles of environmental protection;
- compliance with the environmental legislation in force;
- control of the environmental impact of business activities through the implementation of an environmental policy based on the principle of continuous improvement;
- promotion of the above principles to business partners;
- acceptance that Lagardère may conduct audits in order to verify the application of the principles of this charter, directly or through the services of a third party.

The 7th principle of the Procurement Policy also answers the concerns of the NRE law: "Compliance with laws and regulations in force, and the code of conduct with respect to suppliers".

- Lagardère Active requires its suppliers in the magazine manufacturing sector (paper suppliers, printers, binders and transporters) to sign the Group's Sustainable Development Charter, and sustainable development criteria are gradually being incorporated into calls for tender for equipment and services. To monitor these issues, a Sustainable Development Committee was set up in 2009 within the Procurement and General Services Department.

- At Lagardère Publishing, the charter (or code of conduct) was drawn up in 2007, covering the three components of sustainable development. Regarding labour, this charter sets forth the respect of children's rights and human rights. Regarding the environment, the charter obliges providers to respect the provisions of the environmental laws and regulations in force, adopting a responsible waste management policy and encouraging the use of recyclable paper. Lastly, the charter obliges all suppliers to measure the quality of their products or services, the integrity of their business practices and their independence vis-à-vis the employees and representatives of Lagardère Publishing.
- The publishers of Hachette Collections have issued a specific code of conduct reaffirming the fundamental principles of human rights and children's rights to all suppliers and subcontractors.

The Hachette Collections code stipulates that the publishing houses are entitled to verify that these principles are applied by their suppliers and subcontractors, and consequently may initiate compliance audits during the term of the contracts on the premises of suppliers and subcontractors, or on any of the suppliers' and subcontractors' production sites. In the event of failure to respect the provisions of the code, sanctions including cancellation of the contract and financial penalties may be applied against the defaulting party.

Under its own code of ethics, Hachette Collections carried out 20 compliance audits in 2009. 70% of these audits confirmed satisfactory compliance (14 plants), and 30% detected points requiring attention. Where the plants concerned would not agree to correct the non-compliance issues, Hachette Collections took its business elsewhere.

- At Lagardère Services, certain specific Asian manufacturers supplying products sold in Europe have also signed a charter undertaking to respect the same constraints. Audits are carried out each month to check that these requirements are met.

This information, which corresponds to the NRE disclosure requirements concerning relations with subcontractors, is also contained in the Sustainable Development Report in the section devoted to the stakeholders.

A.2 SUPPLIER/PARTNER AWARENESS RAISING AND THE MONITORING OF PERFORMANCE LEVELS

Lagardère Active is raising supplier awareness of the need for long-term commitment in favour of the environment. The Group maintains close relations with its suppliers and regularly requires all its paper suppliers and printers to state their policy and environmental performances.

Paper suppliers are questioned about issues relating to environmental management, sustainable forest resource management, traceability of supplies, use of chlorine-free technology and production of paper incorporating recycled fibres.

The printers are questioned on subjects such as health and safety policy, use of hazardous substances, emission of pollutants (particularly volatile organic compounds resulting from the evaporation of the solvents contained in certain inks) and waste management.

Lagardère Publishing conducts a policy of promoting **environmental and labour issues** to its paper suppliers and printers, in France and abroad, through a certification incentive scheme (see below).

In terms of raising **supplier awareness on employee issues**, Lagardère Publishing's efforts initially focused on subcontractors operating in countries where social and environmental legislation is less strict than in Europe.

Outside Europe, 65% of Lagardère Publishing's printers in Asia have already obtained OHSAS 18001 certification (a standard that is recognised the world over for health, safety and working conditions) or have signed a framework agreement including a labour clause. These awareness-raising operations will be continued not only towards subcontractors outside Europe, but also with Lagardère Publishing's European printers which currently handle 85% of the division's printing work. As a result of these awareness-raising operations, an increasing number of the Group's French and European printers have signed framework agreements comprising a labour clause, or have obtained labour-related certification.

B) RELATIONS WITH SOCIETY IN GENERAL

- The **Jean-Luc Lagardère Foundation**, which celebrated its twentieth anniversary in 2009, is central to the Group's relations with society in general. The Jean-Luc Lagardère Foundation exists to implement the Group's commitment in the fields of culture, research and sport; its ambitions are to boost confidence, promote excellence and foster social cohesion.
- Every year the Jean-Luc Lagardère Foundation awards Talent Bursaries to young talents in the world of culture and the media. Since it was created, 181 winners (including twelve new winners in 2009) have received a total of €4,130,000, including €265,000 in 2009.
- The Foundation's actions for 2009 are detailed in the Sustainable Development Report. To take one example, in partnership with Unis-Cité, a pioneering organisation in the domain of voluntary public service, the Jean-Luc Lagardère Foundation enabled 24 young people from difficult urban areas to carry out a variety of missions in the public interest as a team, over a period of nine months.

Another foundation created in December 2004, the Elle Foundation, is an extension of the original idea behind the magazine: “To support the advancement, the emancipation and the role of women in our society”.

- Regarding **vocational integration organisations**, one of the examples described in more detail elsewhere is *Nos quartiers ont des Talents*, which helps young people from difficult areas to gain an initial foothold in the job market; another is the partnership concluded with the French Urban Ministry as part of the *Passerelle vers l'excellence* (Gateways to excellence) operation, or the *Apprenti'Bus* library buses offering help with schoolwork, born of a partnership signed in 2009 between the Jean-Luc Lagardère Foundation and the non-profit organisation *Sport dans la ville*.
- Regarding **educational establishments**, the Lagardère Group works in partnership with several Universities to hire young people on alternate work/study contracts, and maintains close relations with the *Institut de Sciences Politiques* in Paris, with which it has run a number of joint programmes for several years.
- At Lagardère Publishing, Hachette and Hatier are involved in *Savoir Livre*, an organisation which works with the French National Education authority and the Books and Reading Department of the Ministry of Culture, to encourage access to reading.
- Regarding **environmental protection organisations**, in 2009 the Lagardère Services subsidiary renewed its partnership with the WWF, as part of the HDS digital kiosk. At Lagardère Active, as part of the development of the *Gulli Ma planète* label, the children's television channel Gulli also renewed its partnership with the organisation called *Planète Urgence* (Planet Emergency).

Lagardère Sports is engaged in partnerships with various associations in the countries it operates in, including Germany, Singapore, Sweden and Israel.

5.3.2.3 ENVIRONMENTAL INFORMATION

Lagardère is a Media corporation, with a highly diversified range of business activities mainly in the services sector, which tends to moderate its direct industrial and environmental risks⁽¹⁾. Certain NRE environmental disclosure requirements are more specifically aimed at industry (disclosures on “discharge into the air, water and soil”, for example, or “noise and smell pollution”), and do not apply directly to the Group.

However, Lagardère is well aware that its status as a media corporation in no way exempts it from sound environmental awareness, particularly related to its business sector, and it strives to extend these environmental concerns to all its subsidiaries outside France.

“Developing our business activities with respect for the environment” is the Lagardère Group's second CSR priority. This priority is illustrated by three commitments:

- ensuring responsible and efficient management of paper;
- rationalising transport;
- incorporating environmental concerns into the organisation of our activities.

In addition to reaffirming these commitments, whose concrete measures are presented in the Sustainable Development Report, we consider the following relevant for inclusion in this Reference Document:

- information regarding the carbon audits performed by two of the Group's four Divisions;
- the figures for our tertiary energy consumption and the various initiatives conducted to reduce our energy consumption;
- the different certification processes;
- environmental initiatives for non-media activities.

A) ENVIRONMENTAL COMMITMENTS

A.1 RESPONSIBLE PAPER MANAGEMENT

This responsibility is effective throughout the lifecycle of the paper.

- It begins with the purchase of the paper.

In 2009, Lagardère bought approximately 430 thousand tonnes of paper.

The Sustainable Development Report gives details of the Lagardère Group's goals and actions in this domain, such as increasing the proportion of paper originating from sustainably managed forests⁽²⁾ and using recycled paper whenever

(1) A presentation of the management of industrial and environmental risks related to the Group's business activities is given in Chapter 3, section 3.3.

(2) Among other things, the report explains the extent to which sustainable forest management contributes, at this stage, to reducing the threat to ecological balance, unspoilt areas, and protected animal and plant species (NRE law).

possible⁽¹⁾. The necessarily close relations with paper suppliers to achieve results that are improving year on year are also presented in the report.

- Responsible paper management continues during the manufacture of the paper itself, magazines and books, with the measures taken in particular to optimise production, (by reducing paper wastage) which has improved continuously over the past eight years at Lagardère Active and Lagardère Publishing.

The Sustainable Development Report explains the complex technical choices required to achieve such results.

- It ends at the end of the lifecycle of the paper, with the action instigated to both reduce the rate of returns and recycle the remaining books and magazines. These two types of operation are detailed in the Sustainable Development Report. In 2009, the average rate of returns for newspapers and magazines in France was 38.5%, compared to 38.1% in 2008. During this same period, the rate of returns at Lagardère Active improved from 30.4% in 2008 to 29.2% in 2009. As far as the processing of returns is concerned, on average 90% of the returns generated by the press distribution system for newsstand sales in France are recycled, and the remaining 10% are not lost as they are returned to the publishers at their request. At Lagardère Active, the recycling rate is higher: approximately 97% of unsold magazines are recycled and only 3% are returned to the publishers. Outside France, the proportions are similar and 100% of unsold copies not returned to the publishers by Lagardère Services' distribution companies are recycled.

A.2 STREAMLINING TRANSPORT

Transport generates high levels of greenhouse gases, and is a critical environmental concern for the Lagardère Group. Transport is used in the manufacturing and distribution of newspapers, magazines and books.

The Sustainable Development Report presents the measures instigated by each of the divisions to reduce the impact of transport in these two phases of manufacture and distribution.

Lagardère Active's policy includes measures to encourage French printers to store the paper to be used on their own premises and recommends the delivery of paper from Italy by train to the printing centre in the Greater Paris Area.

Lagardère Publishing outsources the distribution of books to transport firms which optimise the delivery rounds – and therefore the kilometres covered – in accordance with the constraints imposed by customers.

At Lagardère Services, where one of the two activities carried out abroad is distribution, transport is a major concern. The four principal wholesale distribution companies (AMP, SGEL, Lapker and Naville) together cover some 50 million kilometres a year to transport magazines from the printers' to the sales outlets, mainly in lorries and vans. Lagardère Services regularly performs studies to optimise delivery rounds and reduce the number of kilometres covered.

B) CARBON AUDITS

Lagardère Active and Lagardère Publishing were the first divisions of the Group to carry out carbon audits, using the proprietary *Bilan Carbone®* method. This method, defined by the French Environment and Energy Management Agency, ADEME, and applied with the assistance of the company Carbone 4, includes all actors involved in the production and consumption process.

These operations were a fascinating experience for both divisions, involving a large number of employees. The carbon audit defines a new benchmark for analysis and measurement, in which the unit of measurement is no longer the "economic cost" of each activity expressed in euros, but its "ecological cost" expressed in tonnes of carbon dioxide equivalent. This raises a whole series of concerns, calling into question the existing schemas, with the trade-offs between economic and environmental considerations that are the logical result of any sustainable development policy.

B.1 LAGARDÈRE PUBLISHING'S CARBON AUDITS

After harmonising the measurement methods with Hachette Livre's US subsidiary and the respective consultants, Carbone 4 and Green Press Initiative, Lagardère Publishing adjusted its carbon audit in France in 2009 to better reflect the loss of CO₂ absorption capacity related to deforestation. This recalculation of Hachette Livre's carbon audit in France, conducted by the company Carbone 4, shows a global figure of **210,000 tonnes CO₂ equivalent per annum**. However, the carbon footprint of retail sales (bookshops, large supermarkets, large specialist store chains) is not taken into account in France.

This figure, as a ratio to turnover, places Hachette Livre in the middle of the table in terms of emissivity, half-way between the service industry (lawyers, banking, etc.) and heavy industry (chemicals, metallurgy, etc.).

⁽¹⁾ Starting in 2009, *Le Journal du Dimanche* is printed on 100% recycled paper.

The CO₂ cost of a book emerges at around **1.3 kg CO₂ equivalent per copy sold**, which can be itemised as follows:

Paper: 630 g.

Printing: 185 g.

Freight: 340 g.

Distribution: 32 g.

Design/administration: 128 g.

In the United States, Hachette Book Group has also carried out a quantitative carbon audit. The result shows 390,000 tonnes of CO₂ equivalent, using a different method from the French *Bilan Carbone*®. The “paper and printing” item represents 94% of the total.

The two carbon audit methods will be harmonised in 2010.

Hachette Book Group has also published a Sustainable Development Commitment (“environmental policy”), and Hachette Livre will add its own global commitment in 2010.

B.2 LAGARDÈRE ACTIVE'S CARBON AUDIT

In the last quarter of 2008, Lagardère Active conducted a carbon audit across the full spectrum of its activities (Press, Radio, Television and Digital) in France and in the rest of the world.

This carbon audit took an inventory of the carbon dioxide emissions generated by the group's business activities, forming a benchmark for the action undertaken in 2009 to improve the group's carbon footprint.

The carbon audit of the Press sector examines carbon emissions from our own activity as publishers and advertising sales brokers, but also emissions by the paper mills, printers, binders, delivery services and transporters for the magazines and newspapers manufactured, as well as those related to the publications end-of-life cycle. The study showed that greenhouse gas emissions for a magazine sold in France range from 500 to 600 g CO₂ equivalent, approximately half of which is generated by the manufacturing process.

In addition to the actual figures, the advantage of the *Bilan Carbone*® method lies in the volume of information gathered, which constitutes an initial benchmark. Lagardère Active has been able to make use of this base to define areas for progress, pursue the actions already initiated, particularly in the Press sector, and schedule new improvement plans.

C) CONSUMPTION LEVELS

In 2006, the Group incorporated certain environmental data items concerning **water and energy consumption** into its financial data consolidation system.

The data below for 2009 covers 100% of **Lagardère's consolidated subsidiaries**, totalling almost 557 companies, with the following breakdown:

Lagardère Publishing > 92

Lagardère Active > 290

Lagardère Services > 75

Lagardère Sports > 65

Other Activities > 35

Consumption included in certain site overheads (representing a relatively small number compared to the number of companies consolidated) and not itemised is estimated according to the type of premises and the number of occupants concerned; to ensure consistency in the consolidated data, internal reinvoicing between consolidated companies is not taken into account: the relevant data is entered once only, by the business unit that receives the invoice from the service company.

In 2009, the total electricity, gas, oil and water consumed by the Group amounted to approximately 192 GWh, 56.7 GWh, 2.7 million litres of oil and 748,733 m³ of water respectively.

Consumption levels in 2009

Energy	Year	Lagardère Distribution	Lagardère Publishing	Lagardère Active	Lagardère Sports	Other Activities	Total
Electricity (KWh)	2008	92,223,016	42,758,875	41,269,705	514,536	6,140,698	182,906,830
	2009	93,408,398	39,916,698	49,477,607	2,417,194	6,680,579	191,900,476
Gas (KWh)	2008	18,725,738	25,233,397	3,035,398	NA	8,419,294	55,413,827
	2009	18,432,080	26,018,376	5,269,118	569,494	8,130,104	58,419,172
Oil (litres)	2008	1,131,838	692,674	405,239	NA	1,336	2,441,087
	2009	1,256,183	1,132,156	299,711	NA	1,957	2,690,007
Water (m³)	2008	71,202	61,491	377,632	NA	190,609	700,934
	2009	424,156	73,982	69,324	8,177	172,774	748,413

The variations result from more comprehensive inclusion of sources of measurement, particularly outside France.

CO₂ emissions in 2009

Sources of energy	Year	Lagardère Distribution	Lagardère Publishing	Lagardère Active	Lagardère Sports	Other Activities	Total
Electricity (teqCO ₂)	2009	33,006	14,104	17,483	854	2,360	67,807
Gas (teqCO ₂)	2009	3,413	4,818	975	105	1,505	10,816
Oil (teqCO ₂)	2009	3,323	2,995	792	NA	5	7,115
Total	2009	39,742	21,917	19,250	959	3,870	85,738
Green energy (KWh)	2008	368,265	2,480,844	1,958,000	NA	2,475,100	7,282,209
	2009	371,948	2,046,098	1,948,000	NA	2,543,400	6,909,446

The Group's consumption of energy generated by recycling of domestic waste and/or combined heat and power production (cogeneration) (Green energy) amounted to almost 6.9 GWh in 2009 (compared to 7.2 GWh in 2008).

Under the Group's ambition to increase use of renewable energy sources, the premises housing the head offices of the French Press division and Lagardère Publishing, among the largest in the Group, are heated by Compagnie Parisienne de Chauffage Urbain (CPCU). 75% of the energy supplied by CPCU is produced through recycling of domestic waste and cogeneration, which are among the procedures that respect the environment most.

Given the concern to reduce and/or optimise energy consumption, a global approach to "Controlling Energy Expenditure" has been instigated in partnership with the Group's electricity supplier, with the aim of identifying all potential sources of energy savings, assessing the potential gains and implementing the corresponding action.

These audits were used to identify specific areas for progress, and improvement operations have been (and will continue to be) implemented on the sites concerned. The majority of measures applied relate to:

- lighting, chiefly the use of low-energy consumption light bulbs or metal iodide lamps to replace existing lamps;
- air conditioning or ventilation and heating, particularly the implementation of processes designed to reduce heat exchanges, as the Group's sites are principally tertiary service sites.

An example of this is the reduction of energy consumption at Lagardère Service's sales outlets in France through the implementation of a certain number of measures. In 2009, initiatives continued to design the most eco-efficient stores possible, in particular reducing energy consumption, in three ways:

- by working on better insulation of premises;
- by installing LEDs and T5 bulbs and promoting rational use of lighting;
- by installing new air conditioning systems and recycling the air.

Lagardère Resources has been using cogeneration for heating for some years now. 40% of the steam produced by CPCU is produced from household waste.

In 2009, this company also installed a new air conditioning centre in its premises. In addition to preparing for the ban on the use of R22 gas scheduled for 2012, the new systems generated the following energy savings:

- 830 m³ of water per year;
- 141,500 kW per year, which represents a 50% saving in electricity for refrigeration.

The Sustainable Development Report presents some of the energy savings measures taken in the different divisions.

D) WASTE MANAGEMENT

The wide disparity in situations and local constraints leads the divisions to conduct local improvement operations, while making use of the Group's exchanges of best practices. The objectives pursued remain the same:

- reinforce volume tracking and waste sorting by type;
- improve downstream traceability, particularly with respect to the selected subcontractors; and
- reduce volumes and management costs, where possible.

E) CERTIFICATION PROCESSES

E.1 ISO 14001 CERTIFICATION

- *La Croix Catelan* obtained ISO 14001 certification in 2009. The procedure and the implications for the Lagardère Paris Racing sports centre are described in the Sustainable Development Report. Protecting the ecological balance of the site (fauna and flora) is another constant concern for the club.
- Lagardère Publishing continued its efforts to encourage its partners to initiate ISO 14001 environmental certification procedures. To date, 92% of Lagardère Publishing's paper suppliers are ISO 14001-certified (compared to 95% in 2008, 90% in 2006 and 80% in 2005).
- Since the year 2009, all French printers selected by Lagardère Active have obtained the Imprim'vert quality label and ISO 14001 certification.

E.2 FSC OR PEFC CERTIFICATION

At Lagardère Publishing, the proportion of paper manufactured with pulp made from wood from FSC or PEFC-certified sustainably managed forests has continued to increase, from 35% in 2005 to 50% in 2006, reaching 65% in 2008 and 67% in 2009.

In 2009, as an experiment, several publications in the General Literature category were printed on 100% recycled paper, including Nicolas Hulot's *Le syndrome du Titanic 2*, and the *Evasion* guide to Corsica.

At Lagardère Active, the European paper manufacturers currently selected have the capacity to supply certified paper for 100% of orders. Italy already buys PEFC-certified paper only. France is expected to follow suit in 2010, and the other countries afterwards.

F) ECOLOGICAL INITIATIVES FOR NON-MEDIA ACTIVITIES

In addition to the policies aimed at enhancing control and reducing the environmental impact of its business activities, through its subsidiary Matra Manufacturing & Services the Group has been involved since 2006 in the development, manufacture and European distribution of electrically-driven vehicles (light electric bicycles and quadricycles). With the launch of STEP (*Système de Transport Electrique de Proximité*), an engine-driven system with an energy yield of 90%, almost double that of a thermal engine, the company has gone straight to the heart of ecological mobility, along three criteria: reliability, silence and respect of the environment. These electric bicycle, people carrier and light utility vehicle solutions change user behaviour and meet the needs of companies, local authorities, administrations and private individuals aware of the issues at stake for the planet. In 2009, Matra Manufacturing & Services launched its electric scooter *EMO*, which has a fast-recharging battery and a range of 40 km.



► CHAPTER 6

NET ASSETS – FINANCIAL POSITION – RESULTS

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6.1 PER SHARE DATA AND DISTRIBUTION POLICY

6.1.1 PER SHARE DATA

(in euros)	2009		2008		2007	
	Basic	Diluted ⁽¹⁾	Basic	Diluted ⁽¹⁾	Basic	Diluted ⁽¹⁾
Profit attributable to owners of the parent, per share	1.08	1.07	4.62	4.62	4.03	3.99
Equity attributable to owners of the parent, per share	31.18	31.04	33.88	33.88	34.47	34.21
Cash flow from operations before change in working capital, per share	5.17	5.14	5.43	5.43	5.99	5.95
Market price at 31 December	28.41		29.00		51.29	
Dividend	1.30 ⁽²⁾		1.30		1.30	

(1) Including the effect of dilutive stock options and free shares granted to employees.
(2) Dividend to be approved by the Annual General Meeting of Shareholders on 27 April 2010.

6.1.2 DIVIDENDS PAID TO SHAREHOLDERS

Total dividends paid for the years 2006, 2007 and 2008 amounted to €160.4 million, €169.2 million and €164.9 million respectively. For the same years 2006, 2007 and 2008 total dividends accounted for 55.1%, 31.7% and 27.8% of net profit attributable to owners of the parent.

6.1.3 CHANGES IN CLOSING SHARE PRICES



6.2 ANALYSIS OF LAGARDÈRE SCA'S FINANCIAL POSITION AND RESULTS

6.2.1 GENERAL

	2009	2008
Net sales	7,892	8,214
Profit before finance costs and tax	369	825
Finance costs, net	(82)	(176)
Income tax expense	(123)	(22)
Net profit	164	627
Attributable to:		
– Owners of the parent	137	593
– Minority interests	27	34

The Lagardère Group's consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS), using the same accounting principles as those applied for the year ended 31 December 2008.

The Lagardère Group's business is carried out through the four operating divisions which form Lagardère Media, through its holding in EADS, and through "Other Activities", i.e. business not directly related to Lagardère Media's operating divisions.

6.2.2 LAGARDÈRE MEDIA

Lagardère Media includes the operations of the four divisions Lagardère Publishing, Lagardère Active which comprises the Press and Audiovisual activities, Lagardère Services, and Lagardère Sports.

The major changes in this segment's structure during 2009 are described in note 4 to the consolidated financial statements. Since 1 January 2009, Lagardère SCA has charged a new fee to the Media divisions for the right to use Lagardère-owned brands. For clearer comparability between 2009 and 20w08, the 2008 figures have been restated and are presented on a pro forma basis that includes the retrospective cost of this fee, calculated under the invoicing rules adopted in 2009. This has generated an additional proforma charge for Lagardère Media of €9 million in 2008, offset by an increase of equal value in the operating profit of Other Activities.

As a result of this adjustment, summarised statements of income and cash flows of Lagardère Media are as follows:

Income statement

	2009	2008 proforma
Net sales	7,892	8,214
Recurring operating profit before associates	463	648
Income from associates (*)	78	75
Non-recurring items	(591)	(466)
Amortization of acquisition-related intangible assets	(66)	(70)
– Fully consolidated companies	(46)	(50)
– Companies accounted for by the equity method	(20)	(20)
Profit (loss) before finance costs and tax	(116)	187
Finance costs, net	(71)	(189)
Profit (loss) before tax	(187)	(2)

(*) Excluding amortization of acquisition-related intangible assets and impairment losses.

Cash flows

	2009	2008
Cash flows from operations before changes in working capital	641	725
Changes in working capital	134	(122)
Cash flows from operations	775	603
Interest paid and received and income taxes paid	(242)	(424)
Net cash provided by operating activities	533	179
Cash used in investing activities	(295)	(703)
– <i>Intangible assets and property, plant and equipment</i>	(233)	(220)
– <i>Investments</i>	(62)	(483)
Proceeds from disposals	35	108
– <i>Intangible assets and property, plant and equipment</i>	12	29
– <i>Investments</i>	23	79
Decrease in short-term investments	37	8
Net cash used in investing activities	(223)	(587)
Total cash provided by (used in) operating and investing activities	310	(408)
Capital employed^(*)	5,398	5,953

(*) Non-current assets less non-current liabilities (excluding debt) and working capital requirement.

Income statement

The decline in sales 2009 (-4.0% on a like-for-like basis) is the result of highly contrasting developments. The magazine business registered a -17.9% downturn in sales on a like-for-like basis despite a slight recovery in the final quarter, remaining severely affected by low advertising and circulation. The Group's audiovisual business (-12.7% on a like-for-like basis) suffered from the decline in radio advertising revenues, particularly for the music radio stations, and lower advertising revenues from cable and satellite channels. The results reported by Lagardère Services (-2.3% on a like-for-like basis) reflect the fall-off in press sales affecting its distribution and retail operations, and the decline in air travel (in France, the United States, and Spain). The effect of the distributor Anderson's bankruptcy on the US markets and difficulties for the wholesaler The Source also had a notable influence on sales. Book Publishing, in contrast, registered one of its highest-ever levels of business (+6.5% on a like-for-like basis) driven largely by the international success of Stephenie Meyer's novels, particularly in the United States, the United Kingdom and France.

Lagardère Sports reported a decline in net sales for 2009 (-10.1% on a like-for-like basis). 2008 results had included the favourable effects of the Euro 2008 championship and the African Nations Cup which had no equivalents in 2009, and the market conditions became more difficult in 2009 for sales of certain media rights, particularly in the United Kingdom, bringing prices down. However, Lagardère Sports benefited from the full consolidation of World Sport Group (WSG), which raised sales growth to +14.2% without adjustments.

Lagardère Media's sales for 2009 were thus down by -3.9% from 2008 before adjustments for changes in Group structure and exchange rates. Changes in Group structure had a positive impact of +€131 million, mainly resulting from full consolidation of WSG. Changes in exchange rates (average rate over the year) had a negative impact of -€132 million attributable to the decline of the pound sterling and certain Eastern European currencies against the euro, partly counterbalanced by the rise in the US dollar.

Recurring operating profit before associates amounted to +€463 million, a fall of -€185 million or -28.5% from 2008 without adjustments for changes in Group structure and exchange rates.

Changes in recurring operating profit before associates were as follows for each division:

- Lagardère Publishing's recurring operating profit showed a significant rise in 2009 to €301 million, an increase of +€58 million. The main factor in this rise was the impact of sales of Stephenie Meyer's series of novels in France, the United Kingdom, Australia and naturally the United States. General Literature in France turned in a good end-of-year performance.
- In the Lagardère Active division, recurring operating profit stood at €15 million; the contribution by the Press activities (+€4 million) was -€107 million lower than in 2008 as a result of a significant downturn in advertising revenues and declining distribution in nearly all countries. The contribution by Audiovisual activities (+€11 million) was down by -€84 million, due to the impact of the advertising crisis on music radio revenues in France and internationally.

- Lagardère Services reported recurring operating profit of €91 million, down by -€34 million from 2008. This downturn is partly explained by a fall in press sales, particularly affecting distribution activities (principally in Spain, Belgium, Switzerland and Poland) and newsstand sales in general, and partly by lower airport traffic. These negative effects were offset to a degree by corporate cost-cutting campaigns, particularly at Distribution companies. Lagardère Services' recurring operating profit for 2009 also included a net loss of \$6.5 million (€4.7 million) following the bankruptcy of US distributor Anderson.
- The recurring operating profit of the Sports division was €56 million, down by -€18 million from 2008. This excludes amortization of the intangible assets created when acquisitions in the division were recognised (-€42 million at 31 December 2009 compared to -€45 million in 2008). The effect of full consolidation of WSG was offset by Sportfive's lower contribution in the absence of non-recurring events (compared to the Euro 2008 and African Nations Cup in 2008), and more stringent market conditions for sales of media rights. The division also recorded -€10 million more in net allocations to provisions for bad debt than in 2008.

Income from associates (excluding amortization of acquisition-related intangible assets and impairment losses) was +€78 million in 2009 compared to +€75 million in 2008. This includes the contribution of Canal+ France, which amounted to +€62 million in 2009 compared to +€52 million in 2008.

Non-recurring/non-operating items included in the profit before finance costs and tax represented a net loss of -€657 million in 2009, compared to a net loss of -€536 million in 2008.

This loss comprises the following components:

- Impairment losses of -€449 million in fully consolidated companies, including -€441 million on intangible assets relating to Lagardère Active (-€339 million in 2008 including -€327 million for Lagardère Active). This impairment results from the current economic recession and its effect on prospects for advertising and distribution revenues in the markets concerned.
- -€35 million of impairment losses booked against investments accounted for by the equity method, including -€31 million in respect of shares in *Marie-Claire*.
- -€92 million of restructuring costs, -€61 million of which concern Lagardère Active, principally for the cost-cutting plans under way in the United States, France, Spain and Italy.
- Losses of -€15 million on disposals, mainly connected to the sale of *La Dépêche du Midi*, and the investment by Sumitomo in the Japanese subsidiary Fujingaho. These losses were partly offset by the sale to the Bonnier Group of a group of specialist magazines in the United States.
- -€66 million of amortization of acquisition-related intangible assets, including -€42 million concerning the Sports division and -€20 million against the contribution of Canal+ France.

As a result of the above items, the Media segment reported a loss before finance costs and tax of -€116 million in 2009, -€303 million lower than the profit recorded in 2008.

Net finance costs were -€71 million against -€189 million in 2008. Reduction of interest rates was the main factor in this improvement.

Cash flows

Cash flows from operations before changes in working capital amounted to +€641 million in 2009, compared to +€725 million in 2008. This decline of -€84 million reflects the fall in recurring operating profit, mitigated by lower outflows under the Active 2009 restructuring plan.

Working capital decreased by €134 million, after a €122 million increase in 2008. This improvement was visible at Lagardère Publishing, Lagardère Active and Lagardère Services and results from payment collection by Lagardère Publishing on sales which rose sharply in the fourth quarter of 2008, the impact of the lower level of business on trade receivables, and careful management of working capital requirements across all entities.

Following the same trend as indebtedness and financing costs, interest paid (net of interest received) amounted to -€67 million in 2009 compared to -€186 million in 2008. Taxes paid decreased from -€238 million in 2008 to -€175 million in 2009, reflecting the fall in recurring operating profit.

All these items generated net cash from operating activities of +€533 million in 2009, compared to +€179 million in 2008.

Purchases of property, plant and equipment and intangible assets, net of disposals, totalled €221 million in 2009, an increase of €30 million principally as a result of full consolidation of WSG, offset by slightly lower investments than in 2008 at Lagardère Publishing and Lagardère Active.

Purchases of investments, net of disposals, amounted to €39 million in 2009, including some €30 million for purchases of duty free concessions in Eastern Europe.

Other changes in investments provided funds of €37 million, corresponding to sales of marketable securities.

As a result, total cash of +€310 million was provided by operating and investing activities in 2009, compared with -€408 million used in 2008.

6.2.3 EADS

On 24 March 2009, in accordance with the amendment to the subscription contract for the Mandatory Exchangeable Bonds signed on 26 January 2009, Lagardère remitted 20,370,000 EADS shares or 2.5% of EADS' share capital to the bondholders in redemption of the final tranche of the issue. The first and second tranches were redeemed on 25 June 2007 and 25 June 2008 through remittance of an identical number of shares.

The gain on this transfer for 2009 and 2008 has been calculated based on the EADS group's equity at 31 March 2009 and 30 June 2008 respectively, and amounts to €539 million for 2009 and €466 million for 2008.

As a result, Lagardère's holding in EADS was reduced from 10% at 31 December 2008 to 7.5%.

EADS has been accounted for by the equity method since 1 January 2007. EADS' contribution to profit included in the consolidated income statement for 2009 is based on a percentage interest of 10% for the first quarter of 2009, and 7.5% for the other three quarters of 2009.

The share of profit included in the consolidated income statement for 2008 was based on a percentage interest of 12.51% for the first half, and 10% for the second half of the year, corresponding to the percentage interest held at the time.

EADS' contribution to 2009 consolidated profit amounted to -€49 million, compared to +€171 million in 2008.

6.2.4 OTHER ACTIVITIES

Other Activities comprise those operations not directly related to one of Lagardère Media's operating divisions.

Income statement

	2009	2008 Proforma
Recurring operating profit (loss)	(2)	(1)
Non-recurring items	(3)	2
Profit (loss) before financial costs and tax	(5)	1
Net financial income (loss)	(11)	13
Profit (loss) before tax	(16)	14

Other Activities recorded a slight recurring operating loss in 2009 as in 2008.

A net financial loss of -€11 million was recorded in 2009, down by -€24 million from 2008. This deterioration is due to a fall in interest rates, mainly reflected in lower financial income invoiced to subsidiaries.

6.2.5 OVERVIEW OF CONSOLIDATED RESULTS

Profit before tax of the Group's activities, and consolidated profit for the year, are as follows:

	2009	2008 Proforma
Lagardère Media	(187)	(2)
Income (loss) from EADS (accounted for by the equity method)	(49)	171
Gain on sale of EADS shares	539	466
Other Activities	(16)	14
Profit before tax	287	649
Income tax expense	(123)	(22)
Consolidated profit for the year	164	627
<i>Attributable to owners of the parent</i>	<i>137</i>	<i>593</i>
<i>Attributable to minority interests</i>	<i>27</i>	<i>34</i>

6.2.6 CASH FLOWS

6.2.6.1 CONSOLIDATED CASH FLOW STATEMENT

In 2009, net cash from operating activities amounted to +€552 million, +€533 of which was attributable to Lagardère Media and +€19 million to Other Activities, including dividends of €12 million received from EADS.

Net cash of +€434 million was generated by investing activities in 2009, mainly comprising -€223 million of funds used by Lagardère Media and proceeds of +€664 million on the sale of shares in EADS.

Net cash of -€1,055 million was used in financing activities in 2009, principally comprising the following:

- sources:
 - €991 million in income (net of expenses) on the bond issue of 6 October 2009;
- applications:
 - a €1,188 million reduction in drawings on the syndicated loan;
 - redemption on maturity of the final tranche of the EADS Mandatory Exchangeable Bonds (€664 million);
 - dividends paid (€202 million).

As a result of the above cash flows, including the +€12 million cash effect of translation adjustments and reclassifications, cash and cash equivalents decreased by -€57 million from 2008 and stood at +€519 million at 31 December 2009.

6.2.6.2 NET INDEBTEDNESS

Net indebtedness is calculated as follows:

	31 Dec. 2009	31 Dec. 2008
Short-term investments and cash and cash equivalents	842	952
Non-current debt	(2,174)	(2,380)
Current debt	(492)	(1,191)
Net indebtedness	(1,824)	(2,619)
Including: EADS Mandatory Exchangeable Bonds	–	(692)

Changes during 2009 and 2008 were as follows:

	2009	2008
Net indebtedness at 1 January	(2,619)	(2,570)
Total cash from operating and investing activities	986	275
Acquisition of treasury shares	(2)	(102)
Dividends	(202)	(202)
Decrease in short-term investments	(37)	(8)
Change in put options granted to minority shareholders recognised in debt	(16)	59
Change in financial liabilities following measurement at fair value	10	(101)
Effect on cash of changes in exchange rates, consolidation scope and other	56	30
Net indebtedness at 31 December	(1,824)	(2,619)

6.3 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Consolidated income statement for the year ended 31 December 2009

(in millions of euros)		2009	2008
Net sales	(notes 5 and 6)	7,892	8,214
Other income from ordinary activities		397	406
Revenues		8,289	8,620
Purchases and changes in inventories		(3,738)	(3,860)
Capitalised production		(5)	22
Production transferred to inventories		90	74
External charges		(2,289)	(2,392)
Payroll costs	(note 7)	(1,608)	(1,673)
Depreciation and amortization other than on acquisition-related intangible assets		(210)	(151)
Amortization of acquisition-related intangible assets		(47)	(50)
Restructuring costs	(note 8)	(93)	(40)
Gains (losses) on disposals of assets	(note 9)	524	471
Impairment losses on goodwill, property, plant and equipment and intangible assets	(note 10)	(451)	(339)
Other operating expenses	(note 11)	(96)	(86)
Other operating income	(note 12)	29	93
Income (loss) from associates	(note 19)	(26)	136
Profit before finance costs and tax	(note 5)	369	825
Financial income	(note 13)	14	39
Financial expenses	(note 13)	(96)	(215)
Profit before tax		287	649
Income tax expense	(note 14)	(123)	(22)
Profit for the year		164	627
Attributable to:			
Owners of the parent		137	593
Minority interests	(note 26.5)	27	34
<i>Earnings per share – Attributable to owners of the parent:</i>			
<i>Basic earnings per share (in euros)</i>	(note 15)	1.08	4.62
<i>Diluted earnings per share (in euros)</i>	(note 15)	1.07	4.62

Consolidated statement of comprehensive gains and losses at 31 December 2009 ^(a)

(in millions of euros)		2009	2008
Profit for the year		164	627
Currency translation adjustments		43	(128)
Change in fair value of:			
- derivative financial instruments		(420)	(3)
- investments in non-consolidated companies		5	(42)
Actuarial gains and losses on employee benefit and similar obligations		(15)	3
Share of gains and losses of associates (net of tax)		10	(396)
Income tax on gains and losses recognised in equity		5	3
Gains and losses recognised in equity, net of tax	<i>(note 26.7)</i>	(372)	(563)
Comprehensive gains and losses		(208)	64
Attributable to:			
Owners of the parent		(235)	30
Minority interests	<i>(note 26.5)</i>	27	34

(a) In compliance with IAS 1 (revised), applicable from 1 January 2009.

Consolidated statement of cash flows for the year ended 31 December 2009

(in millions of euros)		2009	2008
Profit for the year		164	627
Income tax expense		123	22
Finance costs, net		82	176
Profit before finance costs and tax		369	825
Depreciation and amortization expense		257	201
Impairment losses, provision expense and other non-cash items		496	262
Gains on disposals of assets		(524)	(471)
Dividends received from associates		31	30
(Income) loss from associates		26	(136)
Changes in working capital		127	(141)
Cash flows from operations		782	570
Interest paid		(124)	(228)
Interest received		13	34
Income taxes paid		(119)	(178)
Net cash provided by operating activities	(A)	552	198
Cash used in investing activities			
Purchases of intangible assets and property, plant and equipment		(240)	(225)
Purchases of investments		(44)	(474)
Cash acquired through acquisitions		28	15
Purchases of other non-current assets		(47)	(25)
Total cash used in investing activities	(B)	(303)	(709)
Cash from investing activities			
Proceeds from disposals of non-current assets			
Intangible assets and property, plant and equipment		12	34
Investments		673	694
Cash transferred on disposals		(1)	34
Decrease in other non-current assets		16	16
Total cash from investing activities	(C)	700	778
Decrease in short-term investments	(D)	37	8
Net cash provided by investing activities	(E)=(B)+(C)+(D)	434	77
Total cash provided by operating and investing activities	(F)=(A)+(E)	986	275
Capital transactions			
Proceeds from capital increase by the parent		-	-
Change in minority interests in capital increases by subsidiaries		1	-
Change in treasury shares		(2)	(102)
Dividends paid to equity holders of the parent ^(*)		(171)	(174)
Dividends paid to minority shareholders of subsidiaries		(31)	(28)
Financing transactions			
Increase in debt		1,061	1,113
Decrease in debt		(1 913)	(982)
Net cash used in financing activities	(G)	(1,055)	(173)
Other movements			
Effect on cash of changes in exchange rates		7	(1)
Effect on cash of other movements		5	3
Total other movements	(H)	12	2
Change in net cash and cash equivalents	(I)=(F)+(G)+(H)	(57)	104
Cash and cash equivalents at beginning of the year		576	472
Cash and cash equivalents at end of the year	<i>(note 25)</i>	519	576

(*) Including the portion of net profit paid to the General Partners.

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Consolidated balance sheet at 31 December 2009

ASSETS (in millions of euros)		31 Dec. 2009	31 Dec. 2008
Intangible assets	(note 17)	1,386	1,340
Goodwill	(note 16)	2,810	2,980
Property, plant and equipment	(note 18)	635	636
Investments in associates	(note 19)	2,169	2,443
Other non-current assets	(note 20)	206	202
Deferred tax assets	(note 14)	169	203
Total non-current assets		7,375	7,804
Inventories	(note 21)	538	551
Trade receivables	(note 22)	1,468	1,647
Other current assets	(note 23)	902	1,377
Short-term investments	(note 24)	78	117
Cash and cash equivalents	(note 25)	764	835
Total current assets		3,750	4,527
Total assets		11,125	12,331

Consolidated balance sheet at 31 December 2009

EQUITY AND LIABILITIES (in millions of euros)		31 Dec. 2009	31 Dec. 2008
Share capital		800	800
Reserves		3,021	2,962
Profit attributable to owners of the parent		137	593
Equity attributable to owners of the parent		3,958	4,355
Minority interests	(note 26.5)	124	91
Total equity		4,082	4,446
Provisions for employee benefit and similar obligations	(note 27)	102	94
Non-current provisions for contingencies and losses	(note 27)	179	189
Non-current debt	(note 28)	2,174	2,380
Other non-current liabilities	(note 31)	395	252
Deferred tax liabilities	(note 14)	223	243
Total non-current liabilities		3,073	3,158
Current provisions for contingencies and losses	(note 27)	370	336
Current debt	(note 28)	492	1,191
Trade payables		1,754	1,845
Other current liabilities	(note 31)	1,354	1,355
Total current liabilities		3,970	4,727
Total equity and liabilities		11,125	12,331

Consolidated statement of changes in equity for the year ended 31 December 2009

(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	Equity
At 1 January 2008	818	1,010	2,213	(246)	(64)	843	4,574	85	4,659
Net profit for the year			593				593	34	627
Gains and losses recognised in equity ⁽¹⁾			(29)		(89)	(445)	(563)		(563)
Comprehensive gains and losses for the year			564		(89)	(445)	30	34	64
Dividends			(174)				(174)	(28)	(202)
Capital reduction by the parent ⁽²⁾	(18)	(122)		140			0		0
Changes in treasury shares				(102)			(102)		(102)
Share-based payments			27				27		27
Changes in consolidation scope and other							0		0
At 31 December 2008	800	888	2,630	(208)	(153)	398	4,355	91	4,446
Net profit for the year			137				137	27	164
Gains and losses recognised in equity ⁽¹⁾			(47)		24	(349)	(372)		(372)
Comprehensive gains and losses for the year			90		24	(349)	(235)	27	(208)
Dividends			(171)				(171)	(31)	(202)
Capital increase attributable to minority interests							0	1	1
Changes in treasury shares				(2)			(2)		(2)
Share-based payments			11				11		11
Changes in consolidation scope and other							0	36	36
At 31 December 2009	800	888	2,560	(210)	(129)	49	3,958	124	4,082

(1) See details in note 26.7 to the consolidated financial statements.
(2) Capital reduction by cancellation of treasury shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(All figures are expressed in millions of euros)

NOTE 1 ACCOUNTING PRINCIPLES

In application of European Commission regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Lagardère Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

All IFRS standards and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) endorsed by the European Union for application at 31 December 2009 are applied. They can be consulted on the European Commission website at: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

The Group has applied the new standards, revisions and interpretations which are mandatory from 1 January 2009. These new standards have no significant impact on the financial statements at 31 December 2009, except for IAS 1 (revised), "Presentation of financial statements", which has led to a change in the format and name of certain tables and information reported. The principal consequences of its application are replacement of the "Consolidated Statement of Recognised Income and Expenses" by the "Consolidated Statement of Comprehensive Gains and Losses" presented after the consolidated income statement. A detailed analysis of information regarding gains and losses recognised in equity is presented in the notes to the financial statements.

The following standards, revised standards and interpretations became mandatory for the first time in 2009:

Revised IAS 1 – Presentation of Financial Statements

Revised IAS 23 – Borrowing Costs

IFRS 8 – Operating Segments

Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation

2008 amendments to IAS 39 – Reclassification of Financial Assets

Annual improvements to IFRS (published May 2008) – except for the amendments to IFRS 1 and IFRS 5

Amendments to IFRS 2 – Vesting Conditions and Cancellations

Amendments to IFRS 7 – Improving Disclosures about Financial Instruments

Amendments to IFRIC 9 and IAS 39 – Embedded derivatives

IFRIC 11 – Group and Treasury Share Transactions

IFRIC 13 – Customer Loyalty Programmes

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not elected for early application in 2009 of the following standards and interpretations which will become mandatory after 2009:

Revised IAS 24 – Related Party Disclosures

Revised IAS 27 – Consolidated and Separate Financial Statements

Revised IFRS 3 – Business Combinations

IFRS 9 – Financial Instruments – Classification and Measurement

Amendments to IAS 32 – Classification of Rights Issues

2008 amendments to IAS 39 – Financial Instruments – Eligible hedged items

Annual improvements to IFRS (published May 2008) – Amendments to IFRS 1 and IFRS 5

Annual improvements to IFRS (published April 2009)

Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions

IFRIC 12 – Service Concession Agreements

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 17 – Distributions of Non-Cash Assets to Owners

IFRIC 18 – Transfers of Assets from Customers

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The revisions to IFRS 3 and IAS 27 introduce substantial modifications in the accounting principles for business combinations, which will apply prospectively to transactions undertaken from 1 January 2010. The Group does not anticipate that application of the other standards, revisions and interpretations mentioned above will have any material impact.

NEW TAX REGULATIONS APPLICABLE IN FRANCE FROM 1 JANUARY 2010:

REPLACEMENT OF BUSINESS TAX (*TAXE PROFESSIONNELLE*)

France's 2010 finance law published on 31 December 2009 introduced a new local tax called the *Contribution Économique Territoriale* (CET) which will replace business tax (*taxe professionnelle*).

The CET has two components:

- a contribution based on the rental value of property that is owned by a business and subject to real estate tax (*Contribution Foncière des Entreprises - CFE*);
- a contribution based on the business' value added (*Cotisation sur la Valeur Ajoutée des Entreprises - CVAE*).

For the accounting treatment of this second component, the CVAE, the Group takes the position that value added is an intermediate stage of net profit which is significantly different from the taxable profit, and in substance the CET is a new tax following on from the business tax it replaces. Consequently, the Group has decided not to classify the CVAE as income tax as from 1 January 2010 and treat it as an operating expense that is a component of profit before finance costs and tax, under the same approach applied for business tax until 2009.

MEASUREMENT PRINCIPLES

The financial statements have been prepared using the historical cost model, except for certain financial assets and liabilities which have been measured at fair value.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities and contingent amounts at year-end, and 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 other conditions.

NOTE 2 SCOPE AND METHODS OF CONSOLIDATION

2.1 SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company and the subsidiaries under its control, jointly-controlled entities (joint ventures) and entities in which the Group has significant influence in management and financial policy (associates), which are consolidated by the methods described below. Significant influence is assumed to be exercised when the Group holds, directly or indirectly, 20% or more of the capital.

2.2 CONSOLIDATION METHODS

The consolidation methods used are as follows:

- **Full consolidation** – All subsidiaries controlled by Lagardère are fully consolidated. Control is the power to govern the financial and operating policies of an entity. The full consolidation method consists of combining the financial statements of the parent and its subsidiaries line by line and recognising minority interests in the net assets of each subsidiary on a separate line in equity.
- **Equity method** – Joint ventures and associates are accounted for by the equity method. Under the equity method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the entity's net assets.

A list of consolidated companies is provided in note 36.

2.3 CLOSING DATES

The financial statements of all consolidated subsidiaries were closed at 31 December.

2.4 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The financial statements of foreign subsidiaries are translated into euros as follows:

- balance sheet items are translated using official year-end exchange rates;
- income statement items are translated using average exchange rates for the year.

The resulting exchange differences are recognised as a separate component of equity, under "Translation reserve".

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are considered as assets and liabilities of the subsidiary concerned. They are therefore measured in the subsidiary's functional currency and translated at the year-end exchange rate. When a foreign subsidiary is sold, cumulative exchange differences recognised in equity are reclassified into profit.

2.5 INTRA-GROUP BALANCES AND TRANSACTIONS

Intra-Group balances and transactions are eliminated on consolidation. Impairment losses deducted from the carrying amount of investments in and receivables from consolidated companies are cancelled by adjusting equity, and movements for the year are neutralised in the income statement.

NOTE 3 ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1 NET SALES

Revenue from sales of goods and services is recognised when title is transferred to the buyer or the service is rendered.

Purchases and sales corresponding to exchanges of goods or services of a similar nature and value are eliminated on consolidation and do not therefore appear in the income statement.

Revenues from magazine sales (Press division) and sales of part-books (Publishing division) are stated net of distribution fees.

For sales of advertising space, national press distribution (Curtis at Lagardère Services) and sports rights contracts when Group entities act as agents only, revenues consist solely of the fees received.

3.2 OPERATING LEASES

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

3.3 PERFORMANCE INDICATORS USED BY THE GROUP

The Group uses as its main performance indicator recurring operating profit before associates, which is calculated as follows:

• **Profit before finance costs and tax**

Items to be excluded:

Gains or losses on disposals of assets

Impairment losses on goodwill, property, plant and equipment and intangible assets

Restructuring costs

Amortization of acquisition-related intangible assets

(fully consolidated companies and entities accounted for by the equity method)

= Recurring operating profit

Less:

Income from Associates before amortization of acquisition-related intangible assets and impairment losses

= Recurring operating profit before associates

Profit before finance costs and tax includes amortization of certain intangible assets with finite lives, which resulted from allocation of the acquisition costs of the business combinations. The Group has decided to neutralise the effects of these items in calculating the recurring operating profit and the recurring operating profit before associates, so that book amortization with no effect on cash generated by the businesses acquired is eliminated from the measure of performance.

3.4 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

In the balance sheet, foreign currency receivables and payables are translated into euros at the year-end exchange rate. The resulting exchange differences are recognised in profit, except for those related to long-term financing of the Group's net investment in foreign operations which are recognised directly in equity.

3.5 SHARE-BASED PAYMENTS

Stock purchase options and free shares have been granted to certain members of management and employees of the Group. In accordance with IFRS 2 "Share Based Payment", an expense is recognised in payroll costs representing the benefit granted to beneficiaries as of the grant date, and a matching entry is recognised directly in equity. IFRS 2 applies to stock options and free shares granted from 7 November 2002 and not yet vested at 1 January 2005.

The fair value of the share-based payment is calculated using a binomial model for stock options and a Black-Scholes type model for free share allocations, taking into account the plan's features (exercise price and period), market factors at grant date (risk-free interest rate, share price, volatility, projected dividends) and assumptions regarding beneficiaries' future behaviour.

This expense is recorded over the vesting period (two years for Lagardère SCA's plans) and may be adjusted during that period if beneficiaries leave the Group or if options 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, 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 to 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 assets and tax loss carry-forwards 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.

For investments in associates, when the difference between the carrying amount of the investment and the tax base corresponds to the associate's cumulative undistributed profits from the acquisition date, the related deferred tax is therefore calculated at the tax rate that will be paid by the Group when the profits are distributed.

Deferred taxes are recognised as income or an expense and included in profit for the year, except to the extent that they arise from a transaction which is recognised directly in equity, in which case they are credited or charged to equity.

3.8 BUSINESS COMBINATIONS AND GOODWILL

Goodwill corresponds to the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities at the date of the business combination. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit.

In accordance with IFRS 3 "Business combinations", goodwill is not amortized but is reviewed for impairment at each year-end or whenever there is an indication that fair value may be impaired. The method used to test goodwill for impairment is described in note 3.10 below.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal. Goodwill related to entities accounted for by the equity method is included in the carrying amount of the investment.

3.9 INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. They are amortized over their probable useful life. Intangible assets with an indefinite life are not amortized but are tested regularly for impairment in the same way as goodwill (see note 3.10).

In the Group's Media business, no development costs are incurred that would be recognised in the balance sheet under IFRS.

3.10 IMPAIRMENT TESTS

The carrying amount of property, plant and equipment and intangible assets is reviewed at regular intervals to determine whether there is any indication that their value may be impaired. One such indication is evidence that an asset's economic performance is or will be worse than expected. If such an indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. The recoverable amount of goodwill and intangible assets with an indefinite life is estimated at each balance sheet date, irrespective of whether there is any indication of impairment. When the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised on goodwill are irreversible.

If it is not possible or relevant to estimate the recoverable amount of an individual asset, the estimate is performed at the level of the cash-generating unit to which the asset belongs.

Two methods are used to estimate recoverable amounts:

- the discounted cash flows method, applied to the individual asset or to the cash-generating unit to which the asset belongs;
- the market price method or 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 judgement to determine trends on the markets in which the Group operates, and actual future cash flows may differ from the forecasts used to calculate value in use.

The discount rates used are after-tax rates determined separately for each business, applied to cash flows after tax.

3.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured using the cost method.

The Group did not elect to apply the option available under IFRS 1 “First-Time Adoption of IFRS” to measure items of property, plant and equipment at the IFRS transition date (1 January 2004) at their fair value. Furthermore, as Group assets do not qualify for capitalisation of borrowing costs under IAS 23 (revised) which applies to assets requiring a long period of preparation before they can be used or sold, borrowing costs are directly charged to the income statement.

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. The ranges of useful lives applied to the main categories of property, plant and equipment are as follows:

Buildings	6 to 50 years
Machinery and equipment	3 to 20 years
Other equipment, furniture, fixtures and fittings	2 to 10 years

The depreciable amount corresponds to the cost of the asset less any residual value at the end of its useful life. With the exception of the Group’s headquarters building, property, plant and equipment are generally considered as having no residual value.

FINANCE LEASES

All material finance leases are accounted for as purchases of assets financed by debt. Leases are classified as finance leases if they transfer to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

The leased assets are depreciated on a basis that is consistent with the policy for owned assets, over the asset’s useful life or over the lease term if this is shorter.

INVESTMENT PROPERTY

Investment property is recorded at cost less any accumulated depreciation and impairment losses.

3.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The carrying amount of inventories does not include any borrowing costs, as they do not meet the requirements for capitalisation under IAS 23 (revised) (see note 3.11).

3.13 FINANCIAL ASSETS

INVESTMENTS IN NON-CONSOLIDATED COMPANIES

Investments in non-consolidated companies are initially recognised at cost. Based on the criteria set out in IAS 39, all investments in non-consolidated companies are classified as available-for-sale investments.

At each year-end, shares traded on an active market or for which other sufficiently reliable price information exists are measured at fair value. Shares that do not fulfil these criteria are measured using the cost method.

When the fair value, if it can be measured, exceeds the 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:

- in the income statement if the impairment is considered permanent, with any subsequent gains recognised in equity;
- in equity if the impairment is considered reversible.

When the investment is sold, the cumulative gains or losses recognised directly in equity are reclassified into profit and loss.

LOANS AND RECEIVABLES

Loans and receivables are measured at amortized cost, calculated by 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 and loss.

Shares, bonds, deposits and loans with maturities of more than three months are excluded from cash and cash equivalents and reported in the balance sheet under "Short-term investments".

3.14 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings, trade payables and other liabilities. They are measured at amortized cost by the effective interest method.

Specific measurement rules apply to financial liabilities hedged by derivative instruments. These rules are described in note 3.16.

3.15 PUT OPTIONS GRANTED TO MINORITY SHAREHOLDERS

In its Media activities, the Group has granted put options to the minority shareholders of certain fully-consolidated subsidiaries for the sale of their investments on defined terms. For some of these options, the exercise price was not fixed at the outset, and will be determined based on independent valuations.

IAS 32 requires these put options to be recognised as debt. In the balance sheet, the put options are initially recognised in debt at their estimated present value, with a corresponding adjustment to minority interests to the extent possible and to goodwill for the balance. In the income statement, the net profit for the year is presented in two separate lines: profit attributable to owners of the parent and profit attributable to minority interests according to the legal rights effectively held. The minority interests' share of net profit and dividends paid to them during the year are reported in debt.

Any subsequent change in the estimated amount of the liability is recognised as an adjustment to goodwill.

3.16 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge currency and interest rate risks. These instruments are initially recognised at cost, in “Other current assets” or “Other current liabilities”, and are subsequently measured at fair value through profit and loss.

However, certain derivative instruments are qualified as fair value hedges (mainly of currency and interest rate risks on debt) or cash flow hedges (of future sales and purchases).

These instruments qualify for hedge accounting if the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective and its effectiveness can be reliably measured from its inception.

Under hedge accounting:

- 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 on a symmetrical basis. When the hedge is effective, the change in the fair value of the derivative instrument offsets an opposite change in the fair value of the hedged item.

- Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit and loss.

The cumulative gains and losses recognised in equity are reclassified into profit and loss when the hedged transaction takes place.

3.17 TREASURY SHARES

Lagardère SCA shares held by the Company or by other Group entities are deducted from consolidated equity. When treasury shares are sold outside the Group, the after-tax gain or loss is also recognised directly in equity.

3.18 PROVISIONS FOR EMPLOYEE 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-benefits 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, which considers that each period of service gives rise to an additional unit of benefit entitlement. The method takes into account parameters such as:

- expected salary increases;
- employee turnover;
- mortality rates;
- a financial discount rate, and the expected rate of return on plan assets where applicable.

These calculations are performed in full at least every three years, and updated annually, unless a more in-depth review is required due to exceptional events such as substantial modifications in the terms of the plan, or in the types of employees covered.

From 1 January 2007, the Group elected to apply the option allowed by IAS 19 (revised) under which actuarial gains and losses arising from changes in the assumptions used in measuring obligations could be recognised directly in equity.

3.19 PROVISIONS FOR CONTINGENCIES AND LOSSES

A provision is recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 book value will be recovered primarily through a sale transaction rather than through continuous use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Such assets or groups of assets held for sale are stated at the lower of book value or estimated sale price, net of selling costs. 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

Significant changes in consolidated companies during 2009 were as follows:

TRANSFER OF 2.5% OF THE CAPITAL OF EADS

On 24 March 2009, in accordance with the amendment to the subscription contract for the Mandatory Exchangeable Bonds signed on 26 January 2009, Lagardère remitted 20,370,000 EADS shares or 2.5% of EADS' share capital to the bondholders in redemption of the final tranche of the issue. The first and second tranches were redeemed on 25 June 2007 and 25 June 2008 through remittance of an identical number of shares.

As a result, including the effect of other changes in EADS' share capital, Lagardère's holding in EADS was reduced from 14.98% at 31 December 2006 to 12.51% at 31 December 2007, 10% at 31 December 2008, then 7.5% at 31 December 2009.

EADS has been accounted for by the equity method since 1 January 2007. EADS' contribution to profit included in the consolidated income statement is based on a percentage interest of 10% for the first quarter of 2009, and 7.5% for the other three quarters of 2009 (the percentages applied for 2008 were 12.51% for the first half-year and 10% for the second half-year).

The gains on these transfers were calculated on the basis of EADS' consolidated equity at 31 March 2009 and 30 June 2008 and amounted to €539 million in 2009 and €466 million in 2008.

OTHER CHANGES

The other principal changes, which did not have a material impact on the 2009 financial statements, were as follows:

Lagardère Publishing

- Full consolidation from 1 January 2009 of Editions Albert René, the publisher of the Asterix books, in which Lagardère acquired a 60% interest late in 2008.

Lagardère Active

- The Japanese Group Sumitomo acquired an investment in Hachette Fujingaho. This 34% investment through a sale of shares was recognised at 31 May 2009.
- This operation forms part of a strategic alliance to develop an e-commerce business around the *ELLE* brand. Fujingaho will continue to be fully consolidated, apart from the e-commerce department which will be accounted for by the equity method;
- Transfer of the television magazine *TV Hebdo* to a joint venture set up with Socpresse, in which Lagardère Active holds a minority interest of 30%;
- Sale by Hachette Filipacchi Media US of five specialist magazines, and sale by Lagardère Active of the magazine *Onze Mondial*;

- Full consolidation over twelve months in 2009 of the Massin Group, which was consolidated from 1 May in 2008;
- Full consolidation over twelve months in 2009 of the Psychologies Magazine Group, which was accounted for by the equity method in 2008 until 31 May when the Lagardère Group raised its interest from 51% to 100%.

Lagardère Services

- Full consolidation since 1 January 2009 of NGSi, an operator of airport sales outlets in the United States acquired by Lagardère in late 2008;
- Consolidation over twelve months in 2009 of Purely Group and Delstar, both acquired during 2008 and consolidated from 1 March and 1 September 2008 respectively.

Lagardère Sports

- Full consolidation from 1 January 2009 of World Sport Group Holdings Ltd (WSG). WSG was acquired at the end of first-half 2008 and had been accounted for by the equity method since 1 July 2008 in view of the participating rights conferred on minority shareholders by the shareholder agreement in force at the time. This change of method results from a modification to the agreement in early 2009 which included waivers of those rights by the minority shareholders concerned.

NOTE 5 SEGMENT INFORMATION

Lagardère's main businesses are carried out through Lagardère Media, which comprises the following divisions (business segments):

- Lagardère Publishing: publication of general literature, textbooks, illustrated books and part-books;
- Lagardère Active, which comprises:
 - Audiovisual and digital operations including special interest television channels, audiovisual production and distribution, radio and sales of advertising space;
 - Press activities, principally mainstream magazine publishing;
- Lagardère Services: press distribution, retailing in cultural, entertainment and consumer products;
- Lagardère Sports, which specialises in the sports market and comprises three activities:
 - media (production and management of sports broadcasting rights);
 - marketing (sponsoring, hospitality and stadium consulting);
 - event organisation (ownership and management of sporting activities).

At 31 December 2009 Lagardère also held a 7.5% investment in the EADS Group which manufactures commercial aircraft, civil and military helicopters, commercial launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics, and provides the full range of services associated with these products.

In addition to the above business divisions, the Group has a "corporate" reporting unit ("Other Activities") used primarily to report the effect of financing obtained by the Group, the net operating costs of Group holding companies, the activities of Matra Manufacturing & Services (whose revenues are reported under "Other income from ordinary activities"), and all expenses incurred in operations related to innovative sports projects.

Transactions between business divisions are generally carried out on arm's length terms.

Since 1 January 2009, Lagardère SCA has charged a new fee to the Media divisions for the right to use Lagardère-owned brands. For clearer comparability between 2009 and 2008, the 2008 figures have been restated and are presented on a pro forma basis that includes the retrospective cost of this fee, calculated under the invoicing rules adopted in 2009. This has generated an additional proforma charge for Lagardère Media of €9 million for 2008, offset by an increase of equal value in the operating profit of Other Activities.

5.1 INFORMATION BY BUSINESS SEGMENT

2009 Income statement

	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS and Other Activities ^(*)	Total
		Audiovisual	Press	Total					
Net sales	2,311	454	1,300	1,754	3,388	507	7,960	–	7,960
Inter-segment sales	(38)	–	(29)	(29)	(1)	–	(68)	–	(68)
Consolidated net sales	2,273	454	1,271	1,725	3,387	507	7,892	–	7,892
Recurring operating profit (loss) before associates	301	11	4	15	91	56	463	(2)	461
Income (loss) from associates before amortization of acquisition-related intangible assets and impairment losses	3	59	8	67	8	–	78	(49)	29
Recurring operating profit (loss)	304	70	12	82	99	56	541	(51)	490
Restructuring costs	(9)	(14)	(47)	(61)	(14)	(8)	(92)	(1)	(93)
Gains (losses) on disposals of assets	–	–	(14)	(14)	(1)	–	(15)	539	524
Impairment losses ^(**)									
Fully consolidated companies	(5)	(11)	(430)	(441)	(2)	(1)	(449)	(2)	(451)
Companies accounted for by the equity method	–	(3)	(32)	(35)	–	–	(35)	–	(35)
Amortization of acquisition-related intangible assets									
Fully consolidated companies	(1)	–	–	–	(3)	(42)	(46)	–	(46)
Companies accounted for by the equity method	–	(20)	–	(20)	–	–	(20)	–	(20)
Profit (loss) before finance costs and tax^(*)	289	22	(511)	(489)	79	5	(116)	485	369
Finance costs, net	(5)	(13)	(33)	(46)	(3)	(17)	(71)	(11)	(82)
Profit (loss) before tax^(*)	284	9	(544)	(535)	76	(12)	(187)	474	287
Items included in recurring operating profit									
Depreciation and amortization of intangible assets and property, plant and equipment	(26)	(14)	(21)	(35)	(52)	(91)	(204)	(6)	(210)
Cost of stock option plans	(2)	(1)	(3)	(4)	(1)	–	(7)	(3)	(10)

(*) Including EADS: €490 million (net loss from associates: -€49 million; gain on sale of shares: +€539 million).
(**) Impairment losses on goodwill, intangible assets and property, plant and equipment.

2008 Income statement^(*)

	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS and Other Activities ^(**)	Total
		Audiovisual	Press	Total					
Net sales	2,197	519	1,627	2,146	3,501	444	8,288	–	8,288
Inter-segment sales	(38)	(1)	(34)	(35)	(1)	–	(74)	–	(74)
Consolidated net sales	2,159	518	1,593	2,111	3,500	444	8,214	–	8,214
Recurring operating profit (loss) before associates	243	95	111	206	125	74	648	(1)	647
Income (loss) from associates before amortization of acquisition-related intangible assets and impairment losses	3	49	17	66	8	(2)	75	171	246
Recurring operating profit	246	144	128	272	133	72	723	170	893
Restructuring costs	(2)	(5)	(26)	(31)	(7)	–	(40)	–	(40)
Gains (losses) on disposal of assets	(1)	–	5	5	(2)	1	3	468	471
Impairment losses ^(***)									
Fully consolidated companies	(10)	1	(328)	(327)	(2)	–	(339)	–	(339)
Companies accounted for by the equity method	–	–	(90)	(90)	–	–	(90)	–	(90)
Amortization of acquisition-related intangible assets									
Fully consolidated companies	–	–	(4)	(4)	(1)	(45)	(50)	–	(50)
Companies accounted for by the equity method	–	(20)	–	(20)	–	–	(20)	–	(20)
Profit (loss) before finance costs and tax^(**)	233	120	(315)	(195)	121	28	187	638	825
Finance costs, net	(10)	(48)	(85)	(133)	(6)	(40)	(189)	13	(176)
Profit (loss) before tax^(**)	223	72	(400)	(328)	115	(12)	(2)	651	649
Items included in recurring operating profit									
Depreciation and amortization of intangible assets and property, plant and equipment	(25)	(14)	(18)	(32)	(49)	(40)	(146)	(5)	(151)
Cost of stock option plans	(7)	(4)	(3)	(7)	(2)	–	(16)	(8)	(24)

(*) After fees invoiced by Other Activities based on rules introduced in 2009.
(**) Including EADS: €637 million (net income from associates: +€171 million; gain on sale of shares: +€466 million).
(***) Impairment losses on goodwill, intangible assets and property, plant and equipment.

2009 Cash flow statement

	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS, Other Activities and eliminations	Total
		Audiovisual	Press	Total					
Cash flows from operations	375	56	39	95	187	118	775	7	782
Interest paid and received, income tax paid	(85)	(25)	(58)	(83)	(24)	(50)	(242)	12	(230)
Net cash provided by (used in) operating activities	290	31	(19)	12	163	68	533	19	552
Cash used in investing activities	(22)	(31)	(25)	(56)	(119)	(98)	(295)	(8)	(303)
– Purchases of intangible assets and property, plant and equipment	(28)	(16)	(22)	(38)	(66)	(101)	(233)	(7)	(240)
– Purchases of investments	6	(15)	(3)	(18)	(53)	3	(62)	(1)	(63)
Proceeds from disposals of non-current assets	2	6	19	25	5	3	35	665	700
– Sales of intangible assets and property, plant and equipment	1	–	8	8	3	–	12	–	12
– Sales of investments	1	6	11	17	2	3	23	665	688
Decrease in short-term investments	–	–	–	–	37	–	37	–	37
Total cash provided by (used in) investing activities	(20)	(25)	(6)	(31)	(77)	(95)	(223)	657	434
Net cash provided by (used in) operating and investing activities	270	6	(25)	(19)	86	(27)	310	676	986

Balance sheet at 31 December 2009

	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS, Other Activities and eliminations	Total
		Audiovisual	Press	Total					
Segment assets	2,154	898	2,200	3,098	1,032	1,669	7,953	162	8,115
Investments in associates	16	1,520	234	1,754	3	1	1,774	395	2,169
Segment liabilities	(1,225)	(629)	(880)	(1,509)	(912)	(683)	(4,329)	(49)	(4,378)
Capital employed	945	1,789	1,554	3,343	123	987	5,398	508	5,906
Net indebtedness									(1,824)
Equity									4,082

2008 Cash flow statement

	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS, Other Activities and eliminations	Total
		Audiovisual	Press	Total					
Cash flows from operations	229	54	77	131	146	97	603	(33)	570
Interest paid and received, income tax paid	(117)	(92)	(117)	(209)	(39)	(59)	(424)	52	(372)
Net cash provided by (used in) operating activities	112	(38)	(40)	(78)	107	38	179	19	198
Cash used in investing activities	(73)	(122)	(245)	(367)	(117)	(146)	(703)	(6)	(709)
– Purchases of intangible assets and property, plant and equipment	(45)	(26)	(19)	(45)	(80)	(50)	(220)	(5)	(225)
– Purchases of investments	(28)	(96)	(226)	(322)	(37)	(96)	(483)	(1)	(484)
Proceeds from disposals of non-current assets	4	4	22	26	75	3	108	670	778
– Sales of intangible assets and property, plant and equipment	–	–	4	4	24	1	29	5	34
– Sales of investments	4	4	18	22	51	2	79	665	744
Decrease in short-term investments	–	–	–	–	8	–	8	–	8
Total cash provided by (used in) investing activities	(69)	(118)	(223)	(341)	(34)	(143)	(587)	664	77
Net cash provided by (used in) operating and investing activities	43	(156)	(263)	(419)	73	(105)	(408)	683	275

Balance sheet at 31 December 2008

	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS, Other Activities and eliminations	Total
		Audiovisual	Press	Total					
Segment assets	2,182	972	2,780	3,752	1,009	1,373	8,316	620	8,936
Investments in associates	13	1,486	265	1,751	10	97	1,871	572	2,443
Segment liabilities	(1,171)	(667)	(965)	(1,632)	(908)	(523)	(4,234)	(80)	(4,314)
Capital employed	1,024	1,791	2,080	3,871	111	947	5,953	1,112	7,065
Net indebtedness									(2,619)
Equity									4,446

5.2 INFORMATION BY GEOGRAPHICAL SEGMENT

Net sales

	2009	2008
France	2,652	2,728
European Union	2,906	3,192
Rest of Europe	586	670
USA and Canada	1,009	983
Middle East	48	47
Asia-Oceania	520	416
Other (Africa, Latin America)	171	178
Total	7,892	8,214

Segment assets

	31 Dec. 2009	31 Dec. 2008
France	4,053	4,913
European Union	2,267	2,246
Rest of Europe	376	374
USA and Canada	877	1,153
Middle East	–	–
Asia-Oceania	471	188
Other (Africa, Latin America)	71	62
Total	8,115	8,936

Purchases of intangible assets and property, plant and equipment

	2009	2008
France	83	81
European Union	84	97
Rest of Europe	17	24
USA and Canada	14	13
Middle East	–	–
Asia-Oceania	41	9
Other (Africa, Latin America)	1	1
Total	240	225

NOTE 6 NET SALES

Total consolidated net sales before adjustment for changes in Group structure and exchange rates decreased by 3.9% in 2009 and by 4% on a like-for-like basis.

Like-for-like net sales are calculated by adjusting:

- 2009 net sales to exclude companies consolidated for the first time during the year and 2008 net sales to exclude companies divested in 2009;
- 2009 and 2008 net sales based on 2009 exchange rates.

Net sales break down as follows:

	2009	2008
Sales of goods and services	6,819	6,796
Advertising revenue	1,049	1,395
Barter transactions	24	23
Total	7,892	8,214

NOTE 7 PAYROLL COSTS**7.1 AVERAGE NUMBER OF EMPLOYEES**

The average number of employees of fully consolidated companies breaks down as follows by division:

	2009	2008
Lagardère Publishing	7,730	7,683
Lagardère Active	10,922	11,194
<i>Audiovisual</i>	2,652	2,701
<i>Press</i>	8,270	8,493
Lagardère Services	9,504	9,871
Lagardère Sports	872	645
Lagardère Media	29,028	29,393
Other Activities	491	496
Total	29,519	29,889

7.2 PAYROLL COSTS

	2009	2008
Wages and salaries	1,292	1,341
Payroll taxes	306	308
Share-based payments	10	24
Total	1,608	1,673

7.3 SHARE-BASED PAYMENTS

SHARE PURCHASE OPTION PLANS

In past years up to and including 2006, the Managing Partners granted purchase options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans. The main features of the plans operative at 1 January 2009 are presented in note 26.2.

In accordance with the principles described in note 3.5 "Share-based payments", options granted are measured at fair value at grant date. Under the plans' terms and conditions, options vest after a two-year period and lapse ten years after their grant date.

Details of options outstanding and movements in 2008 and 2009 are presented below:

	Number of options	Weighted average exercise price (in euros)
Options outstanding at 31 December 2007	6,292,155	54.26
Options forfeited	–	–
Options exercised	(4,023)	51.69
Options outstanding at 31 December 2008	6,288,132	54.27
Options forfeited	(496,991)	53.97
Options exercised	–	–
Options outstanding at 31 December 2009	5,791,141	54.29
<i>Including: options exercisable</i>	<i>5,791,141</i>	<i>54.29</i>

Options outstanding at 31 December 2009 were exercisable at prices ranging between €51.45 and €56.97 and their average term to maturity was 5.55 years.

FREE SHARE ALLOCATION PLAN

On 28 December 2007, a plan to award free shares in Lagardère SCA was introduced for certain members of management and employees of the Group, covering a total of 594,350 shares. These shares were to be remitted to the beneficiaries on 29 December 2009, provided the average quoted price for the Lagardère SCA share in December 2009 was at least equal to the quoted price at the grant date, which was €51.14. As this condition was not fulfilled, no free shares were allocated.

On 1 October and 31 December 2009, a new plan to award free shares in Lagardère SCA was introduced for members of management and employees of the Group, covering a total of 571,525 shares. This plan does not include performance conditions, except for the two Lagardère SCA managers concerned, for whom final allocation of all part of the shares is conditional on achievement of objectives based on criteria internal to the Group (recurring operating profit of fully-consolidated companies operating in the Media, and consolidated free cash flow). Final allocations of shares will take place only after a two-year period providing that the beneficiaries have remained in the Group's employment during that period. For certain non-French residents, the shares will be remitted at the end of a four-year period providing that they have been in the Group's employment for two years.

ASSUMPTIONS USED TO CALCULATE FAIR VALUE

The fair value of stock purchase options and shares granted under the free share allocation plan was calculated using the binomial and Black-Scholes models respectively.

The assumptions underlying the plans for which an expense was recognised in the 2009 and 2008 financial statements are described below:

	Free shares		Stock purchase options
	28 Oct. 2009 Plan	28 Dec. 2007 Plan	14 Dec. 2006 Plan
Share market price at grant date (€)	31.58	51.14	59.85
Exercise price (€)	(1)	(1)	55.84
Expected volatility	(2)	27%	27%
Expected dividend	4%	2%	2%
Risk-free interest rate	(2)	4.19%	3.85%
(1) Free shares. (2) Not applicable as no performance condition applied.			

The assumed volatility for the 2006 plan is the implicit volatility negotiated for the agreements signed with a bank in March 2007, November 2006 and November 2005 to cover Lagardère SCA's obligation under employee stock option plans (see note 26.3).

For the 2007 plan, the assumed volatility is the implicit volatility observed on 28 December 2007 for tradeable Lagardère options with the same maturity, as published by Euronext.

Expenses recognised by the fully consolidated companies in respect of share-based payments amounted to €10 million in 2009 and €24 million in 2008.

NOTE 8 RESTRUCTURING COSTS

Restructuring costs for 2009 totalled €93 million and include:

- €61 million for Lagardère Active, principally under the cost-cutting plans implemented in Magazine publishing in the United States, Spain, France and Italy;
- €14 million for Lagardère Services, essentially for discontinuation of book distribution in Belgium;
- €9 million for Lagardère Publishing, principally for the reorganisation of operations in the United Kingdom;
- €8 million for Lagardère Sports, corresponding to costs resulting from reorganisation of operating structures, especially in Germany and Switzerland;
- €1 million for Other Activities.

In 2008 these costs totalled €40 million, including €31 million by Lagardère Active under cost-cutting plans and €7 million by various entities of Lagardère Services.

NOTE 9 GAINS (LOSSES) ON DISPOSALS OF ASSETS

In 2009, gains and losses on disposals of assets generated a net profit of +€524 million, mainly relating to the sale of EADS shares (+€539 million), offset by the net loss of €14 million at Lagardère Active on disposals principally concerning shares in Fujingaho and *La Dépêche du Midi*.

In 2008, net gains and losses on disposals of assets amounted to €471 million, including €466 million on the sale of EADS shares for redemption of the second tranche of the Mandatory Exchangeable Bonds.

NOTE 10

IMPAIRMENT LOSSES ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Impairment losses booked in 2009 result from impairment tests carried out as described in note 3.10.

The discount rates used by Lagardère at 31 December 2009 are after-tax rates determined separately for each business, based on internal rates of return published by the market. However, for Audiovisual activities and Lagardère Sports, the benchmark market reported a discount rate of 6.47% at the end of 2009, anticipating the beginnings of a recovery given the good level of advertising expenditure in radio and television during the final quarter of 2009. As visibility over developments in the economy remains low, the Group has opted to keep the same discount rate as in 2008, i.e. 8.28%.

The following discount rates are thus used in the different divisions:

	2009	2008
Publishing	8.57%	7.68%
Audiovisual	8.28%	8.28%
Press	8.28% - 10.25%	7.97% - 8.28%
Services	9.07%	7.95%
Sports	8.28%	8.28%

These after-tax rates correspond to pre-tax rates (as required by IFRS) in an estimated range of 10%-16%.

The internal budgets and plans referred to by the Group for impairment testing were established at the end of 2009 based on key assumptions and assessments incorporating the effects of the economic environment as identified at that date on future cash flows in the coming three years, apart from specific exceptions relating to sports events for which the application extends beyond three years.

The perpetuity growth rates used range between 0% and 3.5% depending on the activity. For some activities specific growth rates ranging between 5% and 7.5% have been used for the first few years after the budget.

Impairment losses recognised in 2009 for fully consolidated companies amounted to €451 million, €441 million for Lagardère Active and the balance (€10 million) allocated between the Group's other divisions.

The impairment losses registered by Lagardère Active result from the impact of the economic recession on future prospects, particularly for Magazine publishing which was seriously affected by the fall in advertising revenues and lower circulation. The losses concern Magazine publishing in the United States (€148 million), digital activities (€103 million, including €44 million for Doctissimo, €32 million for NextIdea (formerly Nextedia), and €22 million for Newsweb), Fusingaho (€29 million) and audiovisual activities (€11 million). Impairment of €150 million was also recorded on the goodwill recognised in 2000 following the public exchange offer that led to the 100% takeover of the press Group Hachette Filipacchi Médias.

In 2008, impairment losses amounted to €339 million and concerned Lagardère Active (€327 million), Lagardère Publishing (€10 million) and Lagardère Services (€2 million). At Lagardère Active, the impairment losses were allocated to magazine publishing in the US (€248 million), Newsweb (€32 million), Jumpstart (€29 million), Fusingaho (€11 million) and activities in Spain (€6 million). The impairment losses recorded by Lagardère Publishing concerned the British subsidiary Octopus.

SENSITIVITY CALCULATIONS

The potential effects of increases or decreases in the discount rates and growth rates on impairment losses booked in 2009 are shown below:

(Increase) decrease in impairment losses (in millions of euros)	Perpetuity growth rate				
Discount rate	-1%	-0.5%	0%	+0.5%	+1%
-1%	56	155	158	159	160 ⁽¹⁾
-0.5%	(76)	28	144	157	159
0%	(198)	(102)	–	114	157
+0.5%	(340)	(227)	(128)	(27)	86
+1%	(471) ⁽²⁾	(370)	(257)	(152)	(53)

(1) Including: Lagardère Active +€154 million, Lagardère Publishing +€5 million and Lagardère Services +€1 million.
(2) Including: Lagardère Active -€364 million, Lagardère Publishing -€100 million and Lagardère Services -€7 million.

NOTE 11 OTHER OPERATING EXPENSES

	2009	2008
Write-downs of assets	(66)	(70)
Exchange losses	–	–
Financial expenses other than interest	(3)	(3)
Provisions for contingencies and losses	(3)	–
Other expenses	(24)	(13)
Total	(96)	(86)

Write-downs of assets totalled €66 million in 2009 and €70 million in 2008, principally relating to advances paid to writers by Lagardère Publishing.

NOTE 12 OTHER OPERATING INCOME

	2009	2008
Exchange gains	3	–
Reversal of provisions for contingencies and losses	–	69
Other income	26	24
Total	29	93

NOTE 13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	2009	2008
Interest income on loans	6	25
Investment income and gains on sales of short-term investments	8	14
Financial income	14	39
Interest expense on borrowings	(87)	(183)
Loss on financial derivative instruments acquired as hedges of net debt ⁽¹⁾	(9)	(32)
Financial expenses	(96)	(215)
Total	(82)	(176)

(1) Including €3 million in 2009 and €27 million in 2008, related to the derivative instrument attached to the Mandatory Exchangeable Bonds (see note 28.3).

NOTE 14 INCOME TAX EXPENSE**14.1 ANALYSIS OF INCOME TAX EXPENSE**

Income tax expense breaks down as follows:

	2009	2008
Current taxes	(112)	(164)
Deferred taxes	(11)	142
Total	(123)	(22)

14.2 TAX PROOF

The following table reconciles income tax expense reported in the income statement to theoretical income tax expense for 2009 and 2008:

	2009	2008
Profit before tax	287	649
Income (loss) from associates	(26)	136
Profit before tax and income from associates	313	513
Theoretical tax expense ⁽¹⁾	(108)	(177)
Effect on theoretical tax expense of:		
Profit taxed (losses deducted) at reduced rates	–	(1)
Tax loss carryforwards used in the year ⁽²⁾	9	3
Tax loss carryforwards arising during the year ⁽²⁾	(28)	(6)
Tax differential on foreign subsidiaries earnings	21	46
Limitation on deferred taxes	(54)	(16)
Tax credit and similar	–	1
Impairment losses on goodwill and other intangible assets	(143)	(24)
Gain on sale of EADS shares	177	151
Permanent differences	3	1
Effective tax expense	(123)	(22)
(1) At the French standard rate (34.43% in 2009 and 2008).		
(2) The tax effect of these tax losses was not recorded.		

14.3 DEFERRED TAXES RECOGNISED IN THE BALANCE SHEET

Deferred taxes concern the following assets and liabilities:

	31 Dec. 2009	31 Dec. 2008
Intangible assets	(171)	(167)
Property, plant and equipment	(43)	(43)
Non-current financial assets	(35)	(34)
Inventories	20	19
Provisions for employee benefit obligations	16	16
Other provisions	139	107
Other working capital requirements	136	235
Temporary differences (gross amount)	62	133
Provision for write-down of deferred tax assets	(140)	(162)
Temporary differences (net amount)	(78)	(29)
Tax loss carryforwards	24	(11)
Tax credits	–	–
Net deferred tax liability	(54)	(40)
Deferred tax assets	169	203
Deferred tax liabilities	(223)	(243)

14.4 CHANGES IN DEFERRED TAXES

	2009	2008
Net deferred tax liability at 1 January	(40)	(174)
Income tax benefit (expense) recognised in the income statement	(11)	142
Deferred tax recognised directly in equity	5	3
Effect of change in consolidation scope and exchange rates	(8)	(11)
Net deferred tax liability at 31 December	(54)	(40)

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2009	31 Dec. 2008
Available-for-sale investments	2	1
Cash flow hedges	–	–
Actuarial gains or losses on provisions for pensions and similar obligations	4	–
Total	6	1

NOTE 15 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Earnings per share is calculated by dividing net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. Changes in the number of shares as a result of employees exercising their stock options (movements throughout the year) are included using the average of opening and closing balances for the year.

	2009	2008
Profit attributable to owners of the parent (in millions of euros)	137	593
Number of shares making up the share capital at 31 December	131,133,286	131,133,286
Treasury shares	(4,238,948)	(4,179,948)
Number of shares outstanding at 31 December	126,894,338	126,953,338
Average number of shares outstanding during the year	126,923,838	128,537,916
Net earnings per share (in euros)	1.08	4.62

DILUTED EARNINGS PER SHARE

The only dilutive ordinary shares are unexercised uncovered employee stock options, with exercise prices lower than the average quoted price of Lagardère SCA share over the reference period ("in-the-money" options), and free shares, when their allocation at the date set in the plan is probable (specific case of free shares allocated subject to performance conditions).

	2009	2008
Profit attributable to owners of the parent (in millions of euros)	137	593
Average number of shares outstanding	126,923,838	128,537,916
Adjustment to assume conversion of stock options and free shares:		
Dilutive stock options and free shares ("in the money" options)	571,525	–
Other stock options and free shares ("out of the money" options)	–	996,950
Average number of shares including dilutive stock options and free shares	127,495,363	128,537,916
Diluted earnings per share (in euros)	1.07	4.62

NOTE 16 GOODWILL

	2009	2008
At 1 January	2,980	2,975
<i>Cost</i>	3,120	3,056
<i>Accumulated impairment losses</i>	(140)	(81)
Acquisitions	86	290
Adjustment arising from recognition of put options granted to minority shareholders	-	(49)
Goodwill written-off on disposals	(4)	(9)
Impairment losses	(266) ^(*)	(72)
Translation adjustments	25	(89)
Other movements	(11)	(66)
At 31 December	2,810	2,980
<i>Cost</i>	3,219	3,120
<i>Accumulated impairment losses</i>	(409)	(140)

(*) Including €150 million for goodwill at Lagardère Active (see note 10).

Net goodwill in the balance sheet concerns the following companies:

	31 Dec. 2009	31 Dec. 2008
Sportfive group	632	632
Lagardère Active	446	596
Lagardère Active Broadcast group	279	276
Editis group	241	241
Hachette Book group	204	211
HL UK Group (formerly Hodder Headline)	156	146
Prospecta (formerly Doctissimo)	90	134
Hatier group	84	84
IEC in Sports	65	63
Little, Brown Book Group	49	46
Lagardère ⁽¹⁾	45	45
World Sport Group	45	-
Payot Naville Distribution group	40	40
Société de Presse Féminine	38	39
Hachette Livre España group (formerly Salvat)	27	27
Orion group	26	24
Newslink	26	21
Jumpstart Automotive Media	24	24
Curtis Circulation	18	19
Newsweb	17	39
Inter Media group	17	18
NextIdea (formely Nextedia)	16	48
Psychologies Magazine group	16	16
Lapker group	15	15
Upsolut Sports	14	15
Pika Editions	14	14
Editions Charles Massin	14	14
Escala Educacional group	11	11
Editions Albert René	11	-
Octopus group	9	14
Digital Spy	9	10
Adjustment arising from recognition of put options granted to minority shareholders	-	3
Other	112	95
Total	2,810	2,980

(1) Goodwill on Matra Hachette shares purchased prior to the business combination.

NOTE 17 INTANGIBLE ASSETS

Cost

	Publication titles	Sports rights	Other	Total
At 1 January 2008	1,169	402	512	2,083
Acquisitions	–	139	83	222
Changes in scope of consolidation	58	–	10	68
Disposals	(1)	(1)	(11)	(13)
Reclassifications	–	12	(22)	(10)
Translation adjustments	26	(1)	(10)	15
At 31 December 2008	1,252	551	562	2,365
Acquisitions	–	148	30	178
Changes in scope of consolidation	(2)	320	11	329
Disposals	(69)	(16)	(10)	(95)
Reclassifications	(1)	(39)	(30)	(70)
Translation adjustments	(19)	(7)	3	(23)
At 31 December 2009	1,161	957	566	2,684

Amortization and impairment losses

	Publication titles	Sports rights	Other	Total
At 1 January 2008	(135)	(185)	(335)	(655)
Amortization	–	(82)	(24)	(106)
Impairment losses	(264) ^(*)	–	–	(264)
Changes in scope of consolidation	–	–	–	–
Disposals	–	1	9	10
Reclassifications	–	(1)	11	10
Translation adjustments	(20)	–	–	(20)
At 31 December 2008	(419)	(267)	(339)	(1,025)
Amortization	–	(129)	(28)	(157)
Impairment losses	(178) ^(*)	(1)	(4)	(183)
Changes in scope of consolidation	(13)	(86)	(4)	(103)
Disposals	69	4	8	81
Reclassifications	1	66	3	70
Translation adjustments	18	1	–	19
At 31 December 2009	(522)	(412)	(364)	(1,298)

(*) Including impairment losses on publication titles in the US: -€248 million in 2008 and -€148 million in 2009 (see note 10).

Net carrying amounts

At 31 December 2008	833	284	223	1,340
At 31 December 2009	639	545	202	1,386

The main Lagardère Media publication titles are owned by the following companies:

Net carrying amounts

	31 Dec. 2009	31 Dec. 2008
Hachette Filipacchi Magazines Inc.	146	299
Rusconi group	192	192
Hachette Filipacchi UK	85	79
Hachette Fujingaho	8	53
Psychologies Magazine group	35	35
Lagardère Active (Press activities)	32	32
Editions Charles Massin	21	21
Hachette Filipacchi SA (Spain)	18	19

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

2009 - Cost

	At 1 January 2009	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustment	At 31 December 2009
Land	147	1	–	–	1	–	149
Buildings	463	17	(1)	(11)	3	3	474
Machinery and equipment	406	30	3	(18)	6	–	427
Other	489	45	5	(27)	4	4	520
Assets under construction	9	12	–	(1)	(7)	–	13
Total	1,514	105	7	(57)	7	7	1,583

2009 - Depreciation and impairment losses

	At 1 January 2009	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustment	At 31 December 2009
Land	(3)	–	–	–	–	–	–	(3)
Buildings	(244)	(22)	–	1	8	3	(1)	(255)
Machinery and equipment	(296)	(35)	(2)	(2)	17	(5)	–	(323)
Other	(335)	(43)	–	(4)	22	(4)	(3)	(367)
Assets under construction	–	–	–	–	–	–	–	–
Total	(878)	(100)	(2)	(5)	47	(6)	(4)	(948)
Carrying amounts	636	5	(2)	2	(10)	1	3	635

2008 - Cost

	At 1 January 2008	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustment	At 31 December 2008
Land	146	–	–	–	–	1	147
Buildings	455	18	–	(14)	4	–	463
Machinery and equipment	389	37	1	(14)	5	(12)	406
Other	455	62	4	(21)	4	(15)	489
Assets under construction	18	11	–	–	(20)	–	9
Total	1,463	128	5	(49)	(7)	(26)	1,514

2008 - Depreciation and impairment losses

	At 1 January 2008	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustment	At 31 December 2008
Land	(2)	–	–	–	–	–	(1)	(3)
Buildings	(226)	(20)	–	–	3	1	(2)	(244)
Machinery and equipment	(280)	(34)	–	(1)	12	–	7	(296)
Other	(315)	(41)	(3)	(1)	18	(1)	8	(335)
Assets under construction	–	–	–	–	–	–	–	–
Total	(823)	(95)	(3)	(2)	33	–	12	(878)
Carrying amounts	640	33	(3)	3	(16)	(7)	(14)	636

INVESTMENT PROPERTY

Balance sheet assets include a real property complex carried at net value of €71 million at 31 December 2009 and €73 million at 31 December 2008. This property is subject to an operating lease agreement with the Presstalis Group (formerly NMPP) which was terminated as of 31 December 2009, and its market value is estimated at €100 million at 31 December 2009 (€120 million at 31 December 2008). The decline in the value is principally explained by the fact that the property became vacant on 1 January 2010. Related rental income in 2009 and 2008 totalled €10 million and €9 million respectively.

FINANCE LEASES

Finance leases are included mainly in land and buildings at the following amounts:

	31 Dec. 2009	31 Dec. 2008
Cost	116	116
Carrying amount	71	73

NOTE 19 INVESTMENTS IN ASSOCIATES

The following amounts are recognised in the consolidated financial statements for the principal companies accounted for by the equity method:

	% interest		Balance sheet		Income statement	
	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	2009	2008
Canal+ France	20%	20%	1,507	1,465	42	32
Marie-Claire ^(*)	42%	42%	128	156	(27)	(80)
World Sport Group	71%	71%	–	96	–	(2)
Amaury group	25%	25%	87	81	7	7
O.E.E. (Because)	25%	25%	16	16	–	–
SETC	39%	39%	12	12	1	(2)
Editions J'ai lu	35%	35%	13	11	1	1
Other			11	35	(1)	9
Excluding EADS			1,774	1,872	23	(35)
EADS	7.5%	10%	395	571	(49)	171
Total			2,169	2,443	(26)	136

(*) Including impairment losses of -€31 million in 2009 and -€90 million in 2008 recognised in the income statement.

Condensed financial information for EADS and Canal+ France is presented below:

(On a 100% basis)	31 December 2009		31 December 2008	
	EADS	Canal+ France	EADS	Canal+ France
Balance sheet information				
Total assets	74,908	5,044	70,696	5,036
Total liabilities	69,537	2,555	64,886	2,863
Income statement information				
Net sales	42,822	3,837	43,265	3,858
Net profit (loss)	(727)	308	1,609	262

For the purposes of the consolidation, EADS' consolidated financial statements have been restated to neutralise the effects of the adjustments recorded by EADS at the time of the business combinations with Aerospatiale Matra and Dasa. This treatment was applied as a result of the Lagardère Group's election not to restate business combinations carried out prior to 1 January 2004 on first-time adoption of IFRS and therefore to recognise these entities' net assets at historical cost. EADS reported a net loss of -€763 million for 2009 compared to a net profit of +€1,572 million in 2008.

NOTE 20 OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows:

Carrying amounts	31 December 2009	31 December 2008
Investments in non-consolidated companies	90	121
Loans and receivables	116	81
Total	206	202

Non-current investments include:

Carrying amounts	31 December 2009		31 December 2008	
	Carrying amount	% interest	Carrying amount	% interest
Viel et Cie	26	12%	19	12%
Le Monde SA	30	17%	30	17%
La Dépêche du Midi	3	15%	12	15%
Other	31		60	
Total	90		121	

The above investments are classified as available-for-sale investments.

Fair value adjustments of available-for-sale investments recognised in equity represented a net gain of +€7 million in 2009 compared with a net loss of -€30 million in 2008.

The cumulative fair value adjustments at 31 December 2009 amounted to +€2 million (-€5 million at 31 December 2008).

Loans and receivables break down as follows:

Loans and receivables	31 December 2009	31 December 2008
Gross amount	214	187
Accumulated write-downs	(98)	(106)
Carrying amount	116	81

Analysis of write-downs	2009	2008
At 1 January	(106)	(109)
Write-downs recognised in the year	(3)	–
Other movements and translation adjustments	11	3
At 31 December	(98)	(106)

Loans and receivables included in non-current assets are principally comprised of deposits, loans and receivables with an estimated maturity of over one year.

NOTE 21 INVENTORIES

Inventories break down as follows:

	31 December 2009	31 December 2008
Lagardère Publishing	420	430
Lagardère Active	88	91
<i>Audiovisual</i>	54	38
<i>Press</i>	34	53
Lagardère Services	252	252
Lagardère Sports	1	1
Other Activities ^(*)	24	25
Cost	785	799
Accumulated write-downs	(247)	(248)
Carrying amount	538	551

(*) Spare part inventories of Matra Manufacturing & Services (formerly Matra Automobile): €24 million in 2009 and €25 million in 2008.

Analysis of write-downs	2009	2008
At 1 January	(248)	(253)
Write-downs reversed (recognised) in the year	2	(4)
Other movements and translation adjustments	(1)	9
At 31 December	(247)	(248)

NOTE 22 TRADE RECEIVABLES

Trade receivables and their realizable value break down as follows:

	31 December 2009	31 December 2008
Trade receivables	1,635	1,800
Accumulated write-downs	(167)	(153)
Carrying amount	1,468	1,647
Including:		
– <i>not yet due</i>	991	1,155
– <i>overdue by up to 6 months</i>	332	410
– <i>overdue by more than 6 months</i>	145	82
Total	1,468	1,647

Analysis of write-downs	2009	2008
At 1 January	(153)	(133)
Write-downs recognised in the year	(21)	(21)
Other movements and translation adjustments	7	1
At 31 December	(167)	(153)

SECURITISATIONS OF TRADE RECEIVABLES

Certain subsidiaries of Lagardère Active have entered into securitisation contracts with debt securitisation funds. The main characteristics of the programmes are as follows:

- receivables are sold on a no-recourse basis;
- the asset-backed securities issued by the securitisation fund are overcollateralised, with the difference between the carrying amount of the sold receivables and the sale proceeds received from the securitisation fund being held in a deposit account;
- in the case of any bad debts, the loss is deducted from the deposit and is therefore incurred by the seller of the receivables;
- in certain cases, the seller has the option of buying back the sold receivables, particularly those that are classified as doubtful, and recovering the corresponding deposit.

In the consolidated financial statements, the sold receivables continue to be carried in the balance sheet, the deposits paid to the debt securitisation funds are cancelled and a debt is recognised in liabilities.

The amounts involved at 31 December 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
Assets		
Trade receivables	117	146
Other receivables ^(*)	(19)	(34)
Liabilities		
Debt	98	112

(*) Guarantee deposits.

NOTE 23 OTHER CURRENT ASSETS

Other current assets break down as follows:

	31 December 2009	31 December 2008
Advances paid	29	28
Recoverable taxes and payroll taxes	275	334
Derivative financial instruments ^(*)	13	435
Receivable from writers	302	298
Receivable from suppliers	98	112
Loans	37	43
Prepaid expenses	146	133
Other	95	98
Total	995	1,481
Accumulated write-downs	(93)	(104)
Carrying amount	902	1,377
(*) See note 30.1.		

Analysis of write-downs	2009	2008
At 1 January	(104)	(105)
Write-downs recognised in the year	(42)	(44)
Other movements and translation adjustments	53	45
At 31 December	(93)	(104)

NOTE 24 SHORT-TERM INVESTMENTS

Short-term investments are solely comprised of available-for-sale investments measured at fair value. They break down as follows:

	31 December 2009	31 December 2008
Shares	29	30
Bonds	49	87
Total	78	117

Shares are Deutsche Telekom shares received in 2006 in exchange for T-Online shares as part of the merger between the two companies.

The cumulative fair value adjustments at 31 December 2009 amounted to -€5 million (-€4 million at 31 December 2008).

NOTE 25 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents reported in the cash flow statement are as follows:

	31 December 2009	31 December 2008
Cash and cash equivalents	764	835
Short-term bank loans and overdrafts	(245)	(259)
Cash and cash equivalents, net	519	576

NOTE 26 EQUITY
26.1 SHARE CAPITAL

At 31 December 2009, 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, all ranking pari passu and fully paid.

Changes in capital over the last two years were as follows:

	2009	2008
Number of shares at 1 January	131,133,286	134,133,286
Shares issued on exercise of subscription options	–	–
Capital reduction by cancellation of treasury shares	–	(3,000,000)
Number of shares issued and paid up at 31 December	131,133,286	131,133,286

26.2 EMPLOYEE STOCK OPTIONS

In prior years, the Managing Partners granted stock purchase options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans. Details of the plans outstanding at 1 January 2009 are presented below.

Plan	Date of AGM	Number of options originally granted	Exercise price (in euros)	Number of beneficiaries	Options exercised in 2009	Options forfeited at end of 2009	Options outstanding at end of 2009	Period of exercise
Purchase options:								
19 Dec. 2002	23 May 2000	1,299,000	51.45	416	–	–	–	19 Dec. 2004 to 19 Dec. 2009
18 Dec. 2003	23 May 2000	1,437,250	51.45	445	–	196,797	1,214,132	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	51.92	481	–	215,439	1,360,420	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	56.97	495	–	181,855	1,501,989	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	55.84	451	–	130,100	1,714,600	14 Dec. 2008 to 14 Dec. 2016

Options on Hachette Filipacchi Médias (HFM) shares were granted to employees of the HFM Group when it was still listed on the stock exchange. Following Lagardère SCA's public exchange offer for HFM in 2000 and the subsequent offer to purchase all of the remaining minority interests, Lagardère SCA offered to exchange the HFM shares acquired by option holders for Lagardère SCA shares based on the same ratio as for the public exchange offer (11 Lagardère SCA shares for 10 HFM shares).

732 unexercised stock options remained at 31 December 2008. They expired on 23 July 2009 when the repurchase period allowed by the plan ended.

On 28 December 2007, the Managing Partners introduced a plan to award free shares in Lagardère SCA for certain members of management and employees of the Group, covering a total of 594,350 shares. These shares were to be remitted to beneficiaries on 29 December 2009, provided the average opening price for the Lagardère SCA share over the twenty trading days preceding 29 December 2009 was equal to or higher than the quoted price at the grant date, which was €51.14. As the condition was not fulfilled, no free shares were granted.

On 1 October and 31 December 2009, a new plan to award free shares in Lagardère SCA was introduced for members of management and employees of the Group, covering a total of 571,525 shares. This plan does not include performance conditions, except for the two Lagardère SCA managers concerned, for whom final allocation of all part of the shares is conditional on achievement of objectives based on criteria internal to the Group (recurring operating profit of fully-consolidated companies operating in the Media, and consolidated free cash flow). Final allocations of shares will take place only after a two-year period providing that the beneficiaries have remained in the Group's employment during that period. For certain non-French residents, the shares will be remitted at the end of a four-year period providing that they have been in the Group's employment for two years.

26.3 TREASURY SHARES

Changes in the number of shares held in treasury over the last two years were as follows:

	2009	2008
Number of shares held at 1 January	4,179,948	4,010,793
Purchases of treasury shares	1,555,391	3,537,793
Sales of treasury shares	(1,496,391)	(360,557)
Treasury shares allocated on exercise of stock options	–	(8,081)
Sales of treasury shares under hedging contracts	–	–
Capital reduction by cancellation of treasury shares	–	(3,000,000)
Number of shares held at 31 December	4,238,948	4,179,948

Between 2002 and 2006, stock purchase options were granted to Group employees at annual intervals. In view of the options outstanding under these plans, Lagardère SCA carried out transactions to cover its obligations in November 2005, November 2006 and March 2007, purchasing call options from Barclays Bank PLC, and selling treasury shares to Barclays Capital Securities Limited with a repurchase option.

Following these transactions, Lagardère SCA's obligation to deliver shares under existing option plans was fully covered at 31 December 2009.

In accordance with IAS 32, all amounts involved in these transactions were recognised directly in equity.

In 2009, the Group also purchased 1,555,391 treasury shares for a total cost of €41 million and sold 1,496,391 treasury shares for a total cost of €39 million, generating a total gain of €0.3 million.

In 2008, the Group purchased 3,537,793 treasury shares for a total cost of €113 million and sold 360,557 treasury shares for a total cost of €10 million, generating a total gain of €0.3 million. Sales to employees concerned 8,081 shares for a total price of €1 million and generated a non-significant gain.

26.4 RESERVES

TRANSLATION RESERVE

The translation reserve corresponds to cumulative exchange differences arising on translation of the financial statements of foreign subsidiaries whose functional currency is not the euro.

VALUATION RESERVE

The valuation reserve comprises:

- Cumulative gains and losses on cash flow hedges taken to equity;
- Cumulative valuation gains and losses on available-for-sale investments taken to equity.

26.5 MINORITY INTERESTS

Minority interests in the net assets and profits of consolidated companies break down as follows:

	Balance sheet		Income statement	
	31 December 2009	31 December 2008	2009	2008
Lagardère Publishing	16	15	(1)	2
Lagardère Active	51	44	18	20
Lagardère Services	31	32	8	12
Lagardère Sports	26	–	2	–
Total	124	91	27	34

26.6 CAPITAL MANAGEMENT

LAGARDÈRE SCA SHARE CAPITAL AND SHAREHOLDERS

Lagardère is very attentive to its ownership structure and shareholder monitoring. As all Lagardère SCA shares are in registered form, information on shareholders and changes in ownership are available to the Company. The proportion of freely traded shares is high at approximately 90%, the other 9.62% being held by Lagardère Capital & Management, controlled by Mr. Arnaud Lagardère, the Managing Partner. This guarantees good stock liquidity.

Lagardère has not raised capital on the market for several years (the only capital increases have resulted from Group employees exercising stock subscription options) but applies a regular dividend distribution policy. To reward shareholder stability, the Company has granted double voting rights for shares registered in the name of the same shareholder for at least four years.

CONSOLIDATED EQUITY

As described in note 29.1.1, some of Lagardère SCA's bond borrowings and bank loans contain financial ratio covenants. In particular, these require the Group to comply with a minimum level of consolidated equity, or maximum indebtedness calculated as a proportion of consolidated equity. Failure to meet these ratio requirements entitles the lenders to request immediate reimbursement of their loans. The ratios are monitored throughout the year by the Cash Management and Financing Division and have always been respected.

As part of its long-term development strategy, the Group optimises its debt/equity ratio. Given the currently low level of debt, external growth can be financed by borrowings. The Group also has an active share buyback policy, within limits set by the Annual General Meeting, which authorises cancellation of shares with antilutive effect for shareholders. In April 2007, 8.6 million shares were cancelled, equivalent to 6% of the share capital at that date. In July 2008, 3 million shares were cancelled, equivalent to 2.23% of the share capital at that date.

26.7 GAINS AND LOSSES RECOGNISED IN EQUITY

Changes in gains and losses recognised in equity are shown below:

31 December 2009	Other reserves	Translation reserve	Valuation reserve	Equity attributable to owners of the parent	Minority interests	Equity
Currency translation adjustments		43		43		43
Change in fair value of:						
Derivative financial instruments			(420)	(420)		(420)
– Unrealised gains and (losses) arising during the year recognised in equity			(1)	(1)		(1)
– Reclassification by transfer from equity to net profit			(419)	(419)		(419)
Investments in non-consolidated companies			5	5		5
– Unrealised gains and (losses) arising during the year recognised in equity			5	5		5
– Reclassification by transfer from equity to net profit						
Actuarial gains and losses on employee benefit and similar obligations	(15)			(15)		(15)
Share of gains and losses of associates (net of tax)	(36)	(19)	65	10		10
Income tax on gains and losses recognised in equity	4		1	5		5
Gains and losses recognised in equity, net of tax	(47)	24	(349)	(372)		(372)

31 December 2008	Other reserves	Translation reserve	Valuation reserve	Equity attributable to owners of the parent	Minority interests	Equity
Currency translation adjustments		(128)		(128)		(128)
Change in fair value of:						
Derivative financial instruments			(3)	(3)		(3)
– Unrealised gains and (losses) arising during the year recognised in equity			(3)	(3)		(3)
– Reclassification by transfer from equity to net profit						
Investments in non-consolidated companies			(42)	(42)		(42)
– Unrealised gains and (losses) arising during the year recognised in equity			(42)	(42)		(42)
– Reclassification by transfer from equity to net profit						
Actuarial gains and losses on employee benefit and similar obligations	3			3		3
Share of gains and losses of associates (net of tax)	(31)	39	(404)	(396)		(396)
Income tax on gains and losses recognised in equity	(1)		4	3		3
Gains and losses recognised in equity, net of tax	(29)	(89)	(445)	(563)		(563)

Details of the tax effects relating to gains and losses recognised in equity are as follows:

	31 December 2009		
	Before tax	Tax expense	After tax
Currency translation adjustments	43	-	43
Change in fair value of:			
– Derivative financial instruments	(420)	-	(420)
– Investments in non-consolidated companies	5	1	6
Actuarial gains and losses on employee benefit and similar obligations	(15)	4	(11)
Share of gains and losses of associates (net of tax)	10	-	10
Total gains and losses recognised in equity	(377)	5	(372)

	31 December 2008		
	Before tax	Tax expense	After tax
Currency translation adjustments	(128)	-	(128)
Change in fair value of:			
– Derivative financial instruments	(3)	-	(3)
– Investments in non-consolidated companies	(42)	4	(38)
Actuarial gains and losses on employee benefit and similar obligations	3	(1)	2
Share of gains and losses of associates (net of tax)	(396)	-	(396)
Total gains and losses recognised in equity	(566)	3	(563)

NOTE 27 PROVISIONS
27.1 PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

In application of the principles set out in note 3.18 "Provisions for employee benefit obligations", provisions are recognised to cover the Group's obligations under defined-benefit plans.

The tables below give details of the assumptions used in valuation, and the changes in the benefit obligations and the provisions established:

Change in benefit obligation

	2009	2008
Benefit obligation at beginning of the year	263	303
Service cost	10	12
Interest cost	15	14
Benefits paid	(16)	(15)
Settlement of obligations	(3)	(4)
Actuarial (gains) losses	23	(32)
Changes in scope of consolidation	(4)	1
Employee contributions	3	3
Translation adjustments and other	7	(19)
Benefit obligation at end of the year	298	263
Benefit obligation at end of year for funded plans	234	198
Benefit obligation at end of year for unfunded plans	64	65

Change in fair value of plan assets

	2009	2008
Fair value of plan assets at beginning of year	168	200
Actual return on plan assets	19	(20)
Employer contributions	15	15
Benefits paid	(13)	(12)
Settlement of obligations	(2)	(3)
Changes in scope of consolidation	–	–
Employee contributions	3	3
Translation adjustments and other	5	(15)
Fair value of plan assets at end of year	195	168

Asset allocation at 31 December

	2009	2008
Shares	32%	32%
Bonds	51%	49%
Real property	5%	5%
Money market instruments	5%	5%
Other	7%	9%

The expected rate of return on assets is the weighted average rate, based on the individual expected long-term return for each class of assets in the financing portfolio, and their actual allocation at valuation date.

Calculation of net amount recognised as provision

	2009	2008	2007	2006	2005
Benefit obligation	298	263	303	340	339
Fair value of plan assets	(195)	(168)	(200)	(206)	(181)
Unrecognised past service cost	(1)	(1)	–	–	–
Net amount recognised as provision^(*)	102	94	103	134	158

(*) Amounts shown for 2006 and 2005 have been adjusted retrospectively to reflect the change of method introduced in 2007 (election for the option under revised IAS 19 allowing immediate recognition in equity of actuarial gains and losses).

Calculation of net expense for the year

	2009	2008
Service cost	10	12
Interest cost	15	14
Expected return on plan assets	(10)	(10)
Recognition of past service cost	–	–
Effect of limit on assets	–	–
Effect of settlements and plan curtailments	–	(1)
Net expense recognised in the income statement	15	15

Actuarial assumptions used to calculate benefit obligations

	2009	2008
Discount rate: weighted average for all countries	4.86 %	5.20 %
Including: Euro zone ^(*)	5.25 %	5.60 %
United Kingdom ^(*)	5.60 %	6.40 %
Inflation rate: weighted average for all countries	2.48 %	2.21 %
Including: Euro zone	2.00 %	2.00 %
United Kingdom	3.30 %	2.75 %
Average expected rate of benefit increase	2.94 %	2.64 %
Average expected rate of salary increase	2.43 %	2.14 %
Expected rate of return on plan assets	4.87 %	4.95 %
Expected rate of healthcare cost inflation		
Initial	5.00 %	5.00 %
Ultimate	2.00 %	2.00 %
Year in which ultimate rate is expected to be reached	2027	2027

(*) Discount rates are derived from market rates on the bonds issued by first rank (AA) private companies, with maturities approximately equivalent to those of the estimated future payments under the plans. The benchmark index used in 2008 and 2009 was the Iboxx Corporate AA index (for 2008, the rate used was published on 2 January 2009).

Experience gains and losses

	2009	2008
1. Difference between actual and expected returns on plan assets		
Gains (losses)	8	(30)
Percentage of plan assets at year-end	4.30%	-18.07%
2. Experience (gains) and losses on plan assets		
Losses (gains)	1	(2)
Percentage of present value of plan liabilities at year-end	0.21%	-0.66%

Sensitivity to trend rate assumptions (+/-1%) for post retirement medical plans

	2009	2008
Present value of benefit obligation at 31 December	4	6
Effect of a 1% increase		
on defined benefit obligation	10	7
on expense for the year	1	-
Effect of a 1% decrease		
on defined benefit obligation	(4)	(5)
on expense for the year	-	-

Expected employer contribution

	2010	2009
	11	12

Actuarial gains and losses recognised directly in equity

	2009	2008
At 1 January	1	4
Change for the year	15	(3)
At 31 December (gross)	16	1
Deferred tax impact	(4)	-
Net actuarial gains and losses recognised in equity at 31 December	12	1

27.2 PROVISIONS FOR CONTINGENCIES AND LOSSES

Non-current and current provisions cover the following main contingencies and losses:

	31 December 2009	31 December 2008
Losses on long-term contracts and other contracts	9	17
Restructuring and withdrawal costs	109	82
Claims and litigation	129	134
Other provisions	302	292
Total	549	525
Including:		
Non-current provisions	179	189
Current provisions	370	336
	549	525

	At 1 January 2009	Translation adjustment	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 December 2009
Losses on long-term contracts and other contracts	17	–	–	1	(4)	(5)	–	9
Restructuring and withdrawal costs	82	(1)	–	56	(25)	(3)	–	109
Claims and litigation	134	–	1	29	(13)	(23)	1	129
Other provisions	292	–	(2)	99	(62)	(24)	(1)	302
Total	525	(1)	(1)	185	(104)	(55)	0	549

Provisions for claims and litigation cover risks identified at year-end and are based on the estimated amount of potential losses for the Group.

Other provisions mainly concern risks related to financial commitments and subsidiaries.

NOTE 28 DEBT**28.1 BREAKDOWN OF DEBT**

Debt breaks down as follows:

	31 December 2009	31 December 2008
Bonds	1,411	430
Bank loans	697	1,897
Finance lease liabilities	11	25
Debt related to put options granted to minority shareholders	40	9
Other debt	15	19
Non-current debt	2,174	2,380
Mandatory Exchangeable Bonds	–	692
Bank loans	35	31
Finance lease liabilities	14	15
Debt related to put options granted to minority shareholders	–	15
Other debt	443	438
Current debt	492	1,191
Total debt	2,666	3,571

On 6 October 2009, Lagardère SCA issued a €1 billion bond fully subscribed by institutional investors. The bond matures in 5 years and is redeemable on 5 October 2014 with an annual coupon of 4.875%. This bond was initially recognised in the balance sheet at the amount received net of expenses, i.e. €991 million. The effective interest rate is 5.08%.

Income from this bond issue was primarily allocated to repayment of the 2005 syndicated loan which matures in 2012.

28.2 ANALYSIS OF DEBT BY MATURITY

Debt breaks down as follows by maturity:

	Under one year ^(*)	1 to 5 years	Over 5 years	Total
Bonds	–	1,411	–	1,411
Bank loans	35	697	–	732
Finance lease liabilities	14	11	–	25
Debt related to put options granted to minority shareholders	–	39	1	40
Other debt	443	7	8	458
At 31 December 2009	492	2,165	9	2,666
At 31 December 2008	1,191	2,359	21	3,571

(*) Debt due within one year is reported in the balance sheet under "Current debt".

28.3 MANDATORY EXCHANGEABLE BONDS

DESCRIPTION OF THE ISSUE

On 10 April 2006, Lagardère SCA issued 61,110 Mandatory Exchangeable Bonds, entirely subscribed by Natixis (formerly IXIS CIB). The main features of this issue are described below.

- The issue proceeds of €1,992 million are redeemable for a maximum of 61,110,000 EADS shares, representing approximately 7.5% of the capital of EADS, in three equal tranches (subject to adjustments arising from the upside exposure mechanism described below) on 25 June 2007, 25 June 2008 and 25 June 2009.
- The reference price per EADS share used to calculate the issue proceeds was €32.60, which was the market price for the accelerated placement of a further 7.5% of the capital of EADS carried out simultaneously by Daimler (a fellow shareholder in EADS, with a 30% interest).
- Lagardère retains ownership of the EADS shares, and will collect the dividend on them until they are delivered in redemption of the bonds.
- The issue includes an upside exposure mechanism under which Lagardère will enjoy the full benefit of any rise in the EADS share price up to 115% of the reference price (i.e. up to €37.49). This upside exposure mechanism will, if activated, lead to a reduction in the number of shares delivered in redemption of the bonds. However, in the event of a decline in the EADS share price, Lagardère SCA is guaranteed to be able to sell all the underlying shares at the reference price.
- As consideration for these benefits, the Mandatory Exchangeable Bond issue bears annual interest of 7.7%.

Because ownership of the underlying shares is not transferred until the maturity dates of the bonds, subject to any adjustments arising from the upside exposure mechanism described above, Lagardère SCA's interest in the capital of EADS remained at approximately 15% until June 2007 when it was reduced to approximately 12.5%; it was subsequently reduced to approximately 10% in June 2008, and finally reduced to approximately 7.5% in June 2009.

Under the initial agreements between the shareholders of EADS, partial disposals may be made without altering the balance of power between the French State and Lagardère within the French investor group, and between the French investor group and the German investor group. Consequently, the French State and Lagardère may each reduce their holding to 6% without breaching the terms under which joint control is exercised within the shareholders' agreement.

EARLY REDEMPTION OF THE THIRD TRANCHE

In an amendment to the subscription contract signed on 26 January 2009, Lagardère SCA and Natixis, the sole subscriber and only holder of the 20,370 Mandatory Exchangeable Bonds still outstanding, agreed at the initiative of Natixis to bring forward the date of redemption of those bonds, and thereby the date of delivery of the third tranche of EADS shares, from 25 June 2009 to 24 March 2009. In execution of this amendment, on 24 March 2009 Lagardère SCA delivered to Natixis 20,370,000 EADS shares representing 2.5% of the share capital.

SEPARATION OF THE COMPONENTS OF THE MANDATORY EXCHANGEABLE BOND UNDER IFRS

According to the criteria specified in IAS 39 "Financial Instruments: Recognition and Measurement", the Mandatory Exchangeable Bond issue is a hybrid financial instrument, the two components of which must be measured and accounted for separately. These components are:

- a host debt contract;
- an embedded derivative in the form of a "collar", combining protection against downside exposure relative to the reference price of EADS shares at the issue date (purchase of a put option at a minimum price of €32.60) with an upside exposure mechanism (simultaneous sale of a call option at a fixed price of €37.49, i.e. 115% of the reference price).

ACCOUNTING TREATMENT OF THE MANDATORY EXCHANGEABLE BOND AT THE ISSUE DATE

The derivative was initially measured on the basis of an independent valuation conducted as part of the negotiations of the terms of the issue between Lagardère SCA and the subscriber of the issue. This valuation was €2.12 per EADS share, which when applied to the total number of underlying shares (61,110,000) gave a total value of €130 million, recognised under "Other current assets" in the consolidated balance sheet.

The fair value of the host debt contract is the sum of the issue proceeds, net of issue costs (i.e. €1,970 million), and the value of the derivative (€130 million). The bond debt was therefore recognised at a total amount of €2,100 million on issue. The debt is accounted for using the amortized cost method, at an effective interest rate of 3.51%. This represents the rate that exactly discounts total cash payments (principal and interest) under the host debt contract to the initial fair value of that contract.

RECOGNITION OF DISPOSALS OF SHARES ON THE REDEMPTION DATES

Gains arising on the disposal of each of the three tranches of EADS shares delivered in redemption of the bonds are recognised on the date of delivery of the shares.

The value of the redemption of March 2009, based on the reference per-share price of EADS shares (€32.60) used at the time of the issue, was €664 million in 2009, generating a gain on disposal of €539 million, compared to €466 million for the same operation in June 2008. In the consolidated cash flow statement, the value at which shares were remitted is included in cash from investing activities, under proceeds from sales of investments, with a corresponding reduction in debt in the cash flows from financing activities.

MEASUREMENT OF THE DERIVATIVE

The derivative is a hedge of the future cash flows represented by the future delivery of the underlying EADS shares. As required by IAS 39, changes in the fair value of the effective portion of this hedging instrument are recognised directly in equity, while the ineffective portion is recognised in profit or loss.

As of the Mandatory Exchangeable Bond issue date, the effective portion of the derivative was zero. Consequently, the ineffective portion of the derivative was the same as the fair value (€130 million) recognised in the consolidated balance sheet as an asset.

As of 31 December 2008, based on the quoted market price of EADS shares as of that date (€12.03), the effective portion of the hedge was measured at a positive value of €420 million, recognised as an increase in consolidated equity at that date and reversed upon the final redemption in March 2009.

The initial value of the derivative (€130 million) in substance represents the cost incurred by Lagardère as consideration for the guarantees provided by this instrument throughout the entire term of the bond issue. Consequently, Lagardère has only partially applied the principle of recognising changes in the fair value of the ineffective portion of the hedge in profit or loss, opting to recognise the initial value of €130 million as an expense on a straight-line basis over the term of the bond issue in proportion to the number of shares not yet delivered in redemption. As a result of this treatment, Lagardère recognised a financial expense of €27 million in its income statement for the year ended 31 December 2008 and the residual net carrying amount in its balance sheet at 31 December 2008 was €3 million; this amount was transferred to income in 2009.

28.4 CHARACTERISTICS OF BONDS AND MAIN BANK LOANS

The following tables provide details of bonds (excluding Mandatory Exchangeable Bonds) and bank loans:

31 December 2009	Carrying amount	Value of hedging instruments ^(*)	Total	Currency after hedging	Original interest rate	Interest rate after hedging
24 January 2001 US Private Placement Notes:						
– 10-year notes, for US\$225 million	165	89	254	EUR	7.49%	EURIBOR +1.288%
24 July 2003 US Private Placement Notes:						
– 10-year notes, for US\$38 million	28	5	33	EUR	5.18 %	6-month EURIBOR +0.87%
– 10-year notes, for €116 million	123	(7)	116	EUR	4.965 %	6-month EURIBOR +0.88%
10 July 2003 10-year bond issue underwritten by LCL, for €100 million	104	(4)	100	EUR	4.75 %	3-month EURIBOR +1,035 %
6 October 2009 5-year bond issue, for €1,000 million	991	-	991	EUR	5.08 %	
Bonds	1,411	83	1,494			
21 December 2005 6-year structured loan, for €151 million:						
– Tranche A, for €116 million	116	-	116	EUR	3-month EURIBOR +0.575% limit 4.375%	3-month EURIBOR +0.40%
– Tranche B, for €35 million	35	-	35	EUR	3.85 %	3-month EURIBOR +0.40%
22 June 2005-2012 syndicated loan for €2,200 million, amount drawn	491	-	491	EUR	1-month EURIBOR +0.225%	
Other debt	90	-	90			
Bank loans	732	-	732			
Total	2,143	83	2,226			

(*) Fair value of derivative instruments designated as hedges of debt.

31 December 2008	Carrying amount	Value of hedging instruments ^(*)	Total	Currency after hedging	Original interest rate	Interest rate after hedging
24 January 2001 US Private Placement Notes:						
– 10-year notes, for US\$225 million	177	76	253	EUR	7.49 %	EURIBOR +1.288 %
24 July 2003 US Private Placement Notes:						
– 10-year notes, for US\$38 million	30	4	34	EUR	5.18 %	6-month EURIBOR +0.87 %
– 10-year notes, for €116 million	121	(5)	116	EUR	4.965 %	6-month EURIBOR +0.88 %
10 July 2003 10-year bond issue underwritten by LCL, for €100 million	102	(2)	100	EUR	4.75 %	3-month EURIBOR +1.035 %
Bonds	430	73	503			
21 December 2005 6-year structured loan, for €151 million:						
– Tranche A, for €116 million	116	-	116	EUR	3-month EURIBOR +0.575 % limit 4.375 %	3-month EURIBOR +0.40 %
– Tranche B, for €35 million	35	-	35	EUR	3.85 %	3-month EURIBOR +0.40 %
22 June 2005-2012 syndicated loan for €2,200 million, amount drawn	1,680	-	1,680	EUR	1-month EURIBOR +0.275 %	
Other debt	97	-	97			
Bank loans	1,928	-	1,928			
Total	2,358	73	2,431			

(*) Fair value of derivative instruments designated as hedges of debt.

28.5 ANALYSIS OF DEBT BY CURRENCY

The following table shows the breakdown of current and non-current debt by currency before and after hedging:

31 December 2009	Before hedging		After hedging	
		%		%
Euro	2,113	79%	2,196	80%
US\$	401	15%	401	15%
Swedish kronor	47	2%	47	2%
Pound sterling	43	2%	43	2%
Zloty	36	2%	36	1%
Brazilian real	13	-	13	-
Other	13	-	13	-
Total	2,666	100%	2,749	100%

NOTE 29 EXPOSURE TO MARKET RISKS (LIQUIDITY, INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS) AND CREDIT RISKS

29.1 MARKET RISKS

29.1.1 EXPOSURE

LIQUIDITY RISKS

Total borrowings include the value of hedging instruments (see note 28.4). The share of bond borrowings rose from 17% to 54% of total borrowings between 31 December 2008 and 31 December 2009.

The liquidity risk is not significant since debt maturing within two years amounts to €974 million, whereas cash, cash equivalents and short-term investments total €842 million and unused credit line facilities €1,755 million.

RISKS ARISING FROM EARLY REPAYMENT COVENANTS INCLUDED IN CERTAIN CONTRACTS

Bond borrowing or bank loan agreements may include financial ratio covenants. Most financial ratios establish limits in the form of minimum equity, or maximum indebtedness calculated as a proportion of equity. Failure to meet these ratio requirements entitles the lenders to request immediate reimbursement of their loans.

Lagardère SCA is subject to such covenants in respect of:

- bonds issued in January 2001 totalling US\$225 million and July 2003 totalling US\$38 million and €116 million;
- the structured loan obtained in December 2005 totalling €151 million.

The ratios are calculated every six months on the basis of the consolidated financial statements.

At 31 December 2009, all of the above ratio covenants were satisfied.

INTEREST RATE RISKS

The €991 million bond maturing in 2014 bears interest at a fixed rate (effective interest rate: 5.08%). Other bond borrowings and bank loans bear interest at variable rates, either because they were originally issued at variable rates, or because they were converted at the outset from fixed rates to variable rates. The value of derivative hedging instruments corresponding to this conversion is stated in note 28.4.

Cash and cash equivalents totalled €764 million at 31 December 2009. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group's €1,718 million variable rate borrowings (excluding debt related to repurchases of minority shareholders). The risk of a rise in the cost of borrowings due to an increase in interest rates would essentially concern the variable-rate portion of total borrowings that is not offset by surplus cash, i.e. a total of €954 million. A one point increase in interest rates would result in an annual additional expense of €9.5 million.

EXCHANGE RATE RISKS

The Group's exposure to foreign exchange rate risks on commercial transactions is limited owing to the nature of its business activities in France and other countries. At 31 December 2009, foreign currency transactions to hedge this exposure only comprised forward currency sales agreements amounting to €23 million, and forward currency purchase agreements amounting to €57 million.

In general, normal operating activities are financed through short-term and variable-rate borrowings denominated in the local currency, in order to avoid exchange rate risks.

For longer-term borrowings used to finance assets outside France, the Group may occasionally make drawings in foreign currencies on its syndicated loan. In 2009, amounts drawn were as follows:

- US dollar: €372 million
- Pound sterling: €28 million
- Swedish kronor: €47 million

Certain borrowings undertaken in foreign currencies in France (servicing of the US dollar notes issued in 2001 and 2003) are hedged by forward currency purchase agreements.

2009 consolidated net sales were distributed as follows between the principal currencies:

• Euros	56%
• US dollar	7%
• Pound sterling	6%
• Swiss franc	5%
• Other	26%
Total	100%

Based on accounting data for 2009, the sensitivity of recurring operating profit before associates to a 10% decline in the respective exchange rates for the three main currencies against the euro over a full year, expressed in monetary terms before any adjustments, is as follows:

Currency	Impact on 2009 recurring operating profit before associates
US dollar	-€9 million
Pound sterling	-€5 million
Swiss franc	-€2 million

EQUITY RISKS

The Group's principal direct and indirect investments in listed companies are:

Companies	Number of shares held	Percentage interest at 31 December 2009	Market price at 31 December 2009 (in euros)	Market value at 31 December 2009 (in euros)
Lagardère SCA	4,238,948	3.23%	28.41	120,428,513
EADS	61,113,852	7.50%	14.08	860,483,036
Deutsche Telekom (formerly T-Online)	2,836,835	0.07%	10.29	29,191,032
Viel et Cie	8,917,677	12.21%	2.94	26,217,970

Changes in the value of treasury stock directly or indirectly held by Lagardère are taken directly to equity.

As a listed company, EADS is subject to stock market fluctuations. However, in view of the consolidation method applied for the EADS group, the value of this investment in Lagardère's consolidated financial statements is not affected by these fluctuations.

The Deutsche Telekom shares were received in exchange for T-Online shares in 2006 and are included in "Short-term investments" at the amount of €29 million, i.e. their trading price on 31 December 2009.

The investment in Viel et Cie is included in "Other non-current assets" at the amount of €26 million, corresponding to their trading price on 31 December 2009.

29.1.2 MANAGEMENT

Market risks are monitored at Group level by the Cash Management and Financing Division in cooperation with the Risk and Internal Control Division, under the responsibility of the Group's Chief Financial Executive.

Periodic reports are submitted to General Management. The Group has implemented a specific policy to reduce risks, introducing authorisation procedures and internal controls and using risk management tools to identify and quantify these risks. Derivatives are used exclusively in 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, with maturities appropriate to the planned duration of the investment. No investments are made in speculative or risky instruments.

There are no derivatives related to these investments.

29.2 CREDIT AND COUNTERPARTY RISKS

The 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 credit or commitments received in connection with commercial contracts;
- short-term investments of surplus cash or to cover post-employment benefit obligations;
- hedging contracts in which the counterparties are financial institutions.

Customer credit and commitments received under commercial contracts amounted to €2,112 million at 31 December 2009. The counterparties for most customer credit 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 contracts for sales of sports rights.

The shares of consolidated net sales deriving from business with the Group's largest, five largest and ten largest customers were as follows:

	2009	2008
Largest customer	1.2%	1.0%
Five largest customers	5.2%	4.1%
Ten largest customers	8.7%	7.1%

The Group's short-term investments and cash and cash equivalents amounted to €842 million at 31 December 2009. In addition to bank account balances, the majority of these resources are invested in instruments with first rank banking establishments or government agencies.

Assets managed in connection with post-employment benefits totalled €195 million (including €98 million in the UK and €61 million in Switzerland). 51% of these assets are invested in bonds.

Hedging contracts are primarily entered into to hedge foreign exchange and interest rate risks. Their notional amount was €734 million at 31 December 2009. 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.

Overall, the Group has never experienced a significant rate of default. However, its counterparties remain exposed to the risks of the economic environment, and as a result default can never be considered totally impossible.

29.2.2 MANAGEMENT

Each division is responsible for managing its own credit risks in a decentralised way as appropriate to the specificities of its market and customer base.

For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (such as external credit ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, action is taken for progressive introduction of monitoring procedures appropriate for credit risks.

The Group has set up periodic reporting on counterparty risks, to monitor the Group's consolidated exposure to risks on the principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures for control of this type of risk.

The Cash Management and Financing Division 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 December 2009	31 December 2008
Financial instruments with positive fair values (current assets):	13	435
– EADS Mandatory Exchangeable Bonds ^(*) : effective portion of the hedge	–	420
– EADS Mandatory Exchangeable Bonds ^(*) : ineffective portion of the hedge (net value)	–	3
– Financial instruments acquired as hedges of debt	11	7
– Currency swaps (effective portion)	2	3
– Currency swaps (ineffective portion)	–	2
Financial instruments with negative fair values (current liabilities):	(96)	(82)
– Financial instruments acquired as hedges of debt	(94)	(80)
– Currency swaps (effective portion)	(2)	(2)
Total, net	(83)	353

(*) EADS Mandatory Exchangeable Bonds were totally redeemed in March 2009 (see note 28.3).

30.2 NOTIONAL AMOUNTS OF DEBT HEDGING CONTRACTS BY MATURITY

31 December 2009	2010	2011	2012	2013	2014	Over 5 years	Total
Value of debt including the effect of hedging instruments		405		249			654
Fair value of instruments acquired as hedges of debt		(89)		6			(83)
Fair value of debt covered by hedging instruments (balance sheet value)		316		255			571

30.3 BALANCE SHEET FINANCIAL INSTRUMENTS

	31 December 2009		Breakdown by type of instrument ^(*)				
	Carrying amount	Fair value	Loans and receivables	Assets available for sale	Debt at amortized cost	Fair value through profit or loss	Derivative financial instruments
Investments in non-consolidated companies	90	90	–	90	–	–	–
Other non-current assets	116	116	116	–	–	–	–
Trade receivables	1,468	1,468	1,468	–	–	–	–
Derivative financial instruments	13	13	–	–	–	–	13
Other current assets	889	889	889	–	–	–	–
Short-term investments	78	78	–	78	–	–	–
Cash equivalents	120	120	–	–	–	120	–
Cash	644	644	644	–	–	–	–
Assets	3,418	3,418	3,117	168	–	120	13
Bonds and bank loans	2,143	2,143	–	–	2,226	–	(83)
Other financial debt	523	523	–	–	523	–	–
Other non-current liabilities	395	395	–	–	395	–	–
Trade payables	1,754	1,754	–	–	1,754	–	–
Derivative financial instruments	96	96	–	–	–	–	96
Other current liabilities	1,258	1,258	–	–	1,258	–	–
Liabilities	6,169	6,169	–	–	6,156	–	13

(*) There were no reclassifications between categories of financial instruments in 2009.

	31 December 2008		Breakdown by type of instrument ^(*)				
	Carrying amount	Fair value	Loans and receivables	Assets available for sale	Debt at amortized cost	Fair value through profit or loss	Derivative financial instruments
Investments in non-consolidated companies	121	121	–	121	–	–	–
Other non-current assets	81	81	81	–	–	–	–
Trade receivables	1,647	1,647	1,647	–	–	–	–
Derivative financial instruments	435	432	–	–	–	–	435
Other current assets	942	942	942	–	–	–	–
Short-term investments	117	117	–	117	–	–	–
Cash equivalents	181	181	–	–	–	181	–
Cash	654	654	654	–	–	–	–
Assets	4,178	4,175	3,324	238	0	181	435
Mandatory Exchangeable Bonds	692	692	–	–	692	–	–
Other bonds and bank loans	2,358	2,358	–	–	2,431	–	(73)
Other financial debt	521	521	–	–	521	–	–
Other non-current liabilities	252	252	–	–	252	–	–
Trade payables	1,845	1,845	–	–	1,845	–	–
Derivative financial instruments	82	82	–	–	–	–	82
Other current liabilities	1,273	1,273	–	–	1,273	–	–
Liabilities	7,023	7,023	0	0	7,014	0	9

(*) There were no reclassifications between categories of financial instruments in 2008.

30.4 FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

The revised version of IFRS 7, Financial Instruments - Disclosures, distinguishes the methods used for determining fair value into levels as follows:

Level 1: Instrument listed on an active market.

Level 2: Instrument valued using techniques based on observable market data.

Level 3: Instrument valued using techniques based on non-observable data.

In addition, certain investments are carried at acquisition cost if the Group does not have sufficiently reliable information for valuation, particularly when there is no active market for an instrument (see note 3.13).

Lagardère's financial instruments are classified as follows under this hierarchy:

31 December 2009	Type of instrument ⁽¹⁾			Fair value hierarchy ⁽²⁾			Acquisition cost
	Assets available for sale	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
Investments in non-consolidated companies	90			26			64
- Viel et Cie	26			26			
- Other	64						64
Derivative financial instruments – Assets			13		13		
Short-term investments	78			78			
- Deutsche Telekom shares	29			29			
- Bonds	49			49			
Cash equivalents		120		120			
- Marketable securities		120		120			
Total financial instruments – Assets	168	120	13	224	13		64
Derivative financial instruments – Liabilities			13		13		
Total financial instruments – Liabilities			13		13		

(1) There were no reclassifications between categories of financial instruments in 2009.
(2) There were no reclassifications between fair value hierarchy levels in 2009.

31 December 2008	Type of instrument ⁽³⁾			Fair value hierarchy ⁽⁴⁾			Acquisition cost
	Assets available for sale	Fair value through profit or loss	Derivative financial instruments	Level 1	Level 2	Level 3	
Investments in non-consolidated companies	121			19			102
- Viel et Cie	19			19			
- Other	102						102
Derivative financial instruments – Assets			432		432		
Short-term investments	117			117			
- Deutsche Telekom shares	30			30			
- Bonds	87			87			
Cash equivalents		181		181			
- Marketable securities		181		181			
Total financial instruments – Assets	238	181	432	317	432		102
Derivative financial instruments – Liabilities			9		9		
Total financial instruments – Liabilities			9		9		

(3) There were no reclassifications between categories of financial instruments in 2008.
(4) There were no reclassifications between fair value hierarchy levels in 2008.

NOTE 31 OTHER LIABILITIES

Other liabilities break down as follows:

	31 December 2009	31 December 2008
Due to suppliers of fixed assets	377	226
Repayable advances	–	–
Other advances and prepayments	–	–
Derivative financial instruments	–	–
Other liabilities	18	26
Other non-current liabilities	395	252
Derivative financial instruments	96	82
Accrued taxes and employee benefit expense	480	522
Advances and prepayments	19	15
Due to writers	234	221
Due to customers	99	96
Deferred income	181	190
Other liabilities	245	229
Other current liabilities	1,354	1,355
Total	1,749	1,607

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	
	Under 1 year	1 to 5 years	Over 5 years	31 Dec. 2009	31 Dec. 2008
Financial liabilities <i>including finance lease obligations</i>	3,600 14	2,546 11	23 -	6,169 25	7,023 40
Expected bank interest on debt ^(*)	65	216	-	281	105
Operating leases ^(**)	198	474	152	824	807
Minimum payments guaranteed under marketing contracts for:					
– sports rights	124	477	502	1,103	464
– other	10	1	-	11	9
Commitments for future capital expenditure	5	10	24	39	41
Total contractual obligations	4,002	3,724	701	8,427	8,449
Commitments received on sports rights sales contracts signed with distributors and partners	(179)	(373)	(92)	(644)	(515)

(*) Variable-rate interest payable has been calculated at the rates in force at 31 December 2009.
(**) Minimum future lease payments under non-cancellable operating leases, including minimum rentals provided for in retail shop concession agreements.

Recurring operating profit includes rental expense of €195 million in 2009 (€184 million in 2008).

Financial liabilities break down as follows:

	Payments expected			Total	
	Under 1 year	1 to 5 years	Over 5 years	31 Dec. 2009	31 Dec. 2008
Mandatory Exchangeable Bonds	-	-	-	-	692
Bonds and bank loans (net of derivatives)	35	2,108	-	2,143	2,358
Other financial debt	457	58	8	523	521
Other non-current financial liabilities	-	380	15	395	252
Trade payables	1,754	-	-	1,754	1,845
Derivative financial instruments	96	-	-	96	82
Other current financial liabilities	1,258	-	-	1,258	1,273
Total	3,600	2,546	23	6,169	7,023

NOTE 33 COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

3 3 . 1 OFF-BALANCE SHEET COMMITMENTS

	31 December 2009	31 December 2008
Commitments given in the normal course of business:		
– Guarantees and performance bonds	81	59
– Guarantees given to third parties and non-consolidated companies	79	95
– Other commitments given	12	15
Commitments on assets	–	2
Commitments to repurchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	14	2
Commitments received:		
– Counter-guarantees of commitments given	42	59
– Other commitments received	25	25
Confirmed, unused lines of credit	1,755	657

CONDITIONAL COMMITMENTS TO SELL SHARES

The Group has granted promises to sell valid at 31 December 2009 concerning certain investments, the two largest being:

- the 7.5% investment held indirectly in EADS. Lagardère has undertaken a commitment to sell this investment at market value, but solely subject to certain events, namely non-execution of obligations stipulated in the shareholder agreement, or changes in control over Lagardère or certain Lagardère business divisions;
- the 20% investment held in Canal+ France following the agreement signed on 4 January 2007 between Vivendi, Canal+ Group and Lagardère: Vivendi has a drag-along right that could force Lagardère to sell its investment in Canal+ France should Vivendi accept an outside offer for acquisition of at least 95% of the capital of Canal+ France (subject to prior application of Lagardère's pre-emptive bid right).

CONDITIONAL COMMITMENTS TO REPURCHASE SHARES

Two shareholder agreements exist between Lagardère Sports and the minority shareholders in World Sport Group. Under the terms of these agreements, Lagardère Sports must acquire the minority interests at market value in certain circumstances.

Under the shareholder agreement signed with the Sumitomo group when it acquired an investment in Hachette Fujingaho, Hachette Filipacchi Presse has given a commitment to repurchase the Sumitomo group's 34% interest in Hachette Fujingaho if certain events arise. In such a case the shares would be purchased at market value as assessed by an independent expert.

3 3 . 2 LITIGATION

The main litigations involving the EADS NV Group and Canal+ France Group are described in the EADS Registration Document and the Vivendi Annual Report respectively.

LITIGATION WITH ABN AMRO

A shareholder who converted bonds issued in 1993 and 1994 and exercised share subscription warrants issued in April 1994 initiated legal proceedings on the merits of the case before the Paris Commercial Court on 31 May 2006, claiming damages for the prejudice allegedly caused by the lack of adjustment of the terms for exercising the warrants and converting the bonds after Lagardère SCA distributed dividends for 1992, 1993 and 1994 partly paid out of a contribution premium account. Following the appeal by Lagardère SCA against the initial decision of 19 June 2007 by the Paris Commercial

Court which partly upheld the claims of ABN AMRO, on 25 November 2008 the Paris Court (i) ordered Lagardère SCA to compensate ABN AMRO for the prejudice suffered as a result of non-adjustment of the terms for exercising share subscription warrants, and (ii) asked the parties to provide further explanations regarding the admissibility of the claim for compensation lodged in an individual capacity by ABN AMRO on the grounds of the lack of adjustment of the terms for conversion of the convertible bonds. ABN AMRO has appealed against this ruling, and Lagardère SCA filed a cross-appeal against the same ruling, arguing that the claims filed by ABN AMRO are not admissible primarily under the applicable statute of limitations. As proceedings were pending before the Cour de Cassation, the Paris Appeal Court decided to defer its decision on the question, which still remained to be settled after the ruling of 25 November 2008, of the admissibility of ABN AMRO's claim for compensation due to non-adjustment of the terms for conversion of the convertible bonds.

The maximum amount claimed by ABN AMRO (for the convertible bonds and share subscription warrants) is slightly under €4 million, taking into account the amount of approximately €2 million already paid by Lagardère SCA to ABN AMRO in December 2008 following the Paris Appeal Court's decision of 25 November 2008.

ACTION FILED BY ODILE JACOB FOR CANCELLATION OF THE DECISION APPROVING WENDEL INVESTISSEMENT AS BUYER OF EDITIS ASSETS

The written action filed by Odile Jacob for cancellation of the European Commission's decision of January 2004 and the approval of Wendel Investissement as buyer of the Editis assets has come to an end, and a hearing for each case took place before the Court of First Instance of the European Communities (CFIEC) on 28 January 2010. The CFIEC's decisions in the two cases are due to be announced shortly.

Even in the unlikely event that these decisions are questioned by the CFIEC, none of the existing information indicates with certainty that the sale of Editis assets to Wendel Investissement will be challenged.

INQUIRY BY THE STOCK MARKET REGULATOR AMF, CRIMINAL INVESTIGATION AND LEGAL ACTION BY EADS SHAREHOLDERS

Following fluctuations in the EADS share price, particularly the drop observed on 14 June 2006 after EADS' announcement on 13 June 2006 that there would be delays in deliveries of A380 aircraft by its subsidiary Airbus, several lawsuits were initiated by EADS shareholders and various investigations were begun by the competent authorities.

Lagardère SCA (hereafter "Lagardère") is currently aware of the following proceedings, some of which are against Lagardère (the EADS Registration Document also lists known proceedings and actions against EADS).

a) AMF investigation

On 1 April 2008, the French Stock Market Authority (AMF) published a statement in which it announced that the Board of AMF had met on 31 March 2008 to examine the findings of the inquiry conducted by the Investigation and Market Surveillance Division (DESM) into trading in EADS shares and financial disclosures made by EADS since 1 May 2005.

The announcement stated that the AMF considered it necessary to serve a statement of objections, firstly for non-compliance with the obligation incumbent upon all issuers of securities listed on a regulated market to provide information to the market, and secondly for non-compliance with the obligation incumbent upon persons in possession of inside information to abstain from trading on the market.

The AMF also stated that the entire file would be transferred without delay to the Paris Public Prosecutor's office, although naturally, the presumption of innocence would apply without reservation to the persons concerned.

A statement of objections was duly sent to Lagardère by the AMF President on 8 April 2008.

It is based on the fact that Lagardère 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 AMF investigators, have been in possession of inside information on:

- the EADS Group's margin and operating profit objectives as expressed in EADS NV's Operative Planning for 2006/2010;
- the significant increase in development costs for the version of the A350 model launched in October 2005.

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. Lagardère also received the Investigation and Market Surveillance Division report from the AMF, and thus had access to the AMF's file.

The Examiner (*Rapporteur*) appointed by the AMF Enforcement Committee (*Commission des Sanctions*) gave Lagardère until 10 September 2008 to submit its opposing memorandum, and Lagardère filed its memorandum on that date.

Lagardère was formally interviewed on 9 January 2009 by the Enforcement Committee's Examiner and received a copy of his report on 28 July 2009. The Examiner concluded that Lagardère should be fully cleared of the charge of insider trading while in possession of either or both of the types of inside information stated above.

After a hearing held from 23 to 27 November 2009, the Enforcement Committee rejected all complaints against Lagardère in the statement of objections, putting an end to the administrative proceedings brought by the AMF.

b) Action against person or persons unknown

Following a complaint by an association of small EADS shareholders and one individual EADS shareholder, a legal investigation for insider trading was initiated.

Searches were conducted as part of this investigation, including on the premises of Lagardère.

The magistrate heading the investigation placed a certain number of current and former EADS and Airbus managers under formal investigation during 2008.

On 29 May 2009, Lagardère, represented by one of its Managing Partners, was heard as a witness in the context of an inquiry carried out by the *Brigade Financière* (financial police) acting upon delegation of the investigating magistrate in charge of the case.

c) Action by Crédit Mutuel Group companies against Lagardère and Natixis

On 17 June 2008, some companies of the Crédit Mutuel Group initiated action against Lagardère and Natixis before the Paris Commercial Court, asking the court to cancel (i) the issuance of Mandatory Exchangeable Bonds by Lagardère and their subscription by IXIS CIB (whose rights and obligations are now exercised by Natixis) in April 2006, and (ii) the forward sales concluded by the plaintiffs with Natixis.

This action concerned Lagardère's 11 April 2006 issue of Mandatory Exchangeable Bonds, redeemable in EADS shares, subscribed by IXIS CIB and Nexgen.

The companies bringing the action are seeking to have the bond issue contract declared null and void, alleging that Lagardère was in possession of inside information and should therefore have abstained from any operation involving EADS shares. They claim that Lagardère therefore breached a mandatory rule of law which renders the issue incontestably invalid, and argue that if the bond issue is declared null and void, the forward sales will also automatically be null and void.

The first case management hearing initially scheduled for 8 September 2008 took place on 7 October 2008 (following the plaintiffs' failure to file the first summons with the Commercial Court, Lagardère and Natixis received a new summons on 11 September 2008 using the same terms as the original summons of 17 June 2008). Several hearings have taken place, including a hearing on 28 January 2009 during which the defendants filed their submissions, to which the plaintiffs responded. A further hearing to receive the plaintiffs' submissions and appoint a *Juge Rapporteur* (reporting judge) took place on 9 September 2009.

In December 2009, the plaintiffs presented their position to the Court and asked it to order the release of certain documents. The defendants are opposed to this order and applied to the Court to rule that the plaintiffs' position was not admissible.

In a ruling of 27 January 2010, the Paris Commercial Court ruled that the claims made by these Crédit Mutuel Group companies were not admissible, and dismissed all the proceedings.

CLAIMS ON REPRESENTATIONS AND WARRANTIES GIVEN IN THE SALE BY QUILLET OF DAILY REGIONAL PRESS BUSINESSES

When it sold its daily regional press interests to Groupe Hersant Média in December 2007, Quillet granted representations and warranties in respect of assets and liabilities. Groupe Hersant Média has made claims on these representations and warranties several times, but Quillet has in each case considered that the specific claims made were defective and without foundation, and responded to that effect to Groupe Hersant Média.

RULING BY THE FRENCH COMPETITION AUTHORITY AGAINST SPORTFIVE AND THE FRENCH FOOTBALL FEDERATION

On 23 June 2008, Sportfive received a statement of objections from the French Competition Authority (formerly the *Conseil de la Concurrence*, now the *Autorité de la Concurrence*) concerning alleged arrangements with the French Football Federation (FFF) since 1992, and alleged abuses of its dominant market position since 2001 in managing the rights of the FFF.

In a ruling of September 30, 2009, the Competition Authority rejected the allegations of abuses of a dominant market position but found Sportfive and the FFF guilty of illegal anti-competitive agreement, and ordered Sportfive to pay a fine of €6 million.

This ruling is no longer subject to appeal. The fine was covered by the representations and warranties granted by certain former Sportfive shareholders to Lagardère Sports when it acquired Sportfive in 2007, less an amount of €2 million payable by Lagardère.

STATEMENT OF OBJECTIONS FROM THE FRENCH COMPETITION AUTHORITY CONCERNING YOUTH CHANNELS

On 12 January 2009 Lagardère SCA and Lagardère Active received a statement of objections from the French Competition Authority concerning alleged practices in the pay TV sector. This statement complained of various practices it claimed were used by several companies in this sector, and regarding Lagardère and Lagardère Active it maintained that exclusive rights awarded to Groupe Canal+ for distribution of the children's and youth channels Canal J, Fille TV (now named June) and Tiji were incompatible with anti-competition laws.

This statement of objections was the first stage in the formal procedure initiated by the Competition Authority, and entitled Lagardère SCA and Lagardère Active to assert their rights and have access to the file. The two entities submitted their answering observations in April 2009. This initial written exchange was followed by a second exchange when Lagardère SCA and Lagardère Active received a report in December 2009 from the Investigation Services of the Competition Authority and answered in February 2010. A hearing should be scheduled before the Competition Authority before the end of 2010. Observance of these phases is no indication of the final outcome of the procedure.

LITIGATION BETWEEN CANAL+ AND CANAL J

CNH, a Canal+ Group company, filed a complaint with the French Broadcasting Authority (*Conseil Supérieur de l'Audiovisuel* – CSA) registered on 10 October 2008 with a view to settling a dispute with Canal J. CNH is claiming an amount of €2.4 million from Canal J for technical and management services supplied by CNH as operator of the R3 multiplex (MuX) which “hosts” Canal J (together with the Canal+ Group's pay DTT channels).

Canal J is contesting payment of these amounts, considering that CNH applied cost-sharing methods incompatible with CSA rules, and is asking CNH to refund the excess payments made.

The CSA has decided to extend the proceedings and send out a questionnaire to the parties to the litigation, the distributors of the pay DTT channels and the various MuX operators.

In late December 2008, Canal J announced that it was returning its digital TV operating licence for Canal J to the CSA, and informed CNH that broadcasting would cease from 30 April 2009. CNH sent the CSA a request for extension of the referral procedure, and a claim for the corresponding amount based on an analysis whose legal grounds are contested by Canal J. The CSA interviewed the parties on 7 April 2009.

An out-of-court settlement was signed on 10 July 2009 concerning both disputes. The litigation proceedings before the CSA have thus been dropped by CNH, and the CSA's decision of 21 July 2009 formally recording CNH's withdrawal has been published in France official gazette (*Journal Officiel*).

BRAZILIAN ENVIRONMENTAL PROTECTION AUTHORITY

Salvat Do Brasil (SDB) received notification of a breach of regulations from the Brazilian governmental body IBAMA, which is in charge of environmental protection, setting a fine of 39,200,000 Brazilian reais (approximately €15 million) for illegally importing animal species into the country without the required authorisations. This concerned 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 should be examined shortly.

Should the decision of the president of IBAMA be unfavourable for SDB, a third appeal would be possible to the CONAMA (Brazil's National Environmental Council).

LITIGATION WITH SCPE

SCPE, a former indirect subsidiary of Lagardère Active sold in 2008, was placed in administration (*redressement judiciaire*) on 15 September 2009. SCPE and subsequently the administrators initiated action against several Lagardère Group companies seeking payment of damages in respect of the terms of the Company's transfer and settlement of commercial receivables.

The procedure is still pending.

Under the same administration procedure concerning SCPE, several Group companies declared their receivables to the Administrator (*Mandataire judiciaire*). The chances of recovering these amounts will depend on the outcome of the administration procedure, which was still ongoing at the date of publication of this Reference Document.

LITIGATION WITH PHOTOGRAPHERS

There has been an increase in the number of litigations with freelance and salaried photographers whose negatives and non-digital photographs are stored in Group photo archives. Most of these litigations concern matters relating to returns of archived work and lost photographs, observed when a photographer leaves a job at Lagardère or stops working with the Group. At this stage, the financial claims made in connection with these proceedings appear excessive.

GOVERNMENTAL, LITIGATION OR ARBITRATION PROCEDURES

In the normal course of its business, the Group is involved in a number of other disputes principally related to contract execution. 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, litigation or arbitration procedures in existence (including any procedure of which the Group is aware which is suspended or threatened) which may have or recently had significant effects on its financial position or profits.

TAX AUTHORITIES – LAGARDÈRE

Normal tax audits carried out as part of their regular activity by the French and other national tax authorities, concerning several companies and fiscal years, have in some cases resulted in additional tax assessments. Provision has been made to take account of the additional assessments accepted by the companies, and also for the amount estimated as the risk corresponding to disputes over challenged reassessments. The Group is not aware of any dispute in process that concerns amounts which could have a significant impact on the consolidated financial statements.

NOTE 34 RELATED PARTY TRANSACTIONS**3 4 . 1 MANAGEMENT REMUNERATION**

The total gross remuneration attributed to the members of Lagardère SCA's Executive Committee for 2009 (excluding remuneration paid by EADS) amounted to €10.2 million and €16.0 million including related charges; this figure includes a provision recorded for the additional pension plan. The corresponding figures for 2008 are €8.8 million and €14.4 million respectively.

Attendance fees received by the persons concerned as members of other Group companies' Boards of Directors (excluding EADS) amounted to €20,425 (€49,846 in 2008). In 2009, they were attributed 126,000 rights to allocation of free shares of Lagardère SCA (none in 2008).

3 4 . 2 RELATED PARTY TRANSACTIONS**TRANSACTIONS WITH LAGARDÈRE CAPITAL & MANAGEMENT (LC&M)**

Lagardère Capital & Management, controlled and chaired by Mr. 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, in collaboration with the Managing Partners, is to develop and ensure application of Group strategy, to lead the Group's development, to take the resultant necessary management decisions and implement them globally at Parent Company level and in the Group's different business activities. LC&M bears the expense of the entire pay package and related working expenses of its managers, and the fees of any outside French or international consultants they employ.

LC&M's mission is carried out 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 Commercial Code.

Since 2004, the remuneration of LC&M has been equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, with an absolute upper limit set at 1 million. Expenses charged are examined for each fiscal year by the Audit Committee, which issues an opinion on changes in these expenses. After examination by the Audit Committee, this procedure was approved by the Supervisory Board on 12 March 2004.

As a result, in 2009, LC&M invoiced €19.5 million to the Group, compared to €18.9 million in 2008. After deducting expenses (remuneration of Executive Committee members, support costs reimbursed to the Group and outside resource costs), operating profit after tax under the above agreement stood at €0.7 million.

TRANSACTIONS WITH PRESSTALIS (FORMERLY NMPP – NOUVELLES MESSAGERIES DE LA PRESSE PARISIENNE)

To distribute magazines and other publications in France, Lagardère uses the services of the press distribution Group Presstalis, of which it owns 49%. In 2009, distribution commissions invoiced to the Lagardère Group by Presstalis amounted to €93 million (€97 million in 2008).

Lagardère invoiced Presstalis a total of €13 million in 2009 for services, including property rental of €13 million (€12 million in 2008).

OTHER TRANSACTIONS

The other transactions with related parties in 2009 undertaken in the normal course of business are not considered significant for the Group. They took place under normal market conditions.

NOTE 35 FEES PAID TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

(in thousands of euros)	2009	Mazars	%	Ernst & Young	%
Audit					
Statutory audit, certification, examination of individual and consolidated financial statements		3,553	89.7	3,810	92.2
<i>Lagardère SCA</i>		165	4.2	176	4.3
<i>Fully-consolidated subsidiaries</i>		3,888	85.5	3,634	87.9
Other procedures and services directly related to the statutory audit		167	4.2	172	4.1
<i>Lagardère SCA</i>		30	0.7	22	0.5
<i>Fully-consolidated subsidiaries</i>		137	3.5	150	3.6
Sub-total		3,720	93.9	3,982	96.3
Non-audit services rendered by network members to fully-consolidated subsidiaries					
Legal, tax, human resources		240	6.1	147	3.6
Other		–	–	6	0.1
Sub-total		240	6.1	153	3.7
Total		3,960	100	4,135	100

(in thousands of euros)	2008	Mazars	%	Ernst & Young	%
Audit					
Statutory audit, certification, examination of individual and consolidated financial statements		3,255	88.6	3,755	76.3
<i>Lagardère SCA</i>		155	4.2	182	3.7
<i>Fully-consolidated subsidiaries</i>		3,100	84.4	3,573	72.6
Other procedures and services directly related to the statutory audit		301	8.2	898	18.2
<i>Lagardère SCA</i>		–	–	–	–
<i>Fully-consolidated subsidiaries</i>		301	8.2	898	18.2
Sub-total		3,556	96.8	4,653	94.5
Non-audit services rendered by network members to fully-consolidated subsidiaries					
Legal, tax, human resources		117	3.2	266	5.4
Other		–	–	5	0.1
Sub-total		117	3.2	271	5.5
Total		3,673	100	4,924	100

NOTE 36 LIST OF CONSOLIDATED COMPANIES

Fully consolidated companies at 31 December 2009.

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PUBLISHING				
HACHETTE LIVRE	43 quai de Grenelle - 75015 PARIS (FRANCE)	602 060 147	100.00	100.00
3 RIVIERES	5 rue de Savoie - 75006 PARIS (FRANCE)	490 176 328	100.00	100.00
AIQUE GRUPO EDITOR SA	BUENOS AIRES (ARGENTINA)		100.00	100.00
ARMAND COLIN SAS	21 rue du Montparnasse - 75006 PARIS (FRANCE)	451 344 162	100.00	100.00
AUDIOLIB	31 rue de Fleurus - 75006 PARIS (FRANCE)	499 165 694	45.00	75.00
BIBLIO PARTICIPATIONS	43 quai de Grenelle - 75015 PARIS (FRANCE)	377 627 583	100.00	100.00
BSSL	17 rue de Poulainville - 80046 AMIENS (FRANCE)	711 720 458	100.00	100.00
CALMANN LÉVY	31 rue de Fleurus - 75006 PARIS (FRANCE)	572 082 279	69.57	69.57
CHAMBERS HARRAPS PUBLISHER	EDINBURGH (UNITED KINGDOM)		100.00	100.00
CENTRE DE TRAITEMENT DES RETOURS	137 route de Corbeil - Lieu-dit Balizy 91160 LONGJUMEAU (FRANCE)	381 737 519	100.00	100.00
CYBERTERRE	43 quai de Grenelle - 75015 PARIS (FRANCE)	434 661 419	50.00	50.00
DIFFULIVRE	SAINT SULPICE (SWITZERLAND)		100.00	100.00
DILIBEL	ALLEUR (BELGIUM)		100.00	100.00
DUNOD ÉDITEUR SA	5 rue Laramiguière - 75005 PARIS (FRANCE)	316 053 628	100.00	100.00
EDDL	5 rue du Pont de Lodi - 75006 PARIS (FRANCE)	403 202 252	99.88	99.88
EDELSA	MADRID (SPAIN)		100.00	100.00
ÉDITIONS ALBERT RENÉ	26 avenue Victor Hugo - 75116 PARIS (FRANCE)	950 026 757	60.00	100.00
ÉDITIONS DES DEUX TERRES	5 rue de Savoie - 75006 PARIS (FRANCE)	442 678 249	100.00	100.00
ÉDITIONS GRASSET ET FASQUELLE	61 rue des Saints Pères - 75006 PARIS (FRANCE)	562 023 705	98.68	98.68
ÉDITIONS JEAN-CLAUDE LATTÈS	17 rue Jacob - 75006 PARIS (FRANCE)	682 028 659	100.00	100.00
ÉDITIONS LAROUSSE	21 rue du Montparnasse - 75006 PARIS (FRANCE)	451 344 170	100.00	100.00
ÉDITIONS STOCK	31 rue de Fleurus - 75006 PARIS (FRANCE)	612 035 659	100.00	100.00
ÉDUCATION MANAGEMENT SA	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	582 057 816	100.00	100.00
FERNAND HAZAN ÉDITEUR	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	562 030 221	99.94	99.94
GIE NORMA	103 avenue des Champs Élysées - 75008 PARIS (FRANCE)	389 487 562	100.00	100.00
GROUPE HATIER INTERNATIONAL	58 rue Jean Bleuzen - 92178 VANVES (FRANCE)	572 079 093	100.00	100.00
GRUPO PATRIA CULTURAL	MEXICO CITY (MEXICO)		100.00	100.00
HL 93	43 quai de Grenelle - 75015 PARIS (FRANCE)	390 674 133	100.00	100.00
HL FINANCES	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	384 562 070	100.00	100.00
HACHETTE CANADA	MONTREAL (CANADA)		100.00	100.00
HACHETTE COLLECTIONS	43 quai de Grenelle - 75015 PARIS (FRANCE)	395 291 644	100.00	100.00
HACHETTE COLLECTIONS JAPON	TOKYO (JAPAN)		100.00	100.00
HACHETTE FASCICOLI	MILAN (ITALY)		100.00	100.00
HACHETTE UK HOLDING LTD (formerly HL UK LTD)	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE UK LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE LIVRE USA	BOSTON (USA)		100.00	100.00
HACHETTE PARTWORKS LTD	LONDON (UNITED KINGDOM)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAROUSSE SA	21 rue du Montparnasse - 75006 PARIS (FRANCE)	401 457 213	100.00	100.00
LAROUSSE ÉDITORIAL	BARCELONA (SPAIN)		100.00	100.00
LE LIVRE DE PARIS	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	542 042 114	100.00	100.00
LIBRAIRIE ARTHÈME FAYARD	75 rue des Saints Pères - 75006 PARIS (FRANCE)	562 136 895	99.94	99.94
LIBRAIRIE GÉNÉRALE FRANÇAISE (LGF)	31 rue de Fleurus - 75006 PARIS (FRANCE)	542 086 749	59.99	59.99
MULTIMÉDIA ÉDUCATION RÉFÉRENCE	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	484 213 954	100.00	100.00
OCTOPUS PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
PIKA ÉDITION	19 bis rue Pasteur 92100 BOULOGNE-BILLANCOURT (FRANCE)	428 902 704	100.00	100.00
SAMAS SA	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	775 663 321	100.00	100.00
SYADAL	26 avenue Victor Hugo - 75116 PARIS (FRANCE)	350 805 685	50.00	50.00
WATTS PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
ESCALA GROUP				
ESCALA EDUCACIONAL	SAO PAULO (BRAZIL)		51.00	51.00
LAROUSSE DO BRAZIL PARTICIPACOES LTDA	MADRID (SPAIN)		51.00	100.00
HATIER GROUP				
LES ÉDITIONS DIDIER	13 rue de l'Odéon - 75006 PARIS (FRANCE)	313 042 541	100.00	100.00
LES ÉDITIONS FOUCHER	58 rue Jean Bleuzen - 92178 VANVES (FRANCE)	352 559 066	100.00	100.00
LES ÉDITIONS HATIER	8 rue d'Assas - 75006 PARIS (FRANCE)	352 585 624	100.00	100.00
LIBRAIRIE PAPETERIE NATIONALE	CASABLANCA (MOROCCO)		100.00	100.00
RAGEOT ÉDITEUR	6 rue d'Assas - 75006 PARIS (FRANCE)	572 022 978	100.00	100.00
SCI ASSAS RASPAIL	8 rue d'Assas - 75006 PARIS (FRANCE)	315 844 431	100.00	100.00
SCI du 63 boulevard RASPAIL	63 boulevard Raspail - 75006 PARIS (FRANCE)	315 830 034	100.00	100.00
SCI du 8 - 8 bis rue d'ASSAS	8 rue d'Assas - 75006 PARIS (FRANCE)	315 844 423	100.00	100.00
HACHETTE LIVRE GROUP (SPAIN)				
HACHETTE LIVRE ESPAÑA SA	BARCELONA (SPAIN)		100.00	100.00
EDITORIAL SALVAT SL	BARCELONA (SPAIN)		100.00	100.00
FORMENTO DE EDICIÓN Y CULTURA SA	MADRID (SPAIN)		100.00	100.00
HACHETTE LATINO AMERICA	MEXICO CITY (MEXICO)		100.00	100.00
PAGSL	BARCELONA (SPAIN)		100.00	100.00
SALVAT EDITORES PORTUGAL	LISBON (PORTUGAL)		100.00	100.00
ANAYA GROUP				
GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
ALGAIDA EDITORES SA	SEVILLE (SPAIN)		100.00	100.00
ALIANZA EDITORIAL SA	MADRID (SPAIN)		99.56	99.56
COMERCIAL GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
EDITORIAL BARCANOVA SA	BARCELONA (SPAIN)		100.00	100.00
EDICIONES TORMES SA	MADRID (SPAIN)		100.00	100.00
EDICIONES XERAIS DE GALICIA SA	VIGO (SPAIN)		100.00	100.00
GRUPO EDITORIAL BRUÑO SL	MADRID (SPAIN)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
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
HEADLINE BOOK PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HODDER & STOUGHTON LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE AUSTRALIA PTY LTD (formerly HACHETTE LIVRE AUSTRALIA PTY LTD)	SYDNEY (AUSTRALIA)		100.00	100.00
HACHETTE BOOK PUBLISHING INDIA	NEW DELHI (INDIA)		100.00	100.00
HACHETTE NEW ZEALAND (formerly HACHETTE LIVRE NEW ZEALAND)	AUCKLAND (NEW-ZEALAND)		100.00	100.00
JOHN MURRAY PUBLISHER LTD	LONDON (UNITED KINGDOM)		100.00	100.00
PHILIP ALLAN PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE BOOK GROUP				
HACHETTE BOOK GROUP USA	BOSTON (USA)		100.00	100.00
HACHETTE BOOK GROUP CANADA LTD	TORONTO (CANADA)		100.00	100.00
HBG HOLDINGS INC (DELAWARE)	BOSTON (USA)		100.00	100.00
PUBLISHER' S ADVERTISING LLC	BOSTON (USA)		100.00	100.00
LITTLE, BROWN BOOK GROUP				
LITTLE, BROWN BOOK GROUP	LONDON (UNITED KINGDOM)		100.00	100.00
PIATKUS BOOKS	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE MEXICO GROUP				
ÉDITIONS LAROUSSE MEXIQUE	MEXICO CITY (MEXICO)		100.00	100.00
DIFUSORA LAROUSSE MEXICO	MEXICO CITY (MEXICO)		100.00	100.00
LAGARDÈRE ACTIVE				
LAGARDÈRE ACTIVE - AUDIOVISUAL ACTIVITIES				
LAGARDÈRE ACTIVE	149-151 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	433 443 124	100.00	100.00
LAGARDÈRE ACTIVE BROADCAST	57 rue Grimaldi - 98000 MONACO	775 751 779	99.18	99.32
AMAYA TECHNISONOR	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	542 088 604	99.18	100.00
ANGEL PRODUCTIONS	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	384 015 491	99.18	100.00
ATLANTIQUE PRODUCTIONS	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	324 873 421	99.18	100.00
AUBES PRODUCTIONS	20 rue Pergolèse - 750116 PARIS (FRANCE)	429 138 019	99.18	100.00
CARSON PROD	27 rue Marbeuf -75008 PARIS (FRANCE)	438 557 282	69.99	69.99

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
CERT	SAARBRUCK (GERMANY)		98.99	99.81
CANAL J	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	343 509 048	99.18	100.00
DEMD PRODUCTIONS	14 rue Pergolèse - 75016 PARIS (FRANCE)	377 608 377	99.18	100.00
ÉDITIONS MUSICALES FRANCOIS 1 ^{er}	14 rue Pergolèse - 75016 PARIS (FRANCE)	381 649 771	99.18	100.00
ELECTRON LIBRE PRODUCTIONS	24-26 quai Alphonse Le Gallo 92100 BOULOGNE BILLANCOURT (FRANCE)	449 448 372	50.58	51.00
EUROPE 1 IMMOBILIER	26 bis rue François 1 ^{er} - 75008 PARIS (FRANCE)	622 009 959	89.19	90.00
EUROPE 1 TÉLÉCOMPAGNIE	26 bis rue François 1 ^{er} - 75008 PARIS (FRANCE)	542 168 463	99.08	100.00
EUROPE 1 INTERACTIVE	121 avenue Malakoff - 75116 PARIS (FRANCE)	415 096 502	99.08	100.00
EUROPE 2 COMMUNICATION	26 bis rue François 1 ^{er} - 75008 PARIS (FRANCE)	339 696 072	99.18	100.00
EUROPE 2 ENTREPRISES	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	352 819 577	99.18	100.00
EUROPE IMAGES INTERNATIONAL	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	339 412 611	99.18	100.00
EUROPE NEWS	26 bis rue François 1 ^{er} - 75008 PARIS (FRANCE)	343 508 750	99.08	100.00
GMT PRODUCTIONS	64 rue du Château 92100 BOULOGNE-BILLANCOURT (FRANCE)	342 171 667	99.18	100.00
HACHETTE PREMIÈRE & CIE	25 rue François 1 ^{er} - 75008 PARIS (FRANCE)	334 805 686	99.18	100.00
IMAGE & COMPAGNIE	14 rue Pergolèse - 75016 PARIS (FRANCE)	334 027 620	99.18	100.00
JEUNESSE INTERACTIVE	12 rue d'Oradour-sur-Glane - 75015 PARIS (FRANCE)	491 848 222	99.18	100.00
LAGARDÈRE ACTIVE FM	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	441 942 760	99.18	100.00
LAGARDÈRE ACTIVE TV	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	334 595 881	99.18	100.00
LAGARDÈRE ENTERTAINMENT (formerly LAGARDÈRE IMAGES)	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	309 001 477	99.18	100.00
LAGARDÈRE HOLDING TV	121 avenue de Malakoff - 75116 PARIS (FRANCE)	428 705 537	100.00	100.00
LAGARDÈRE MEDIA CONSULTING (formerly TOP 50)	25 rue François 1 ^{er} - 75008 PARIS (FRANCE)	307 718 320	99.18	100.00
LAGARDÈRE MÉTROPOLES (formerly LAGARDÈRE ACTIVE PUBLICITÉ RÉGIONS)	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	329 209 993	99.18	100.00
LAGARDÈRE TÉLÉVISION INTERNATIONAL (formerly LAGARDÈRE IMAGES INTERNATIONAL)	149 rue Anatole France 92300 LEVALLOIS PERRET (FRANCE)	612 039 164	99.18	100.00
LAGARDÈRE THÉMATIQUES	32 rue François 1 ^{er} - 75008 PARIS (FRANCE)	350 787 594	99.18	100.00
LTI VOSTOK	MOSCOW (RUSSIA)		99.18	100.00
LÉO VISION	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	383 160 942	99.18	100.00
LES PRODUCTIONS 22	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	423 324 862	99.18	100.00
MAXIMAL NEWS TÉLÉVISION	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	384 316 907	99.18	100.00
MAXIMAL PRODUCTIONS	24 - 26 quai Alphonse Le Gallo 92100 BOULOGNE-BILLANCOURT (FRANCE)	432 608 313	99.18	100.00
MCM	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	384 939 484	99.18	100.00
MERLIN PRODUCTIONS	32 place Saint Georges - 75009 PARIS (FRANCE)	451 099 402	54.85	55.30
MEZZO	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	418 141 685	59.51	60.00
PERFORMANCES	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	327 655 551	99.18	100.00
PROMOTION ET SPECTACLES D'EUROPE 1	26 bis rue François 1 ^{er} - 75008 PARIS (FRANCE)	632 042 495	99.08	100.00
PROSPECTA	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)		100.00	100.00
RÉGIE 1	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	383 154 663	50.38	51.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
RFM ENTREPRISES	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	405 188 871	99.18	100.00
RFM RESEAU NORD	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	338 532 419	99.18	100.00
RFM RESEAU SUD	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	382 002 509	99.18	100.00
RMI FM	POZNAN (POLAND)		99.18	100.00
SPORT FM	149 - 151 rue Anatole France 92534 LEVALLOIS-PERRET (FRANCE)	450 964 937	99.18	100.00
TIMOON ANIMATION	4 place de Brazzaville - 75015 PARIS (FRANCE)	448 829 275	99.18	100.00
VIRGIN RADIO RESEAU NORD	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	381 127 661	99.18	100.00
VIRGIN RADIO RESEAU SUD	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	339 802 118	99.18	100.00
LARI INTERNATIONAL GROUP				
107.8 ANTENNE AC GmbH	WURSELEN (GERMANY)		50.72	100.00
107.8 ANTENNE AC GmbH & Co. KG	WURSELEN (GERMANY)		50.72	100.00
LAGARDÈRE ACTIVE RADIO INTERNATIONAL	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	388 404 717	99.18	100.00
AD POINT	WARSAW (POLAND)		99.18	100.00
AVA PRESS (MÉLODIA SAINT- PÉTERSBOURG UKV)	SAINT-PETERSBURG (RUSSIA)		99.18	100.00
EDI POLOGNE	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	420 304 180	99.18	100.00
EDI ROMANIA	BUCHAREST (ROMANIA)		98.35	98.35
EKBY (MÉLODIA SAINT-PÉTERSBOURG FM)	SAINT-PETERSBURG (RUSSIA)		99.18	100.00
EPFU	KIEV (UKRAINE)		99.18	100.00
EUROPA MÉDIA GROUPE	MOSCOW (RUSSIA)		99.18	100.00
EUROPA PLUS FRANCE	26 bis rue François 1 ^{er} - 75008 PARIS (FRANCE)	354 076 176	99.18	100.00
EUROPE 2 PRAGUE	PRAGUE (CZECH REPUBLIC)		99.18	100.00
EUROPE DEVELOPPEMENT CZECH REPUBLIC	PRAGUE (CZECH REPUBLIC)		99.18	100.00
EURO-RADIO SAAR	SAARBRUCK (GERMANY)		50.72	51.00
EUROZET	WARSAW (POLAND)		99.18	100.00
EUROZET CONSULTING	WARSAW (POLAND)		99.18	100.00
FM HOLDING	MOSCOW (RUSSIA)		99.18	100.00
FM JAZZ	WARSAW (POLAND)		99.18	100.00
FORWARD-MEDIA	BRATISLAVA (SLOVAKIA)		99.18	100.00
FRANKFURT BUSINESS RADIO GmbH	FRANKFURT-AM-MAIN (GERMANY)		66.61	67.27
INFINITIV	PRAGUE (CZECH REPUBLIC)		99.18	100.00
LARI DEUTSCHLAND GmbH	SAARBRUCK (GERMANY)		99.18	100.00
MUZYKA JAZZ RADIO	WARSAW (POLAND)		99.18	100.00
NOVOE PODMOSKOVYE	MOSCOW (RUSSIA)		99.18	100.00
RADIO 4 IN 1	FRANKFURT-AM-MAIN (GERMANY)		66.61	100.00
RADIO BONTON	MOSCOW (RUSSIA)		99.18	100.00
RADIO KATUSHA (ELDORADIO)	SAINT-PETERSBURG (RUSSIA)		99.18	100.00
RADIO LAS VEGAS	WARSAW (POLAND)		99.18	100.00
RADIO MERCHANDISING COMPANY	PRAGUE (CZECH REPUBLIC)		99.18	100.00
RADIO PLUS POLSKA	WARSAW (POLAND)		79.34	80.00
RADIO PLUS POLSKA ZACHOD	WARSAW (POLAND)		79.34	80.00
RADIO POGODA	LODZ (POLAND)		99.18	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
RADIO REGION (MÉLODIA MOSCOW)	MOSCOW (RUSSIA)		99.18	100.00
RADIO STACJA	WARSAW (POLAND)		99.18	100.00
RADIO WARMIA MAZURY	WARSAW (POLAND)		99.18	100.00
RADIO WARTA	WARSAW (POLAND)		99.18	100.00
RG FREKVENCE 1	PRAGUE (CZECH REPUBLIC)		99.18	100.00
RRM BUCAREST	BUCHAREST (ROMANIA)		99.18	100.00
RRM PRAGUE	PRAGUE (CZECH REPUBLIC)		99.18	100.00
RRM SLOVAKIA	BRATISLAVA (SLOVAKIA)		99.18	100.00
RTS INFORM	MOSCOW (RUSSIA)		99.18	100.00
SAC (RADIO 7)	MOSCOW (RUSSIA)		99.18	100.00
SPECTRUM FM	WARSAW (POLAND)		99.18	100.00
SPOLKA PRODUCENCKA PLUS POLSKA	WARSAW (POLAND)		89.06	100.00
STUDIO ZET	WARSAW (POLAND)		99.18	100.00
EUROPA PLUS ZAO GROUP				
EUROPA PLUS ZAO	MOSCOW (RUSSIA)		99.18	100.00
EUROPA PLUS NIJNI NOVGOROD	NIJNI NOVGOROD (RUSSIA)		99.18	100.00
EUROPA PLUS SAINT-PÉTERSBOURG ZAO	SAINT-PETERSBURG (RUSSIA)		99.18	100.00
EUROPA PLUS VYBORG	VIBORG (RUSSIA)		99.18	100.00
INTEGRATED NETWORKS	MOSCOW (RUSSIA)		50.58	51.00
LAROCCO GROUP	MOSCOW (RUSSIA)		99.18	100.00
MEDIA PLUS REGION	MOSCOW (RUSSIA)		50.58	51.00
MEDIA PLUS ZAO	MOSCOW (RUSSIA)		99.18	100.00
MMT	MOSCOW (RUSSIA)		50.58	51.00
OMEGA	MOSCOW (RUSSIA)		99.18	100.00
FRADIO FM	MOSCOW (RUSSIA)		99.18	100.00
RADIO FM SAINT-PÉTERSBOURG	SAINT-PETERSBURG (RUSSIA)		97.19	100.00
RADIO RÉTRO ZAO	MOSCOW (RUSSIA)		99.18	100.00
RADIO VOLNA	YEKATERINBURG (RUSSIA)		50.58	51.00
RÉTRO NOVOSIBIRSK	NOVOSIBIRSK (RUSSIA)		50.58	51.00
LAGARDÈRE ACTIVE - PRESS ACTIVITIES				
HACHETTE FILIPACCHI PRESSE	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	582 101 424	99.97	100.00
BEIJING HACHETTE ADVERTISING	HONG KONG (CHINA)		99.97	100.00
COMPAGNIE IMMOBILIÈRE EUROPA	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	407 662 329	99.98	100.00
COMPAGNIE INTERNATIONALE DE PRESSE ET DE PUBLICITÉ (CIPP)	MONTE-CARLO (MONACO)		50.98	51.00
DIGITAL SPY	LONDON (UNITED KINGDOM)		99.97	100.00
DIVERSIFIED MEDIA COMPANY LTD	NICOSIA (CYPRUS)		50.98	100.00
ECEP	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	300 938 826	99.97	100.00
ÉDITIONS CHARLES MASSIN	16 - 18 rue de l'Amiral Mouchez - 75014 PARIS (FRANCE)	542 083 118	99.97	100.00
FEP UK LTD	LONDON (UNITED KINGDOM)		99.97	100.00

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FENGISTONE HOLDING LTD	NICOSIA (CYPRUS)		50.98	100.00
FRANCE-CANADA ÉDITIONS ET PUBLICATIONS	MONTREAL (CANADA)		99.97	100.00
FULL FEEL FACTORY	45 rue Anatole France 92300 LEVALLOIS- PERRET (FRANCE)	482 467 610	51.00	51.00
HACHETTE FILIPACCHI SA	MADRID (SPAIN)		99.11	99.14
HACHETTE FILIPACCHI 2000 SPOL	PRAGUE (CZECH REPUBLIC)		50.98	51.00
HACHETTE FILIPACCHI ASSOCIÉS	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	324 286 319	99.97	100.00
HACHETTE FILIPACCHI DUTCH TRADEMARK HOLDING BV	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
HACHETTE FILIPACCHI EXPANSION	MEXICO CITY (MEXICO)		51.00	51.00
HACHETTE FILIPACCHI FILMS	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	572 028 959	99.97	100.00
HACHETTE FILIPACCHI HOLDINGS US	NEW YORK (USA)		99.97	100.00
HACHETTE FILIPACCHI HONG KONG LTD	HONG KONG (CHINA)		99.97	100.00
HACHETTE FILIPACCHI PRESSE POLSKA HOLDING	WARSAW (POLAND)		99.97	100.00
HACHETTE FILIPACCHI PRESSE UKRAINE	KIEV (UKRAINE)		50.98	100.00
HACHETTE FILIPACCHI TAIWAN	TAIPEH (TAIWAN)		99.97	100.00
HACHETTE FILIPACCHI UK LTD	LONDON (UNITED KINGDOM)		99.97	100.00
HACHETTE FUJINGAHO	TOKYO (JAPAN)		65.98	100.00
HACHETTE MAGAZINE VDB (formerly HACHETTE FILIPACCHI NETHERLANDS)	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
HACHETTE MULTIMÉDIA	43 - 45 avenue Victor Hugo 93534 AUBERVILLIERS (FRANCE)	390 287 407	100.00	100.00
HACHETTE RUSCONI EDITORE	MILAN (ITALY)		100.00	100.00
HACHETTE RUSCONI INTERACTIF	MILAN (ITALY)		100.00	100.00
HACHETTE RUSCONI PUBBLICITA	MILAN (ITALY)		100.00	100.00
HUA DAO	SHANGHAI (CHINA)		99.97	100.00
ID GROUPE	78 rue du Docteur Bauer - 93400 SAINT-OUEN (FRANCE)	425 059 987	99.97	100.00
INTERDECO GLOBAL ADVERTISING SRO	PRAGUE (CZECH REPUBLIC)		50.98	100.00
INTERNATIONAL MEDIA HOLDING BV (IMH)	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
INTERNATIONAL PUBLICATIONS HOLDING (IPH)	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
INTERQUOT	23 rue Baudin - 92300 LEVALLOIS-PERRET (FRANCE)	439 758 509	50.00	50.00
JADETI	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	493 205 280	75.00	100.00
JOHEMA LTD	NICOSIA (CYPRUS)		50.98	100.00
JUMPSTART AUTOMOTIVE MEDIA	SAN FRANCISCO (CALIFORNIA - USA)		99.97	100.00
LAGARDÈRE ACTIVE BROADBAND	43 - 45 avenue Victor Hugo 93534 AUBERVILLIERS (FRANCE)	343 611 208	100.00	100.00
LAGARDÈRE ACTIVE BROADBAND MANAGEMENT	43 - 45 avenue Victor Hugo 93534 AUBERVILLIERS (FRANCE)	420 442 428	100.00	100.00
LAGARDÈRE ACTIVE DIGITAL	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	497 909 051	100.00	100.00
LAGARDÈRE ACTIVE FINANCES (formerly HACHETTE FILIPACCHI PRESSE FINANCES)	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	410 208 136	99.97	100.00
LAGARDÈRE ACTIVE PUBLICITÉ INTERNET	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	407 529 320	99.97	100.00

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LAGARDÈRE DIGITAL FRANCE	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	433 934 312	100.00	100.00
LAGARDÈRE GLOBAL ADVERTISING	23 rue Baudin - 92300 LEVALLOIS-PERRET (FRANCE)	350 277 059	99.72	99.88
LAGARDERE PUBLICITE (formerly INTERDECO)	23 rue Baudin - 92300 LEVALLOIS-PERRET (FRANCE)	345 404 040	99.97	100.00
LEGION UK	LONDON (UNITED KINGDOM)		100.00	100.00
LES AGENCES TV SEAP	7 - 9 rue de la Bourse - 75002 PARIS (FRANCE)	391 817 467	99.97	100.00
MAISON D'ÉDITION HFS	MOSCOW (RUSSIA)		50.98	100.00
MÉTROPOLE MÉDIA PRESSE	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	424 798 577	99.97	100.00
MONTREUX PUBLICATIONS	MONTREUX (SWITZERLAND)		50.09	51.10
MULTIEDICIONES UNIVERSALES	MADRID (SPAIN)		99.97	100.00
NEWSWEB	34 avenue Bernard Palissy - 92210 SAINT-CLOUD (FRANCE)	424 905 172	100.00	100.00
OPTION MEDIA	23 avenue Reille - 75014 PARIS (FRANCE)	340 121 045	99.97	100.00
PRESSINTER	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	407 679 026	99.96	100.00
PUBLICATIONS FRANCE MONDE	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	562 113 787	99.94	99.97
PUBLICATIONS GROUPE LOISIRS (PGL)	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	338 195 720	99.97	100.00
QUILLET SA	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	542 043 971	99.96	100.00
SOCIÉTÉ DE PRESSE FÉMININE	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	441 174 554	50.00	50.00
SOCIÉTÉ DE PRESSE H & H	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	452 134 307	99.97	100.00
SOCIÉTÉ DE TRAITEMENT DES PRODUITS DE PRESSE (STPP)	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET (FRANCE)	732 053 491	99.97	100.00
SOGIDE	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	311 845 226	59.98	60.00
NEXTIDEA GROUP (FORMERLY NEXTEDIA GROUP)				
NEXTIDEA (formerly NEXTEDIA)	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	483 962 361	100.00	100.00
BONNIE & CLYDE	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	483 494 498	60.00	60.00
MONSIEUR WHITE	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	501 419 774	60.00	60.00
NEXTDATA	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	505 282 764	87.50	100.00
NEXTEDIA TUNIS	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	3 902 661	100.00	100.00
NEXTPREMIUM	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	508 760 543	100.00	100.00
POP OF THE COM	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	490 472 883	51.00	51.00
PSYCHOLOGIES MAGAZINE GROUP				
GROUPE PSYCHOLOGIES (formerly FINEV)	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	326 929 528	99.97	100.00
SELMA	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)	483 068 441	99.98	100.00
TÉLÉPHONE PUBLISHING GROUP				
TELEPHONE PUBLISHING	MADRID (SPAIN)		71.75	72.40
GABINETE ASTROLOGICO	MADRID (SPAIN)		71.75	100.00
SISTEMAS TELEFONICOS AUXILIARES	MADRID (SPAIN)		71.75	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
IMG GROUP				
INTER MEDIA GROUP	MOSCOW (RUSSIA)		50.75	100.00
ANTENNA-MINSK	MINSK (RUSSIA)		28.00	55.00
ANTENNA-VORONEZH	VORONEZH (RUSSIA)		26.00	51.00
CHOP MIG MOSCOU	MOSCOW (RUSSIA)		50.98	100.00
EDITORIAL OFFICE OF NEWSPAPER ANTENNA	MOSCOW (RUSSIA)		100.00	100.00
EXPRESS-SOCTCHI	SOCHI (RUSSIA)		40.27	79.00
IMG-KICHINEV	KICHINEV (MOLDAVIA)		50.98	100.00
IMG PERM	PERM (RUSSIA)		37.47	73.50
IMG-SIBIR	SIBIR (RUSSIA)		38.23	75.00
IMG-VOLGA	VOLGA (RUSSIA)		43.33	85.00
MEDIA RESERVE-CHISINAU	CHISINAU (RUSSIA)		26.00	51.00
MEDIA RESERVE-KURSK	KURSK (RUSSIA)		50.98	100.00
MEDIA RESERVE-RYAZAN	RYAZAN (RUSSIA)		26.00	51.00
MEDIA RESERVE-SOCTCHI	SOCHI (RUSSIA)		50.98	100.00
MEDIA RESERVE-VOLGOGRAD	VOLGOGRAD (RUSSIA)		50.98	100.00
RG PRESS-SERVICE	YEKATERINBURG (RUSSIA)		50.98	100.00
TELESEM-ASTRAKHANI	ASTRAKHAN (RUSSIA)		50.98	100.00
TELESEM-BARNAUD	BARNAUD (RUSSIA)		38.23	75.00
TELESEM-CHEBOKSARAKH	CHEBOKSARY (RUSSIA)		34.23	67.14
TELESEM-CHELIABINSK	CHELIABINSK (RUSSIA)		41.29	81.00
TELESEM-LIPETSK	LIPETSK (RUSSIA)		50.98	100.00
TELESEM-NOVOKUZNETSK	NOVOKUZNETSK (RUSSIA)		50.98	100.00
TELESEM-OMSK	OMSK (RUSSIA)		38.23	75.00
TELESEM-ORENBURG	ORENBURG (RUSSIA)		50.98	100.00
TELESEM-PENZA	PENZA (RUSSIA)		21.92	43.00
TELESEM-ROSTOVE	ROSTOV (RUSSIA)		50.98	100.00
TELESEM-RYAZAN	RYAZAN (RUSSIA)		26.00	51.00
TELESEM-SAINT PÉTERSBOURG	SAINT-PETERSBURG (RUSSIA)		25.48	50.00
TELESEM-SAMARA	SAMARA (RUSSIA)		50.98	100.00
TELESEM-SARATOV	SARATOV (RUSSIA)		50.98	100.00
TELESEM-STAVROPOL	STAVROPOL (RUSSIA)		50.98	100.00
TELESEM-SURGUT	SURGUT (RUSSIA)		50.98	100.00
TELESEM-TOMSK	TOMSK (RUSSIA)		43.33	85.00
TELESEM-TULA	TULA (RUSSIA)		50.98	100.00
TELESEM-TVERI	TVERI (RUSSIA)		26.00	51.00
TELESEM-TYUMEN	TYUMEN (RUSSIA)		50.98	100.00
TELESEM-UFE	UFE (RUSSIA)		26.00	51.00
TELESEM-ULIANOVSK	ULIANOVSK (RUSSIA)		50.98	100.00
TELESEM-VLADIVOSTOK	VLADIVOSTOK (RUSSIA)		50.98	100.00
TELESEM-VOLGOGRAD	VOLGOGRAD (RUSSIA)		26.00	51.00
TELESEM-YAROSLAVL	YAROSLAVL (RUSSIA)		50.98	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
TELESEM-VLADIMIR	VLADIMIR (RUSSIA)		38.23	75.00
TELESEM-VORONEZH	VORONEZH (RUSSIA)		50.98	100.00
LAGARDÈRE SERVICES				
LAGARDÈRE SERVICES	2 rue Lord Byron - 75008 PARIS (FRANCE)	330 814 732	100.00	100.00
AELIA	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE (FRANCE)	380 253 518	84.49	84.49
AELIA CZ	PRAGUE (CZECH REPUBLIC)		100.00	100.00
AELIA POLSKA	WARSAW (POLAND)		87.59	100.00
AELIA UK	LONDON (UNITED KINGDOM)		84.49	100.00
AÉROBOUTIQUE FRANCE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE (FRANCE)	380 193 938	84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL	ZAC du Parc 12 rue Saint Exupéry 77290 COMPANS (FRANCE)	408 053 809	55.56	65.76
AÉROBOUTIQUE INFLIGHT RETAIL ESPAÑA	MADRID (SPAIN)		55.56	100.00
AÉROBOUTIQUE INFLIGHT RETAIL ITALIA	MILAN (ITALY)		55.56	100.00
AÉROBOUTIQUE INFLIGHT RETAIL NEDERLAND	AMSTERDAM (THE NETHERLANDS)		55.56	100.00
AÉROBOUTIQUE SALES GROUPE	CASABLANCA (MOROCCO)		44.45	80.00
ALVADIS	BRUSSELS (BELGIUM)		100.00	100.00
AMADEO	PRAGUE (CZECH REPUBLIC)		100.00	100.00
AMP	BRUSSELS (BELGIUM)		99.73	99.74
CURTIS CIRCULATION COMPANY	PENNSAUKEN (USA)		100.00	100.00
DISTRIDIJLE	MALINES (BELGIUM)		100.00	100.00
LPA TRANSPORT (formerly DISTRILIM-LPA)	HASSELT (BELGIUM)		100.00	100.00
DELSTAR	ONTARIO (CANADA)		100.00	100.00
DISTRISUD	LIEGE (BELGIUM)		100.00	100.00
DISTRIWEST NV	REKKEM (BELGIUM)		100.00	100.00
DUTY FREE ASSOCIATES	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE (FRANCE)	423 402 312	84.49	100.00
DYNAPRESSE	CAROUGE (SWITZERLAND)		65.00	100.00
EMPIK CAFE	JEROZOLIMSKIE (POLAND)		51.00	51.00
EURODIS	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE (FRANCE)	428 705 982	84.49	100.00
FERS	WIESBADEN (GERMANY)		100.00	100.00
HACHETTE DISTRIBUTION SERVICES	BRUSSELS (BELGIUM)		100.00	100.00
HACHETTE DISTRIBUTION INC.	PENNSAUKEN (USA)		100.00	100.00
HAPPY DEUTSCHLAND GmbH	WIESBADEN (GERMANY)		60.00	100.00
HDS BELGIUM (formerly ZENDIS BELGIUM)	BRUSSELS (BELGIUM)		100.00	100.00
HDS CANADA	MONTREAL (CANADA)		100.00	100.00
HDS DEUTSCHLAND	HUERTH HERMUELHEIM (GERMANY)		100.00	100.00
HDS EINZELHANDEL	DIETZENBACH (GERMANY)		100.00	100.00
HDS HONG KONG	HONG KONG (CHINA)		100.00	100.00
HDS INMEDIO ROMANIA	BUCHAREST (ROMANIA)		100.00	100.00
HDS POLSKA	WARSAW (POLAND)		100.00	100.00
HDS RETAIL CZ	PRAGUE (CZECH REPUBLIC)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
HDS RETAIL NORTH AMERICA	NEW YORK (USA)		100.00	100.00
HORESA	CAROUGE (SWITZERLAND)		65.00	100.00
IBD	OSTENDE (BELGIUM)		100.00	100.00
LCG	55 rue Deguingand - 92689 LEVALLOIS-PERRET (FRANCE)		100.00	100.00
LS ASIA PACIFIC PTY LIMITED	SYDNEY (AUSTRALIA)		100.00	100.00
MEDICOM SANTÉ	126 rue Jules Guesde - 92300 LEVALLOIS-PERRET (FRANCE)	451 199 947	51.00	51.00
M. TRAFIK	PRAGUE (CZECH REPUBLIC)		100.00	100.00
MUSIC RAILWAY	52 avenue des Champs-Élysées - 75008 PARIS (FRANCE)	414 434 431	100.00	100.00
NAVILLE	CAROUGE (SWITZERLAND)		65.00	100.00
NEW GIFT SHOPS INTERNATIONAL LLC	ONTARIO (CANADA)		100.00	100.00
NEWSLINK	SYDNEY (AUSTRALIA)		100.00	100.00
OLF	FRIBURG (SWITZERLAND)		65.00	100.00
PAYOT NAVILLE DISTRIBUTION	FRIBURG (SWITZERLAND)		65.00	65.00
PAYOT SA	LAUSANNE (SWITZERLAND)		65.00	100.00
PRESSE IMPORT SA	CORMINBOEUF (SWITZERLAND)		65.00	100.00
PRESS RELAY LOGAN	NEW YORK (USA)		87.00	87.00
PRESS RELAY/RMD - DELTA	NEW YORK (USA)		83.00	83.00
PRESS RELAY WASHINGTON NATIONAL	NEW YORK (USA)		90.00	90.00
PRESS-SHOP ALG	BRUSSELS (BELGIUM)		81.74	81.75
RELAY FRANCE	126 rue Jules Guesde - 92300 LEVALLOIS-PERRET (FRANCE)	542 095 336	100.00	100.00
SCSC	126 rue Jules Guesde - 92300 LEVALLOIS-PERRET (FRANCE)	431 960 004	100.00	100.00
THE PURELY GROUP PTY LTD	SYDNEY (AUSTRALIA)		51.00	51.00
SGEL GROUP				
SOCIEDAD GENERAL ESPAÑOLA DE LIBRERIA (SGEL)	MADRID (SPAIN)		100.00	100.00
FREEACTION	MADRID (SPAIN)		100.00	100.00
GRANA	MADRID (SPAIN)		51.00	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	BUDAPEST (HUNGARY)		80.01	80.01
BUVIHIR	BUDAPEST (HUNGARY)		80.01	100.00
HIRKER	BUDAPEST (HUNGARY)		80.01	100.00
LAGARDÈRE SPORTS				
LAGARDÈRE SPORTS	4 rue de Presbourg - 75116 PARIS (FRANCE)	453 759 078	100.00	100.00
L.O.N.A	4 rue de Presbourg - 75116 PARIS (FRANCE)	491 036 273	100.00	100.00
SPORTFIVE GROUP				
SPORTFIVE SAS	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	873 803 456	100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
ACTIVE SPORTS MARKETING	LONDON (UNITED KINGDOM)		100.00	100.00
SPORTFIVE MEDIA SOLUTIONS SAS (formerly BATAILLE PRODUCTION)	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	350 857 686	100.00	100.00
FOOTBALL FRANCE PROMOTION	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	324 592 674	100.00	100.00
FOX SPORTS	LONDON (UNITED KINGDOM)		100.00	100.00
INTERNATIONAL SPORTS MEDIA	MELBOURNE (AUSTRALIA)		100.00	100.00
ISPR NORDIC	HAMBURG (GERMANY)		100.00	100.00
JOHO SERVICE	AMSTERDAM (THE NETHERLANDS)		100.00	100.00
MEDIA FOOT BELGIQUE	BRUSSELS (BELGIUM)		99.87	99.87
MULTIMEDIA GLOBAL FINANCE	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
S5 ASIA Sdn.BHD (formerly SPORTFIVE ASIA)	KUALA LUMPUR (MALAYSIA)		100.00	100.00
SOCIÉTÉ D'EXPLOITATION DE DROITS SPORTIFS (S.E.D.S.)	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	349 658 336	100.00	100.00
SPORTFIVE GmbH	COLOGNE (GERMANY)		100.00	100.00
SPORTFIVE GmbH & Co. KG	COLOGNE (GERMANY)		100.00	100.00
SPORTFIVE FINANCIAL SERVICES GmbH	COLOGNE (GERMANY)		100.00	100.00
SPORTFIVE IBERIA	BARCELONA (SPAIN)		100.00	100.00
SPORTFIVE INTERMEDIATE GmbH	COLOGNE (GERMANY)		100.00	100.00
SPORTFIVE INTERNATIONAL	GENEVA (SWITZERLAND)		100.00	100.00
SPORTFIVE ITALY	TURIN (ITALY)		100.00	100.00
SPORTFIVE LTD	HERZELIYA PITUACH (ISRAEL)		100.00	100.00
SPORTFIVE MARKETING ESPORTIVO	RIO DE JANEIRO (BRAZIL)		100.00	100.00
SPORTFIVE POLAND Sp ZOO	WARSAW (POLAND)		100.00	100.00
SPORTFIVE SINGAPORE PTE LTD	SINGAPORE (SINGAPORE)		100.00	100.00
SPORTFIVE TENNIS	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	321 500 803	99.99	99.99
SPORTFIVE UK INTERNATIONAL LTD	LONDON (UNITED KINGDOM)		100.00	100.00
SPORTFIVE USA	LOS ANGELES (USA)		100.00	100.00
SPORTFIVE VERWALTUNGS GmbH	COLOGNE (GERMANY)		100.00	100.00
SPORTS RIGHT ACQUISITIONS BV	AMSTERDAM (THE NETHERLANDS)		100.00	100.00
THE SPORTS PROMOTERS	HAMBURG (GERMANY)		100.00	100.00
WORLD SPORT GROUP	SINGAPORE (SINGAPORE)		70.74	78.76
PR EVENT GROUP				
PR EVENT I SVERIGE	GOTEBORG (SWEDEN)		100.00	100.00
PR EVENT I GOETBORG AB	GOTEBORG (SWEDEN)		100.00	100.00
PR EVENT I BASTAD AB	GOTEBORG (SWEDEN)		100.00	100.00
IEC IN SPORTS GROUP				
IEC INVESTMENTS AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC HOLDING AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC IN SPORTS INTERNATIONAL EVENTS AND COMMUNICATION	STOCKHOLM (SWEDEN)		100.00	100.00
IEC LAUSANNE	LAUSANNE (SWITZERLAND)		100.00	100.00
UPSOLUT GROUP				
DEUTSCHAND TOUR GmbH	HAMBURG (GERMANY)		75.10	75.20

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
EVENTERPRISE	HAMBURG (GERMANY)		51.00	51.00
UPSOLUT EVENT Gmbh	HAMBURG (GERMANY)		100.00	100.00
UPSOLUT MERCHANDISING Gmbh & Co.KG	HAMBURG (GERMANY)		51.00	51.00
UPSOLUT SPORT AG	HAMBURG (GERMANY)		100.00	100.00
UPSOLUT SPORTS NORTH AMERICA	WASHINGTON (USA)		51.00	51.00
UPSOLUT SPORTS UK	LONDON (UNITED KINGDOM)		100.00	100.00
UPSOLUT VERWALTUNGS	HAMBURG (GERMANY)		51.00	100.00
OTHER ACTIVITIES				
LAGARDÈRE SCA	4 rue de Presbourg - 75116 PARIS (FRANCE)	320 366 446	100.00	100.00
ARLIS	6 rue Laurent Pichat - 75116 PARIS (FRANCE)	400 231 056	100.00	100.00
AXELIS	11 rue Pierre Rigaud - 94200 IVRY-SUR-SEINE (FRANCE)	451 344 238	100.00	100.00
DARIADE	121 avenue de Malakoff - 75116 PARIS (FRANCE)	400 231 072	100.00	100.00
DÉSIRADE	121 avenue de Malakoff - 75116 PARIS (FRANCE)	402 345 268	100.00	100.00
ÉCRINVEST 4	121 avenue de Malakoff - 75116 PARIS (FRANCE)	434 211 793	100.00	100.00
ÉCRINVEST 7	121 avenue de Malakoff - 75116 PARIS (FRANCE)	451 291 371	100.00	100.00
ÉDIFINANCE PARTICIPATIONS	121 avenue de Malakoff - 75116 PARIS (FRANCE)	440 143 741	100.00	100.00
FINANCIÈRE DE PICHAT	6 rue Laurent Pichat - 75116 PARIS (FRANCE)	315 782 490	100.00	100.00
FINANCIÈRE DE PICHAT ET CIE	6 rue Laurent Pichat - 75116 PARIS (FRANCE)	320 366 453	100.00	100.00
HACHETTE SA	4 rue de Presbourg - 75116 PARIS (FRANCE)	402 345 128	100.00	100.00
HÉLIOS	121 avenue de Malakoff - 75116 PARIS (FRANCE)	433 436 870	100.00	100.00
HOLPA	121 avenue de Malakoff - 75116 PARIS (FRANCE)	572 011 526	100.00	100.00
LAGARDÈRE FINANCE	121 avenue de Malakoff - 75116 PARIS (FRANCE)	409 882 883	100.00	100.00
LAGARDÈRE NORTH AMERICA. INC	NEW YORK (USA)		100.00	100.00
LAGARDÈRE PARIS RACING RESSOURCES	121 avenue de Malakoff - 75116 PARIS (FRANCE)	433 565 819	100.00	100.00
LAGARDÈRE PARTICIPATIONS (formerly MATRA PARTICIPATIONS)	4 rue de Presbourg - 75116 PARIS (FRANCE)	303 600 902	100.00	100.00
LAGARDÈRE RESSOURCES	121 avenue de Malakoff - 75116 PARIS (FRANCE)	348 991 167	100.00	100.00
LAGARDÈRE UK	LONDON (UNITED KINGDOM)		100.00	100.00
LAGARDERE UNLIMITED INC	WILMINGTON (USA)		100.00	100.00
LAGARDERE UNLIMITED LLC	WILMINGTON (USA)		100.00	100.00
LAGARDERE UNLIMITED SAS	4 rue de Presbourg - 75116 PARIS (FRANCE)	402 345 425	100.00	100.00
MNC	121 avenue de Malakoff - 75116 PARIS (FRANCE)	345 078 927	100.00	100.00
MP 65	121 avenue de Malakoff - 75116 PARIS (FRANCE)	348 971 854	99.42	100.00
MATRA MANUFACTURING & SERVICES - DEP	4 rue de Presbourg - 75116 PARIS (FRANCE)	318 353 661	100.00	100.00
PROMOTEC 5000 SL	MADRID (SPAIN)		100.00	100.00
SOFRIMO	121 avenue de Malakoff - 75116 PARIS (FRANCE)	569 803 687	100.00	100.00
SOPREDIS	5 place des Marseillais 94220 CHARENTON-LE-PONT (FRANCE)	602 020 455	100.00	100.00
TEAM LAGARDÈRE	121 avenue de Malakoff - 75116 PARIS (FRANCE)	482 741 725	100.00	100.00
TRANSPORT GROUP				
MATRA TRANSPORT	4 rue de Presbourg - 75116 PARIS (FRANCE)	662 000 447	100.00	100.00
SOFIMATRANS	4 rue de Presbourg - 75116 PARIS (FRANCE)	325 646 388	100.00	100.00

Companies consolidated using the equity method at 31 December 2009

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PUBLISHING				
ÉDITIONS J'AI LU	87 quai Panhard et Levassor - 75013 PARIS (FRANCE)	582 039 673	35.33	35.33
HARLEQUIN SA	83 - 85 boulevard Vincent Auriol - 75013 PARIS (FRANCE)	318 671 591	50.00	50.00
LIGHTNING SOURCE	1 avenue Gutenberg - 78910 MAUREPAS (FRANCE)	515 014 785	50.00	50.00
LAGARDÈRE ACTIVE				
LAGARDÈRE ACTIVE - AUDIOVISUAL ACTIVITIES				
EUROPE RÉGIES OUEST	16 avenue Henry Fréville - 35200 RENNES (FRANCE)	410 666 150	48.60	49.00
GULLI	12 rue d'Oradour sur Glane - 75015 PARIS (FRANCE)	480 937 184	65.46	50.00
NOUVELLES TÉLÉVISIONS NUMÉRIQUES	28 rue François 1 ^{er} - 75008 PARIS (FRANCE)	449 779 487	39.67	40.00
VIRGIN MÉGA	52 avenue des Champs-Élysées - 75008 PARIS (FRANCE)	432 573 806	48.60	49.01
LARI INTERNATIONAL GROUP				
ACCELERATION MEDIA	CAPE TOWN (SOUTH AFRICA)		49.59	50.00
MAX LOYD	PRAGUE (CZECH REPUBLIC)		33.72	34.00
OKEY RADIO	BRATISLAVA (SLOVAKIA)		50.58	51.00
RADIO XXI	BUCHAREST (ROMANIA)		19.84	20.00
RADIO 3000	EUPEN (BELGIUM)		24.85	49.00
RADMARK	RIVOGNA (SOUTH AFRICA)		29.75	50.00
LAGARDÈRE ACTIVE - PRESS ACTIVITIES				
BAYARD HACHETTE ROUTAGE (BHR)	Parc de Pontillat - 77340 PONTAULT-COMBAULT (FRANCE)	326 966 660	49.97	50.00
CANAL+ FRANCE	1 place du Spectacle 92130 ISSY-LES-MOULINEAUX (FRANCE)	421 345 695	20.00	20.00
CELLFISH MEDIA LLC	NEW YORK (USA)		56.18	25.00
DE AGOSTINI PERIODICI	NOVARA (ITALY)		51.00	50.00
DECOREVISTAS	MADRID (SPAIN)		49.99	50.00
DISNEY HACHETTE PRESSE	10 rue Thierry Le Luron 92300 LEVALLOIS-PERRET (FRANCE)	380 254 763	49.99	50.00
ÉDITIONS PHILIPPE AMAURY	25 avenue Michelet - 93400 SAINT-OUEN (FRANCE)	552 102 121	24.99	25.00
ELLE VERLAG	MUNICH (GERMANY)		49.99	50.00
GUTS	99 - 103 rue de Sèvres - 75008 PARIS (FRANCE)	399 391 879	50.00	50.00
HACHETTE FILIPACCHI MAGAZINE SP	WARSAW (POLAND)		49.00	49.00
HMC ITALIA (formerly HACHETTE MARIE-CLAIRE ITALIA)	MILAN (ITALY)		49.00	49.00
HACHETTE RIZZOLI INTERNATIONAL	AMSTERDAM (THE NETHERLANDS)		49.99	50.00
HOLDING E PROUVOST	149 rue Anatole France 92300 LEVALLOIS-PERRET (FRANCE)		41.99	42.00
LE MONDE INTERACTIF	16 - 18 quai de la Loire - 75019 PARIS (FRANCE)	419 388 673	34.00	34.00
LES PUBLICATIONS TRANSCONTINENTALES HACHETTE	MONTREAL (CANADA)		49.99	50.00
OEE LTD (BECAUSE)	LONDON (UNITED KINGDOM)		25.37	25.37
PUBLIFA	12 rue Ampère - 75017 PARIS (FRANCE)	429 556 640	49.99	50.00
S.E.T.C.	48 - 50 boulevard Senard - 92210 SAINT-CLOUD (FRANCE)	378 558 779	39.29	39.31
SUMITOMO	TOKYO (JAPAN)		65.98	34.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
VOETBALL MEDIA BV	AMSTERDAM (THE NETHERLANDS)		49.99	50.00
ZAO HMCR (formerly HACHETTE MARIE-CLAIRE RUSSIE)	MOSCOW (RUSSIA)		24.99	49.00
LAGARDÈRE SERVICES				
C-STORE	55 rue Deguingand - 92689 LEVALLOIS-PERRET (FRANCE)	505 387 795	50.00	50.00
HUNGARO PRESSE	BUDAPEST (HUNGARY)		50.00	50.00
LOGAIR	4 place de Londres - 95726 ROISSY (FRANCE)	443 014 527	27.78	50.00
SOCIÉTÉ DE DISTRIBUTION AÉROPORTUAIRE	114 avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE (FRANCE)	552 016 628	42.20	50.00
LAGARDÈRE SPORTS				
SPORTFIVE GROUP				
HSV-UFA STADIONMANAGEMENT & VERWALTUNGS	HAMBURG (GERMANY)		25.50	25.50
JUNIPER GROUP GmbH	BERLIN (GERMANY)		25.50	25.50
PBM GR - PEOPLE BRAND MANAGEMENT GmbH	HAMBURG (GERMANY)		33.33	33.33
STADION FRANKFURT MANAGEMENT GmbH	FRANKFURT (GERMANY)		50.00	50.00
STADION FRANKFURT MANAGEMENT PAYMENT GmbH	FRANKFURT (GERMANY)		50.00	50.00
ZACHEL AG	BERLIN (GERMANY)		30.00	30.00
OTHER ACTIVITIES				
EADS GROUP (EADS NV and its subsidiaries)	AMSTERDAM (THE NETHERLANDS)		7.50	(1)
GLOBAL CAR SERVICES	121 avenue de Malakoff - 75016 PARIS (FRANCE)	304 233 406	50.00	50.00
SOGEADE	121 avenue de Malakoff - 75216 PARIS (FRANCE)	401 959 994	40.00	40.00
(1) Control as defined in the shareholders' agreement between Lagardère, Daimler and the French State.				

NOTE 37 CONSOLIDATED FINANCIAL STATEMENTS FOR 2008 AND 2007

In application of European Commission regulation n°809/2004, the documents listed below are to be considered as an integral part of this Reference Document:

- The consolidated financial statements and the related audit report appearing on pages 143 to 275 of the French Reference Document for 2008, filed with the Autorité des Marchés Financiers (AMF) on 24 March 2009 under registration number D.09-0148.
- The consolidated financial statements and the related audit report appearing on pages 138 to 244 of the French Reference Document for 2007, filed with the Autorité des Marchés Financiers (AMF) on 3 April 2008 under registration number D.08-0195.

The information included in the documents listed above but not reproduced here is either irrelevant for investors or covered in another part of this Reference Document.

6.4 ANALYSIS OF LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2009

6.4.1 INCOME STATEMENT

The simplified income statements are as follows:

(in millions of euros)	2009	2008
Operating revenues	10	2
Operating loss	(19)	(39)
Financial income	208	432
Earnings before tax and exceptional items	189	393
Exceptional profit	22	22
Income tax gain	88	76
Net profit	299	491

- The operating loss for 2009 amounted to -€19 million, €20 million less than in 2008, and resulted from operating costs incurred by the holding company and fees invoiced for services provided to that Company. Since 1 January 2009 Lagardère SCA has charged a fee to Group companies operating in the Media for the right to use Lagardère-owned brands. This fee amounted to €8 million in 2009 and this income, coupled with the lower level of expenses, explains the improvement in the operating loss.
- Details of net financial income are as follows:

(in millions of euros)	2009	2008
Interest income on marketable securities and other	13	13
Interest income on receivables and loans to subsidiaries	11	133
Interest on borrowings and other financing	(62)	(151)
Interest expenses	(38)	(5)
Dividends received or to be received	206	575
Changes in provisions	10	(138)
Foreign exchange gains and other	30	–
Financial income	208	432

Financial income for 2009 amounted to +€208 million, €224 million less than in 2008.

This is primarily explained by the following factors:

- net interest received on current accounts with Group companies amounting to +€11 million in 2009 compared to +€133 million in 2008. This decrease resulted from the formation of the new Company Lagardère Finance, a wholly-owned subsidiary of Lagardère SCA. In early February 2009, Lagardère SCA's intragroup current account receivables and loans were transferred to the new company, which is now in charge of managing these items. Lagardère Finance has share capital of €3,080 million, contributed by capitalisation of the receivable arising on the transfer by Lagardère SCA of the Group current accounts. Lagardère SCA continues to carry long-term loans to subsidiaries in its own balance sheet.
- interest paid on external financing was down from -€151 million in 2008 to -€62 million in 2009 due to redemption in June 2008 and March 2009 of the second and third tranches of the Mandatory Exchangeable Bonds, and the fall in interest rates on other borrowings.
- dividends received in 2009 of €206 million, including €201 million from Désirade (the holding company for Lagardère's investment in EADS). In 2008, Désirade paid a dividend of €567 million.
- reversals from provisions, amounting to +€10 million in 2009 compared to a net increase of -€138 million in 2008, essentially comprising a €111 million provision for write-down on call options for treasury shares acquired to cover the stock purchase option plans set up for employees, and a €35 million provision for write-down on the treasury share portfolio, for the purpose of adjustment to year-end market value.

- Other changes totalled +€30 million in 2009, including a +€38 million foreign exchange gain on liquidation of the subsidiary Matravision (which had no remaining activities) in the United States, and –€6 million of expenses on the new bond issue.

Exceptional items generated a profit of +€22 million in 2009 and 2008, mainly consisting of reversals of provisions for risks and in 2009, the surplus generated by the liquidation of Matravision.

The +€88 million income tax gain for 2009 was generated by tax consolidation as in previous years, and corresponds to taxes paid by tax consolidated subsidiaries in excess of the tax due by the whole tax consolidated group. At 31 December 2009, the Lagardère tax group still had a tax loss carryforward.

6.4.2 BALANCE SHEET AND CASH FLOWS

Assets (in millions of euros)	31 December 2009	31 December 2008
Fixed assets	6,837	7,099
Trade receivables and other	102	92
Group financing	–	–
Cash and cash equivalents	30	134
Total assets	6,969	7,325

Liabilities and shareholders' equity (in millions of euros)	31 December 2009	31 December 2008
Shareholders' equity	3,350	3,222
Provisions for risks and liabilities	63	103
Borrowings	3,451	3,919
Short-term bank loans	47	–
Other liabilities	58	81
Total liabilities and shareholders' equity	6,969	7,325

Cash provided by operating activities amounted to +€150 million for 2009, including €206 million of dividends received during the year.

Net cash of €201 million was provided by investing activities in 2009, essentially due to movements in loans to Group subsidiaries.

Cash used in financing activities amounted to –€502 million in 2009, resulting from the following:

- dividends paid (–€171 million);
- the funds generated by the new bond issued in October 2009 (+€1,000 million);
- lower drawings on the 2005 syndicated loan (–€1,188 million) and redemption upon maturity of the final tranche of the EADS Mandatory Exchangeable Bonds (–€664 million);
- a +€521 million increase in cash investments by subsidiaries (including +€453 million by Désirade following sale of the EADS shares to Lagardère SCA upon redemption of the Mandatory Exchangeable Bonds).

Cash and cash equivalents amounted to a negative –€17 million at 31 December 2009, a decrease of €151 million from the previous year.

Changes in total net indebtedness, which is calculated as cash and cash equivalents less financial liabilities, were as follows:

(in millions of euros)	31 December 2009	31 December 2008
Net indebtedness	(3,468)	(3,785)

Net indebtedness decreased by €317 million in 2009, mostly corresponding to the difference between cash provided by operating and investing activities (+€351 million) and dividends paid out (–€171 million), plus €143 million resulting from write-off of a liability registered in the name of a US subsidiary that was liquidated in 2009 (through netting with the subsidiary's distributable cash).

6.5 PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Parent Company Balance Sheet at 31 December 2009

Assets (in millions of euros)	31 Dec. 2009 Gross	31 Dec. 2009 Depreciation, amortization and provisions	31 Dec. 2009 Net	31 Dec. 2008 Net
Tangible assets	–	–	–	–
Financial assets:				
– Investments in subsidiaries and affiliates	6,368	109	6,259	3,254
– Loans and advances to subsidiaries and affiliates	454	–	454	3,726
– Other long-term investments	161	37	124	119
– Loans	–	–	–	–
– Other financial items	–	–	–	–
Fixed assets	6,983	146	6,837	7,099
Trade receivables	–	–	–	–
Other receivables	188	120	68	41
Marketable securities	8	–	8	121
Cash and cash equivalents	22	–	22	13
Prepaid expenses	–	–	–	–
Current assets	218	120	98	175
Deferred charges	–	–	–	–
Translation adjustment	34	–	34	51
Total assets	7,235	266	6,969	7,325

Liabilities and shareholders' equity (in millions of euros)	31 Dec. 2009	31 Dec. 2008
Share capital	800	800
Share and other premiums	1,063	1,063
Reserves:		
– Legal reserve	87	87
– Tax regulated reserves	–	–
– Other reserves	31	31
Retained earnings	1,070	750
Net profit for the year	299	491
Shareholders' equity	3,350	3,222
Provisions for risks and liabilities	63	103
Special borrowings	–	–
Borrowings:		
– Bonds	1,520	1,204
– Bank loans	689	1,845
– Loans from subsidiaries and affiliates	1,289	870
Trade payables	3	4
Other payables	20	26
Deferred income	–	–
Translation adjustment	35	51
Total liabilities and shareholders' equity	6,969	7,325

Parent Company Income Statement for the year ended 31 December 2009

(in millions of euros)	2009	2008
Operating revenues	10	1
Operating expenses	(29)	(40)
Operating loss	(19)	(39)
Financial income	291	830
Financial expenses	(134)	(340)
Changes in provisions	51	(58)
Net financial income	208	432
Earnings before tax and exceptional items	189	393
Exceptional profit	22	22
Income tax gain	88	76
Net profit	299	491

Parent Company Statement of Cash Flows for the year ended 31 December 2009

(in millions of euros)	2009	2008
Net profit	299	491
Depreciation, amortization and provision expense (reversal)	(55)	110
Liquidation surplus	(18)	–
Changes in working capital	(76)	53
Cash provided by operating activities	150	654
Acquisitions of long-term investments	(156)	(845)
Proceeds from disposals of long-term investments	40	10
Decrease in loans and receivables	317	317
Cash provided by (used in) investing activities	201	(518)
Cash provided by operating and investing activities	351	136
Dividends paid	(171)	(174)
Decrease in borrowings and financial liabilities	(1,852)	(903)
Capital increase	–	–
Increase in borrowings	1,000	1,080
Change in Group financing	521	(41)
Cash used in financing activities	(502)	(38)
Change in net cash and cash equivalents	(151)	98
Cash and cash equivalents at beginning of the year	134	36
Cash and cash equivalents at end of the year	(17)	134

PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2009

(All figures are expressed in millions of euros)

GENERAL COMMENT

Since Lagardère SCA is a holding company, balance sheet items principally comprise investments in and loans and advances to subsidiaries and affiliates, and the Group's financing resources.

ACCOUNTING POLICIES

1 GENERAL

Lagardère SCA's annual financial statements have been prepared in accordance with the accounting methods and principles established by the laws and regulations applicable in France. In particular, they comply with Regulation 99-03 issued by the French Accounting Standards Committee (*Comité de la Réglementation Comptable*).

All figures in the tables below are expressed in millions of euros.

2 LONG-TERM INVESTMENTS

Investments in subsidiaries and affiliates are stated at acquisition cost or subscription price. Provisions for write-downs are booked to cover any unrealised losses, which are generally estimated on the basis of a review of the past year and expected future prospects, together with any other relevant information that may contribute to a meaningful valuation.

3 MARKETABLE SECURITIES

Marketable securities are stated at purchase cost using the FIFO method. Provisions for write-downs are booked when the market price or realisable value of the securities at 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 and are not credited to profit and loss.

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 established to the extent of the unrealised net loss.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(All figures are expressed in millions of euros)

1 FIXED ASSETS

Changes in the gross value of fixed assets were as follows:

	1 January 2009	Increase	Decrease	31 December 2009
Tangible assets				
Financial assets				
Investments in subsidiaries and affiliates and other long-term investments	3 533	3 121	125	6 529
Loans and advances to subsidiaries and affiliates	3,733	192	3,471	454
Other financial assets	–	–	–	–
Total fixed assets	7,266	3,313	3,596	6,983

To the extent of €3,080 million, the increase in “Investments in subsidiaries and affiliates” and the decrease in “Loans and advances to subsidiaries and affiliates” results from the capital contribution to the new company Lagardère Finance, a wholly-owned subsidiary of Lagardère SCA, through capitalisation of the receivable arising on the transfer of loans to Group subsidiaries to the benefit of Lagardère Finance.

Changes in depreciation, amortization and provisions for write-downs can be analysed as follows:

	1 January 2009	Increase	Decrease	31 December 2009
Financial assets				
Investments in subsidiaries and affiliates and other long-term investments	160	–	14	146
Loans and advances to subsidiaries and affiliates	7	–	7	–
Total	167	–	21	146

2 RECEIVABLES

At 31 December 2009, the maturity of receivables was as follows:

	Gross	Due within one year	Due after one year
Long-term receivables	454	1	453
Short-term receivables	188	60	128
Total	642	61	581

3 MARKETABLE SECURITIES

	31 December 2009	31 December 2008
At cost	8	121
Provision for write-down	–	–
Net book value	8	121
Market value	8	121
Unrealised gains	–	–

4 CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity are analysed below:

	Share capital	Share premium and other reserves	Retained earnings	Profit for the year	Total
Shareholders' equity at 31 December 2008	800	1,180	751	491	3,222
Dividends paid ^(*)	–	–	(171)	–	(171)
Allocation of net profit for 2008	–	–	491	(491)	–
Net profit for the year	–	–	–	299	299
Shareholders' equity at 31.12.2009	800	1,180	1,071	299	3,350

(*) Including the portion of net profit paid to the General Partners.

At 31 December 2009, 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, all ranking pari passu and fully paid.

5 TREASURY SHARES

Changes in the number of treasury shares held by Lagardère SCA are analysed below:

	2009
Number of shares held at 1 January	4,179,948
Purchases of treasury shares	1,555,391
Sales of treasury shares	(1,496,391)
Treasury shares allocated on exercise of stock options	–
Sales of treasury shares under hedging contracts	–
Capital reduction by cancellation of treasury shares	–
Number of shares held at 31 December	4,238,948

6 BONDS

A) ON 24 JANUARY 2001, THE COMPANY ISSUED US\$500 MILLION OF US PRIVATE PLACEMENT NOTES, IN THREE TRANCHES:

- a 5-year tranche for US\$125 million with a 7.06% coupon, redeemed in 2006;
- a 7-year tranche for US\$150 million with a 7.25% coupon, redeemed in 2008;
- a 10-year tranche for US\$225 million with a 7.49% coupon, not yet redeemed at 31 December 2009.

Each tranche was comprised of notes specific to the amounts subscribed by investors.

This fixed-rate US\$ issue was simultaneously hedged through swap agreements concluded with various banks, resulting in a total borrowing of €254 million at 31 December 2009, with annual average coupon of EURIBOR +1.288%.

The interest expense for 2009 amounted to €8 million.

B) ON 10 JULY 2003, THE COMPANY ISSUED €100 MILLION WORTH OF BONDS (100,000 BONDS OF €1,000 EACH) WITH THE FOLLOWING CHARACTERISTICS:

- Term: 10 years.
- Maturity: 10 July 2013.
- Following a swap agreement concluded with a bank at the time of issue, Lagardère SCA pays effective interest at 3-month EURIBOR +1.035%, on a quarterly basis.
- The interest expense for 2009 amounted to €3 million.

C) ON 24 JULY 2003, THE COMPANY ISSUED US PRIVATE PLACEMENT NOTES FOR US\$38 MILLION AND €116 MILLION, IN TWO TRANCHES:

- a US\$38 million tranche of "Senior Notes, Series D" with a 5.18% coupon, maturing 24 July 2013;
- a €116 million tranche of "Senior Notes, Series E" with a 4.965% coupon, maturing 24 July 2013.

The US\$38 million issue was hedged through a currency and interest rate swap agreement, resulting in a borrowing of €34 million, with half-yearly interest payments at 6-month EURIBOR +0.87%.

Following an interest rate swap agreement concluded with a bank, Lagardère SCA pays interest half-yearly on the €116 million tranche at 6-month EURIBOR +0.88%.

The interest expense for 2009 amounted to €4.4 million.

D) ON 10 APRIL 2006, LAGARDÈRE SCA UNDERTOOK A BOND ISSUE ENTIRELY SUBSCRIBED BY NATIXIS (FORMERLY Ixis CIB), FOR A TOTAL NOMINAL AMOUNT OF €1,992,186,000. THE BONDS WERE EXCHANGEABLE FOR A MAXIMUM OF 61,110,000 EXISTING EADS NV SHARES, IN THREE TRANCHES OF A MAXIMUM OF 20,370,000 SHARES EACH, ON 25 JUNE 2007, 2008 AND 2009. AN AMENDMENT SIGNED ON 26 JANUARY 2009 BY LAGARDÈRE SCA AND NATIXIS BROUGHT THE DATE FOR REDEMPTION OF THE THIRD TRANCHE FORWARD TO 24 MARCH 2009 INSTEAD OF 25 JUNE 2009.

When the bonds were exchanged, Lagardère SCA was entitled to receive the full benefit of any rise in the EADS share price up to a maximum of 115% of the reference price set at €32.60 per share, by reducing the number of EADS shares to deliver to bondholders to a number no lower than 53,139,130 shares. Conversely, Lagardère could not be obliged to deliver more than 61,110,000 EADS shares in the event the share price declined to below the reference price.

61,110 Mandatory Exchangeable Bonds were issued on 10 April 2006 at the price of €32,600 each, paying an annual coupon of 7.7%.

The interest expense for 2009 amounted to €10 million.

These bonds were fully redeemed by remittal at the three contractual dates of a total 20,370,000 EADS shares. Each redemption represented approximately 2.5% of the share capital of EADS.

E) ON 24 SEPTEMBER 2009, LAGARDÈRE SCA UNDERTOOK A €1 MILLION BOND ISSUE SETTLED ON 6 OCTOBER 2009. THE BOND IS REDEEMABLE UPON MATURITY ON 5 OCTOBER 2014, AND BEARS INTEREST AT THE FIXED RATE OF 4.875%.

All of these bonds were subscribed by institutional investors.

The interest expense for 2009 amounted to €12 million.

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MATURITIES OF LIABILITIES

	31 December 2009	Due within one year	Due between one and five years	Due after five years
Bonds	1,520	16	1,504	–
Bank loans	689	47	642	–
Other debt	1,289	–	–	1,289
Trade and other payables	23	23	–	–
Total	3,521	86	2,146	1,289

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PROVISIONS

Type of provisions	1 January 2009	Increases	Reversals	31 December 2009
Provisions for risks and liabilities	103	13	53	63
Provisions for write-downs	280	7	21	266
– Investments	167	–	21	146
– Other	113	7	–	120
Total	383	20	74	329
<i>Including increases and reversals:</i>				
– <i>Relating to financial items</i>	–	12	63	–
– <i>Relating to exceptional items</i>	–	8	11 ^(*)	–
(*) Analysed as follows: – used: 64 – unused: 10				

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TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

	Assets		Liabilities
Financial assets	6,713	Borrowings	1,289
Short-term receivables	42	Trade and other payables	20
Other	34	Other	35

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TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES – INCOME STATEMENT

	Expenses		Revenues
Interest on loans	6	Income from subsidiaries and affiliates	224
Losses related to subsidiaries	45	Profits related to subsidiaries	63

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ACCRUED INCOME AND EXPENSES

	Amount		Amount
Amount of accrued income included in the following balance sheet items:		Amount of accrued expenses included in the following balance sheet items:	
Financial assets	1	Borrowings	16
Short-term receivables	2	Trade and other payables	2
Cash and cash equivalents	–		–
Total	3	Total	18

12 NET FINANCIAL INCOME

	2009	2008
Financial income		
Financial income on long-term investments	224	748
Income on other investments and long-term receivables	–	–
Other interest and similar income	13	12
Net income on marketable securities	1	1
Reversals of provisions	63	133
Foreign exchange gains	53	70
Financial expenses		
Interest and similar expenses	(76)	(268)
Increases in provisions	(12)	(191)
Foreign exchange losses	(58)	(73)
Net financial income	208	432

13 EXCEPTIONAL PROFIT

	2009	2008
Net gain on disposals of assets and liquidation surplus	18	1
Increases and reversals of provisions	4	24
Other exceptional income and expenses	–	(3)
Exceptional profit	22	22

14 INCOME TAX

The €88 million tax gain for 2009 corresponds primarily to taxes paid by subsidiaries included in the tax consolidation group. At 31 December 2009, the tax Group comprising Lagardère SCA and its subsidiaries had a tax loss carryforward of some €555 million.

15 OFF-BALANCE SHEET COMMITMENTS

Commitments given	Amount	Commitments received	Amount
Guarantees given on behalf of subsidiaries to cover contract-related financial commitments	45	Waivers of debt to be reinstated if the beneficiary becomes profitable	1
Rent guarantees given to subsidiaries	3	Unused lines of credit	1,710
Guarantees given in favour of unrelated parties	31	Counter-guarantees received from third parties	31
Commitments to deliver shares under employee stock option plans	314		
Bank interest on long-term loans	257		

TRANSACTIONS ON DERIVATIVES

Lagardère uses purchases of call options to cover all the stock purchase option plans introduced for Group employees in the years 2003 to 2006 that were outstanding at 31 December 2009.

At 31 December 2009, call option positions were as follows:

– 1,353,068 options at €51.45 for Lagardère Plan 2003 stocks	€70 million
– 1,515,831 options at €51.92 for Lagardère Plan 2004 stocks	€79 million
– 1,651,194 options at €56.97 for Lagardère Plan 2005 stocks	€94 million
– 1,821,900 options at €55.84 for Lagardère Plan 2006 stocks	€102 million

Call options are carried at their market value of €6.6 million in the balance sheet at 31 December 2009, leading to recognition of a €6.4 million write-down in 2009 (write-down of €111 million in 2008).

FREE SHARE ALLOCATION PLAN

On 28 December 2007, a plan to award free shares in Lagardère SCA was introduced for certain members of management and employees of the Group, covering a total of 594,350 shares. These shares were to be remitted to the beneficiaries on 29 December 2009, provided the average quoted price for the Lagardère SCA share in December 2009 was at least equal to the quoted price at the grant date, which was €51.14. As this condition was not fulfilled, no free shares were allocated.

On 1 October and 31 December 2009, a new plan to award free shares in Lagardère SCA was introduced for members of management and employees of the Group, covering a total of 571,525 shares. This plan does not include performance conditions, except for the two Lagardère SCA managers concerned, for whom final allocation of all or part of the shares is conditional on achievement of objectives based on criteria internal to the Group (recurring operating profit of fully-consolidated companies operating in the Media, and consolidated free cash flow). Final allocations of shares will take place only after a two-year period providing that the beneficiaries have remained in the Group's employment during that period. For certain non-French residents, the shares will be remitted at the end of a four-year period providing that they have been in the Group's employment for two years.

Subsidiaries and affiliates at 31 December 2009

(in thousands of euros)	Capital	Reserves	Share of capital held (%)	
Information on investments with book value in excess of 1% of Lagardère SCA's share capital or with significant influence				
A. Subsidiaries (Lagardère SCA's holding: at least 50%)				
DÉSIRADE (121 avenue de Malakoff – 75116 Paris) (FRANCE)	466,933	(3,715)	100.00	
FINANCIÈRE DE PICHAT & CIE SCA (6 rue Laurent Pichat – 75116 Paris) (FRANCE)	99,169	32,805	99.25	
HACHETTE SA (4 rue de Presbourg – 75116 Paris) (FRANCE)	832,570	1,210,825	100.00	
HOLPA (121 avenue de Malakoff – 75116 Paris) (FRANCE)	536	3,086	100.00	
LAGARDÈRE FINANCE (121 avenue de Malakoff – 75116 Paris) (FRANCE)	2,800,000	279,985	100.00	
LAGARDÈRE PARTICIPATIONS (4 rue de Presbourg – 75116 Paris) (FRANCE)	15,250	11,098	100.00	
LAGARDÈRE RESSOURCES (121 avenue de Malakoff – 75116 Paris) (FRANCE)	10,000	(11,966)	100.00	
MATRA MANUFACTURING & SERVICES (4 rue de Presbourg – 75116 Paris) (FRANCE)	13,528	44,503	100.00	
MNC (121 avenue de Malakoff – 75116 Paris) (FRANCE)	89,865	10,108	100.00	
SOFIMATRANS (4 rue de Presbourg – 75116 Paris) (FRANCE)	29,884	16,581	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 under paragraph A above				
– Other subsidiaries				
B. Affiliates not included under paragraph B above				
– Other affiliates				
C. Other investments not included under paragraph C above				
– Other investments				

	Book value of shares held		Outstanding loans and advances granted by the Company	Guarantees given by the Company	Net sales for the last fiscal year	Net profit (loss) for the last fiscal year	Dividends received by the Company during the year
	Gross	Net					
	612,312	612,312				559,021	200,464
	165,450	131,786				845	760
	2,163,272	2,163,272			11,713	(523,980)	
	16,938	3,627				5	
	3,080,000	3,080,000				25,095	
	25,444	25,444				1,818	
	60,332				74,504	(1,115)	
	94,035	94,035			36,162	3,724	5,073
	112,732	111,464				9,854	
	36,789	36,789				39	
	502	447					

Investment portfolio at 31 December 2009

(in thousands of euros)		
I. Investments in subsidiaries and affiliates		
A. Investments in French companies		
Book value over €15,000		6,258,779
<i>Number of shares held:</i>		
122,233,852	Désirade	612,312
6,453,952	Financière de Pichat & Compagnie	131,786
54,592,187	Hachette	2,163,272
107,284	Holpa	3,627
280,000,000	Lagardère Finance	3,080,000
845,474	Matra Manufacturing & Services	94,035
999,989	Lagardère Participations	25,444
7,848,480	MNC	111,464
1,953,210	Sofimatrans	36,789
5,000	Sogeade Gérance	50
Book value below €15,000		
Total investments in French companies		6,258,779
B. Investments in non-French companies		
<i>Number of shares held:</i>		
325,100	Lagardère UK	397
Book value below €15,000		0
Total investments in non-French companies		397
Total investments in subsidiaries and affiliates		6,259,176
II. Other long-term investments		
C. Investment funds		
Total investment funds		0
D. Treasury shares		
Total treasury shares		123,660
Total other long-term investments		123,660
III. Short-term investments		
A. French securities		
1. Mutual funds		
1. Mutual funds		6,287
<i>Number of shares or units held:</i>		
288	CAAM Trésor institution	6,287
2. Collective investment funds		
2. Collective investment funds		1,907
<i>Number of shares or units held:</i>		
18,676	BNP Insticash USD	1,907
Total short-term investments (book value)		8,194

Five-year financial summary

	2005	2006	2007	2008	2009
I Financial position (in euros)					
a) Share capital	866,456,932	870,416,509	818,213,044	799,913,044	799,913,044
b) Number of ordinary shares outstanding	142,042,120	142,691,231	134,133,286	131,133,286	131,133,286
c) Maximum number of shares to be issued upon exercise of stock options	1,706,788 ⁽¹⁾	–	–	–	–
d) Maximum number of shares to be issued upon conversion of bonds	–	–	–	–	–
e) Maximum number of shares to be issued upon exercise of subscription warrants	–	–	–	–	–
II Results of operations (in thousands of euros)					
a) Net sales	258	13,245	12,711	1,551	9,846
b) Earnings before tax, depreciation, amortization and provisions	76,291	91,035	767,000	449,149	156,294
c) Income tax	87,008 ⁽²⁾	79,708 ⁽²⁾	89,271 ⁽²⁾	76,004 ⁽²⁾	87,203 ⁽²⁾
d) Earnings after tax, depreciation, amortization and provisions	196,553	218,565	832,655	491,335	298,529
e) Total dividends	153,613	160,423	169,167	164,856	– ⁽³⁾
III Earnings per share (in euros)					
a) Earnings per share after tax but before depreciation, amortization and provisions	1.15	1.20	6.38	4.00	1.86
b) Earnings per share after tax, depreciation, amortization and provisions	1.38	1.53	6.21	3.75	2.28
c) Dividend per share	1.10	1.20	1.30	1.30	– ⁽³⁾
IV Staff					
a) Average number of employees	–	–	–	–	–
b) Total wages and salaries	–	–	–	–	–
c) Total employee benefit expense	–	–	–	–	–
(1) The number of shares indicated relates to stock options with exercise prices below market price at 31 December. (2) Mainly the tax gain resulting from the tax consolidation. (3) The Annual General Meeting will be asked to approve the distribution of a dividend of €1.30 per share.					

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

6.6 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the shareholders,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the financial year ended 31 December 2009, on:

- the audit of the accompanying annual financial statements of Lagardère SCA,
- the justification of our assessments,
- the specific verifications and information required by law.

These annual 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 of Lagardère SCA as of 31 December 2009 and of the results of its 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 Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

ACCOUNTING PRINCIPLES AND VALUATION METHODS

The note "Accounting 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. Based on our work, 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 acquisition of investments and controlling interests and the identity of shareholders.

Neuilly-sur-Seine and Courbevoie, 23 March 2010

The Statutory Auditors

Ernst & Young et Autres

Jeanne Boillet

Mazars

Bruno Balaire

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the financial year ended 31 December 2009, on:

- the audit of the accompanying consolidated financial statements of Lagardère SCA,
- the justification of our assessments,
- the specific verifications required by French law.

These consolidated 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 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, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated financial statements for the financial year 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, in accordance with the International Financial Reporting Standards as adopted by the European Union.

II JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

As specified in Note 3.10 of the consolidated financial statements, at least once a year the Lagardère Group performs a test on the depreciation of the intangible fixed assets and on acquisition goodwill for the Media division. 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 by each branch of the Group at the end of 2009. We assessed the appropriate nature of the information included in the notes to the consolidated financial statements with respect 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 formation of the opinion we formed which is expressed in the first part of this report.

III SPECIFIC VERIFICATION

We have also, in accordance with the professional standards applicable in France, verified the information presented in the Group management report as required by French law.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 23 March 2010

The Statutory Auditors

Ernst & Young et Autres

Jeanne Boillet

Mazars

Bruno Balaire

6.8

SPECIAL STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments.

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE FISCAL YEAR

Pursuant to article L. 226-10 of the Commercial Code, we have been informed of the agreements and commitments that were subject to a prior authorization of your Supervisory Board.

We are not required to ascertain whether any other agreements or commitments exist but 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. It is not our role to determine whether they are beneficial or appropriate. 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 performed the procedures we considered necessary in accordance with the professional standards issued by the French Statutory Auditors' Board, the CNCC. These standards require that we perform procedures to verify that the information given to us is consistent with the source documents.

Commission related to the issue of the debenture loan of one billion euros

The sole new agreement signed during the financial year was that authorized by the Supervisory Board at its meeting of 15 september 2009, relating to the subscription by BNP Paribas (Board member concerned: Mr. Georges Chodron de Courcel), Calyon (Board member concerned: Mr. René Carron) and Natixis (Board member concerned: Mr. Henri Proglio) of the one billion euros debenture loan issued by Lagardère SCA on 6 October 2009, in return for payment of a principal commission of 0.50% of the value of the loan increased by a discretionary commission of 0.10%.

AGREEMENTS AND COMMITMENTS ENTERED INTO IN PRIOR YEARS WHICH REMAINED IN FORCE DURING THE YEAR

In accordance with the Commercial Code, we have been informed of the following agreements and commitments, which were entered into during previous years and were applicable during the period:

Lagardère Capital & Management

Service agreement

Under an agreement signed in 1988 by Lagardère Capital & Management with Matra and Hachette, Lagardère Capital & Management provide 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 ten per cent margin, with an absolute upper limit of €1 million for that margin.

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 Management 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 Management 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 2009, the amount billed by Lagardère Capital & Management amounted to 19,512 thousand euros including an expense of 3,655 thousand euros for the additional pension plan, compared to 18,889 thousand euros (including an expense of 3,441 thousand euros for the additional pension plan) in 2008.

Neuilly-sur-Seine and Courbevoie, 23 March 2010

The Statutory Auditors

Ernst & Young et Autres

Jeanne Boillet

Mazars

Bruno Balaire

▶ CHAPTER 7

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7.1 GENERAL PRESENTATION OF FRENCH LIMITED PARTNERSHIPS WITH SHARES AND OF LAGARDÈRE SCA

7.1.1 LEGAL CHARACTERISTICS OF FRENCH LIMITED PARTNERSHIPS WITH SHARES

A French limited partnership with shares (*société en commandite par actions* – SCA) has two categories of partners:

- one or more general partners (*Associés Commandités*) – they are indefinitely liable for the company's liabilities;
- limited partners (*Associés Commanditaires* or shareholders) – their situation is the same as that of shareholders in a corporation (*société anonyme*). Their holdings can be sold or otherwise transferred under the same conditions as shares in a corporation, and they are liable for the company's liabilities only to the extent of their contribution. They are represented by a supervisory board.

A limited partnership with shares is managed by one or more managing partners (*Gérants*), who may be individuals or corporate entities. They are selected from amongst the limited partners or third parties, but may not be shareholders.

Because of the two categories of partners, corporate 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

Both French law and the specificities of its by-laws (see Chapter 8, section 8.2) give Lagardère SCA, a French limited partnership with shares, a very modern structure that is perfectly suited to the demands of corporate governance, as it effectively applies the two basic principles of establishing a clear distinction between management and control while closely involving shareholders in control of the Company.

This structure is characterised as follows:

- It establishes a very clear distinction between the Managing Partners, who are responsible for running the business, and the Supervisory Board which represents the shareholders and is responsible for control of 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 appointment of a Managing Partner or the renewal of his appointment by the general partners. The final decision is vested in the ordinary general meeting (see Chapter 8, section 8.2.6). The term of office of a Managing Partner cannot exceed six years but may be renewed.
- The two general partners' unlimited liability to the full extent of their assets is evidence of the proper balance between financial risk, power and responsibility.
- The Supervisory Board is entitled to receive the same information and wields the same powers as the Statutory Auditors.
- The Supervisory Board must report to the meeting of shareholders on any operation entailing an increase or a decrease in the share capital that requires approval from the shareholders.

It consequently obviates the confusion, for which French corporations are criticised, between the role of the Chairman (*Président*) when the latter is also Chief Executive Officer (*Directeur Général*) and the Board of Directors of which he is a member.

7.2 GENERAL PARTNERS, MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD

7.2.1 GENERAL PARTNERS

Arnaud Lagardère

4 rue de Presbourg – 75116 Paris, France

Arjil Commanditée-Arco

A French corporation with share capital of €40,000

121 avenue de Malakoff – 75116 Paris, France

7.2.2 MANAGING PARTNERS

At 31 December 2009, the Company was managed by two Managing Partners:

- Mr. Arnaud Lagardère and
- the company Arjil Commanditée-Arco

7.2.2.1 ARNAUD LAGARDÈRE

4 rue de Presbourg – 75116 Paris, France

Born 18 March 1961

Number of Lagardère SCA shares held directly and indirectly (see Chapter 8, section 8.1.8.1): 12,610,893

Mr. Arnaud Lagardère's appointment was renewed by the Supervisory Board on proposal of the general partners on 11 March 2009, for a period of six years to run until 11 March 2015.

In addition, Mr. Arnaud Lagardère is the Chairman of Lagardère (SAS) and Lagardère Capital & Management (SAS) and also holds the share capital of these companies, which held 9.62% of Lagardère SCA's share capital on 31 December 2009.

Mr. Arnaud Lagardère holds a DEA higher degree in economics from the University of Paris Dauphine. He was appointed Director and Chief Executive Officer of the company MMB (which became Lagardère SCA) in 1987. He was Chairman of the US company Grolier Inc. from 1994 to 1998.

A) PRINCIPAL POSITION

Managing Partner, Lagardère SCA

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP

Chairman and Chief Executive Officer, Hachette SA (Lagardère Media)

4 rue de Presbourg – 75116 Paris

Director, Hachette Livre (SA)

43 quai de Grenelle – 75015 Paris

Chairman of the Supervisory Board, Lagardère Services (SAS) (formerly Hachette Distribution Services)

2 rue Lord Byron – 75008 Paris

Chairman of the Supervisory Board, Lagardère Active (SAS)

149-151 rue Anatole France – 92300 Levallois-Perret

Chairman of the Supervisory Board, Lagardère Sports (SAS)

4 rue de Presbourg – 75116 Paris

Director, Lagardère Ressources (SAS)

121 avenue de Malakoff – 75216 Paris

Chairman, Lagardère Unlimited Inc.
 2711, Centerville Road, Suite 400 de 19808 Wilmington, USA
 Permanent Representative of Lagardère Unlimited Inc.
 Managing Member of Lagardère Unlimited LLC
 4711, Centerville Road, Suite 400 de 19808 Wilmington, USA
 Director and Chairman, Sogéade Gérance (SAS)
 121 avenue de Malakoff – 75216 Paris
 Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV
 Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk – The Netherlands
 Member of the Board of Directors, EADS Participations BV
 Teleportboulevard 140, 1043 EJ Amsterdam
 PO BOX 2838, 1000 CV – The Netherlands

President, Fondation Jean-Luc Lagardère
 4 rue de Presbourg – 75116 Paris
 President, Lagardère Paris Racing Ressources sports association
 121 avenue de Malakoff – 75216 Paris
 President, Lagardère Paris Racing sports association
 121 avenue de Malakoff – 75216 Paris
 President, Association des Amis de Paris Jean-Bouin CASG

Chairman, Lagardère (SAS)
 121 avenue de Malakoff – 75216 Paris
 Chairman, Lagardère Capital & Management (SAS)
 121 avenue de Malakoff – 75216 Paris
 Chairman and Chief Executive Officer, Arjil Commanditée-Arco (SA)
 121 avenue de Malakoff – 75216 Paris

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

Member of the Supervisory Board, Daimler AG
 Epplestrasse 225 – D 70546 Stuttgart – Möhringen, Germany

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman, Lagardère Images (SAS)
 28 rue François 1^{er} – 75008 Paris (*until October 2004*)
 Chairman and Chief Executive Officer, Lagardère Thématiques (SA)
 28 rue François 1^{er} – 75008 Paris (*until November 2004*)
 Manager, Lagardère Élevage
 Le Haut d'Ouilly – 14690 Pont d'Ouilly (*until March 2005*)
 Deputy Chairman of the Supervisory Board, Arjil & Compagnie (SCA)
 43 rue Vineuse – 75016 Paris (*until April 2005*)
 President, Club des Entreprises Paris 2012 (*until January 2006*)
 Director, Fimalac (SA)
 97 rue de Lille – 75007 Paris (*until January 2006*)
 Chairman, Lagardère Active (SAS)
 121 avenue de Malakoff – 75216 Paris (*until October 2006*)
 Director, Hachette Filipacchi Médias (SA)
 149-151 avenue Anatole France – 92534 Levallois-Perret (*until October 2006*)
 Permanent representative of Hachette SA to the Managing Board, SEDI TV-TEVA (SNC)
 89 avenue Charles de Gaulle – 92200 Neuilly-sur-Seine (*until December 2006*)

Chairman, Lagardère Active Broadcast (a Monaco SA)
57 rue Grimaldi – 98000 Monaco (*until March 2007*)

Member of the Supervisory Board, Lagardère Sports (SAS)
28 rue François 1^{er} – 75008 Paris (*until April 2007*)

Director, Lagardère Management, Inc.
1633 Broadway, 45th Floor – New York, NY 10019 – USA (*until October 2007*)

Chairman of the Board of Directors, Lagardère Active North America, Inc.
1633 Broadway, 20th Floor – New York, NY 10019 – USA (*until October 2007*)

Chairman of the Supervisory Board, Hachette Holding (SAS)
(formerly Hachette Filipacchi Médias)
149-151 avenue Anatole France – 92534 Levallois-Perret (*until December 2007*)

Director, France Telecom (SA)
6 place d'Alleray – 75015 Paris (*until January 2008*)

Member of the Supervisory Board, Virgin Stores (SA)
16 boulevard du Général Leclerc – 92115 Clichy (*until February 2008*)

Member of the Supervisory Board, Le Monde SA (*until February 2008*)

Chairman, Lagardère Active Broadband (SAS)
121 avenue de Malakoff – 75216 Paris (*until June 2008*)

Director, LVMH - Moët Hennessy Louis Vuitton (SA)
22 avenue Montaigne – 75008 Paris (*until May 2009*)

Permanent representative of Lagardère Active Publicité
to the Board of Directors, Lagardère Active Radio International (SA)
28 rue François 1^{er} – 75008 Paris (*until May 2009*)

7.2.2.2 ARJIL COMMANDITÉE-ARCO

A French corporation with share capital of €40,000

121 avenue de Malakoff – 75116 Paris, France

Represented by Mr. Arnaud Lagardère, Mr. Philippe Camus and Mr. Pierre Leroy (and Mr. Dominique D'Hinnin and Mr. Thierry Funck-Brentano since 10 March 2010)

Arjil Commanditée-Arco was appointed Managing Partner on 17 March 1998.

When this appointment was renewed for a further six-year period on 10 March 2010, the Supervisory Board, in application of the provisions of article 14-2 of the by-laws, approved the following persons as the company's legal representatives upon proposal of the general partners:

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

In their capacity as legal representatives of Arjil Commanditée-Arco, Managing Partner of Lagardère SCA, Messrs Philippe Camus and Pierre Leroy, and since 10 March 2010 Messrs Dominique D'Hinnin and Thierry Funck-Brentano, are Co-Managing Partners of Lagardère SCA.

Positions held by Arjil Commanditée-Arco in other companies

None

Positions held by legal representatives of Arjil Commanditée-Arco in other companies (at 31 December 2009)

Arnaud Lagardère (see above)

Philippe Camus

4 rue de Presbourg – 75116 Paris, France

Born 28 June 1948

Number of Lagardère SCA shares held: 10,000

Mr. Philippe Camus is a former student of the École Normale Supérieure de Paris (Ulm Paris), and holds a degree from the Institut d'Études Politiques de Paris (Economics and Finance) and the highest-level teaching qualification *agrégation* in Physics and Actuarial Science.

He was appointed Chairman of Aerospatiale Matra's Management Board in 1999, and was Chief Executive Officer of EADS between 2000 and 2005.

A) PRINCIPAL POSITION

Co-Managing Partner, Lagardère SCA

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP (AT 31 DECEMBER 2009)

Permanent representative of Lagardère SCA to the Board of Directors, Hachette SA

Member of the Supervisory Board, Lagardère Active (SAS)

Director, Éditions P. Amaury (SA)

Permanent representative of Hachette SA to the Board of Directors, Lagardère Services (SA)

Chairman, President and CEO, Lagardère North America, Inc.

Director, Cellfish Media, LLC

Deputy Chairman and Chief Operating Officer, Arjil Commanditée-Arco (SA)

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

Chairman of the Board of Directors, Alcatel-Lucent

Director, Schlumberger

Senior Managing Director, Evercore Partners, Inc.

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Chairman, EADS France (SAS) *(until 11 May 2005)*

Co-Chief Executive Officer, EADS NV (The Netherlands) *(until 11 May 2005)*

Co-Chief Executive Officer, EADS Participations BV (The Netherlands) *(until 11 May 2005)*

Chairman, Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS) *(until 11 May 2005)*

Director, Dassault Aviation (SA) *(until 11 May 2005)*

Member of the Remuneration Committee, Airbus (SAS) *(until 11 May 2005)*

Member of the Partners' Committee, Airbus (SAS) *(until 11 May 2005)*

Director, La Provence (SA) *(until 16 October 2006)*

Director, Nice Matin (SA) *(until 23 October 2006)*

Director, Hachette Filipacchi Médias (transformed into a simplified corporation (SAS) on 25 October 2006)

Member of the Supervisory Board, Hachette Holding (SAS) (formerly Hachette Filipacchi Médias) *(until December 2007)*

Permanent representative of Lagardère Active to the Board of Directors, Lagardère Active Broadcast (Monaco) *(until December 2007)*

Director, Accor *(until September 2008)*

Director, Crédit Agricole SA *(until May 2009)*

Pierre Leroy

4 rue de Presbourg – 75116 Paris, France

Born 8 October 1948

Number of Lagardère SCA shares held: 2,027

Mr. Pierre Leroy, a graduate of École Supérieure de Commerce de Reims with a university degree in law, has spent his entire career with the Lagardère Group.

He was appointed Director and Chief Executive Officer of the company MMB (which became Lagardère SCA) in 1987, Chairman and Chief Executive Officer of Lagardère-Sociétés in 1988 and Group Secretary General in 1993.

A) PRINCIPAL POSITIONS

Co-Managing Partner, Lagardère SCA

Secretary General, Groupe Lagardère

B) OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP

Chairman, Lagardère Ressources (SAS)

Member of the Supervisory Board, Arlis (SAS)

Director, Hachette SA (Lagardère Media)

Director, Hachette Livre (SA)

Member of the Supervisory Board, Lagardère Services (SAS) (formerly Hachette Distribution Services)

Member of the Supervisory Board, Lagardère Active (SAS)

Member of the Supervisory Board, Lagardère Sports (SAS)

Director, Lagardère Active Broadcast (a Monaco company)

Director, Lagardère Entertainment (SAS)

Member of the Supervisory Board, Le Monde SA

Chairman, Désirade (SAS)

Director, Sogeadé Gérance (SAS)

Manager, Financière de Pichat & Compagnie (SCA) (formerly Arjil & Cie)

Chairman, Lagardère Participations (SAS) (formerly Matra Participations)

Chairman, Lagardère Expression (SAS)

Chairman, Sofrimo (SAS)

Chairman, Holpa (SAS)

Permanent representative of Matra Participations to the Board of Directors, Galice (SA)

Director, Ecrinvest 4 (SA)

Administrator, Fondation Jean-Luc Lagardère

Chairman and Chief Executive Officer, Lagardère Paris Racing Ressources (SASP)

Manager, TeamLagardère (SNC)

Director of Lagardère UK Ltd. 32 Sackville Street - Mayfair – W1S3EA London, United Kingdom

Director, Lagardère Capital & Management (SAS)

Director, Chief Operating Officer, Arjl Commanditée-Arco (SA)

C) OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP

Director, IMEC (Institut Mémoires de l'Édition Contemporaine)

President, Fondation pour la Mémoire de la Création Contemporaine

Member of the Consultative Committee, Sotheby's

Member of the Board of Directors, Association Doucet-Littérature

Member of the Médicis Prize jury

D) OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS

Permanent representative of Matra Participations to the Board of Directors, CVT (SA) (until May 2006)
 Permanent representative of Matra Participations to the Board of Directors, Hagena (SA) (until July 2006)
 Director, Hachette Filipacchi Médias (transformed into a simplified corporation (SAS) on 25 October 2006)
 Director, Lagardère Télévision Holdings (SA) (until January 2007)
 Chairman of the Supervisory Board, Matra Manufacturing & Services (SAS) (formerly Matra Automobile) (until December 2007)
 Member of the Supervisory Board, Hachette Holding (SAS) (formerly Hachette Filipacchi Médias) (until December 2007)
 Chairman of the Supervisory Board, Financière de Pichat (SAS) (formerly Arjil & Associés) (until April 2008)
 Director, Hachette Filipacchi Presse (SA) (until June 2008)
 Member of the Supervisory Board, Matra Manufacturing & Services (SAS) (until October 2009)

7.2.3 MEMBERS OF THE SUPERVISORY BOARD

List of members of the Supervisory Board during 2009

		Date of first appointment or renewal	End of current period of office
Chairman of the Board Chairman of the Audit Committee	Raymond H. Lévy	11 May 2004	AGM 2010 ^(*)
Member of the Board	Bernard Arnault	11 May 2004	AGM 2010 ^(*)
Member of the Board	René Carron	11 May 2004	AGM 2010 ^(*)
Member of the Board	Martine Chêne	29 April 2008	AGM 2014 ^(*)
Member of the Board	Georges Chodron de Courcel	2 May 2006	AGM 2012 ^(*)
Member of the Board Member of the Audit Committee	François David	29 April 2008	AGM 2014 ^(*)
Member of the Board	Groupama SA represented by Mr. Helman le Pas de Sécheval (Chief Financial Officer, Groupama) Member of the Audit Committee	29 April 2008	(**)
Member of the Board	Pierre Lescure	29 April 2008	AGM 2014 ^(*)
Member of the Board Member of the Audit Committee	Christian Marbach	2 May 2006	AGM 2012 ^(*)
Member of the Board Member of the Audit Committee	Bernard Mirat	2 May 2006	AGM 2012 ^(*)
Member of the Board	Javier Monzón	29 April 2008	AGM 2014 ^(*)
Member of the Board Member of the Audit Committee	Amélie Oudéa-Castéra	2 December 2009	AGM 2010 ^(*)
Member of the Board Member of the Audit Committee	Didier Pineau-Valencienne	29 April 2008	AGM 2014 ^(*)
Member of the Board	Henri Proglio	11 May 2004	(***)
Member of the Board	François Roussely	11 May 2004	AGM 2010 ^(*)
Board Secretary	Laure Rivière-Doumenc		

(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

(**) Groupama SA resigned from the Supervisory Board on 23 December 2009 and was replaced by Mr. Xavier de Sarrau at the Board Meeting of 10 March 2010.

(***) Mr. Henri Proglio resigned from the Supervisory Board on 16 November 2009 and was replaced by Mrs Amélie Oudéa-Castéra at the Board Meeting of 2 December 2009.

Raymond H. Lévy

40 rue de Garches – 92420 Vaucresson, France

Born 28 June 1927

Date of appointment: 11 May 2004

End of current period of office: AGM 2010^(*)

Number of Lagardère SCA shares held: 15,230

Chairman of the Supervisory Board and the Audit Committee of Lagardère SCA

Mr. Raymond H. Lévy is a graduate engineer belonging to the Corps des Mines, and has been Deputy Chairman and Chief Executive Officer of Elf Aquitaine, Chairman of Usinor, Chairman of the Board and director of Cockerill-Sambre, Chairman of Régie Nationale des Usines Renault and Consortium de Réalisation.

Positions and appointments held in other companies

Member of the Supervisory Board, Sogea

Director, Sogea Gérance

Honorary Chairman, Renault SA

Other positions and appointments held during the last five years

Chairman of the Supervisory Board, Sogea

Director, Renault Finance (Switzerland)

Director, Louis Dreyfus Citrus

Bernard Arnault

22 avenue Montaigne – 75008 Paris, France

Born 5 March 1949

Date of appointment: 11 May 2004

End of current period of office: AGM 2010^(*)

Number of Lagardère SCA shares held: 150

Mr. Bernard Arnault is a former student of the École Polytechnique. He has been Chairman and Chief Executive Officer of Ferret-Savinell, Financière Agache and Christian Dior, and is currently Chairman and Chief Executive Officer of LVMH.

Positions and appointments held in other companies**In France**

Chairman of the Board of Directors, Christian Dior SA

Chairman, Groupe Arnault SAS

Director, Christian Dior Couture SA

Director, Société Civile du Cheval Blanc

Chairman of the Board of Directors, The Louis Vuitton Foundation for Creation

Director, Carrefour SA

Outside France

Director, LVMH - Moët Hennessy Louis Vuitton Japan KK, Japan

Director, LVMH - Moët Hennessy Louis Vuitton Inc., USA

Other positions and appointments held during the last five years

Member of the Supervisory Board, Métropole Télévision "M6" SA

Director, Raspail Investissements SA

^{*} Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

René Carron

91-93 boulevard Pasteur – 75015 Paris, France

Born 13 June 1942

Date of appointment: 11 May 2004

End of current period of office: AGM 2010^(*)

Number of Lagardère SCA shares held: 150

Mr. René Carron is a former member of France's third-ranking constitutional assembly, the Conseil Économique et Social. He is currently Chairman of the Board of Directors of Crédit Agricole SA.

Positions and appointments held in other companies***In France***

Chairman, Caisse Régionale de Crédit Agricole des Savoie

Deputy Chairman, Fédération Nationale du Crédit Agricole

Deputy Chairman, Confédération Nationale de la Mutualité, de la Coopération et du Crédit Agricole (CNMCCA)

Chairman, Confédération Internationale du Crédit Agricole (CICA)

Member of the Management Committee, Gecam

Director, Crédit Agricole Solidarité et Développement

Administrator, Fondation du Crédit Agricole Pays de France

Director, Sacam Participations

Director, GDF Suez

Director, Scicam

President, Fondation pour l'Agriculture et la Ruralité dans le Monde (FARM)

President, Grameen-Crédit Agricole Microfinance Foundation

Outside France

Director, Fiat SpA

Other positions and appointments held during the last five years

Permanent representative of Crédit Agricole SA, Administrator, Fondation de France

Director, Sacam

Director and Deputy Chairman, Banca Intesa Spa (Italy)

Chairman, Caisse Locale de Crédit Agricole de Yenne

Chairman, Gecam

Member of the Supervisory Board, Eurazeo

Director, Rue Impériale

Director, Sapacam

Director, Sofinco

Martine Chêne

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

Born 12 May 1950

Date of appointment: 29 April 2008

End of current period of office: AGM 2014^(*)

Number of Lagardère SCA shares held: 150

^(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Mrs Martine Chêne joined the Lagardère Group in 1984, and is now employed as an archivist at Hachette Filipacchi Associés (HFA). She is the secretary of HFA's Works Committee, a CFDT union representative and an employee representative. She represents the CFDT union on the Group Employees' Committee.

Positions and appointments held in other companies

Mrs Martine Chêne exercises no positions in any other companies.

Other positions and appointments held during the last five years

Mrs Martine Chêne has not held any positions or appointments in the last five years.

Georges Chodron de Courcel

23 avenue Mac Mahon – 75017 Paris, France

Born 20 May 1950

Date of appointment: 2 May 2006

End of current period of office: AGM 2012^(*)

Number of Lagardère SCA shares held: 150

Mr. Georges Chodron de Courcel is a graduate engineer of the École Centrale des Arts et Manufactures de Paris. He is currently Chief Operating Officer of BNP Paribas.

Positions and appointments held in other companies

In France

Director, Bouygues

Censor, Scor SE

Director, Nexans

Director, Alstom

Director, FFP (Société Foncière, Financière et de Participations)

Censor, Safran

Chairman, Compagnie d'Investissement de Paris SAS

Chairman, Financière BNP Paribas SAS

Director, Verner Investissements SAS

Censor, Exane

Outside France

Chairman BNP Paribas (Switzerland)

Deputy Chairman, Fortis Bank SA/NV (Belgium)

Director, Erbé SA (Belgium)

Director, GBL - Groupe Bruxelles Lambert (Belgium)

Director, Scor Holding (Switzerland) AG (Switzerland)

Director, Scor Global Life Rückversicherung Schweiz AG (Switzerland)

Director, Scor Switzerland AG (Switzerland)

Other positions and appointments held during the last five years

Director, Banca Nazionale del Lavoro (Italy)

Member of the Supervisory Board, Sagem

Chairman, BNP Paribas Emergis SAS

^(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Chairman and Director, BNP Paribas UK Holdings Ltd. (United Kingdom)
 Director, BNP Paribas (Suisse) SA (Switzerland)
 Director, BNP Paribas ZAO (Russia)
 Director, Capstar Partners SAS
 Censor, Scor Global Life (formerly Scor Vie)

François David

12 cours Michelet – 92800 Puteaux, France

Born 5 December 1941

Date of appointment: 29 April 2008

End of current period of office: AGM 2014^(*)

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA

Mr. François David is a graduate of the Institut d'Études Politiques de Paris and has 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. Mr. François David has been Chairman of the Board of Directors of Coface since 1994.

Positions and appointments held in other companies

In France

Chairman of the Board of Directors, Coface Services
 Director, Vinci
 Director, Rexel
 Member of the Conseil de l'Ordre de la Légion d'Honneur

Outside France

Chairman of the Supervisory Board, Coface Kreditversicherung AG (Germany)
 Chairman of the Board of Directors, Coface Assicurazioni (Italy)

Other positions and appointments held during the last five years

Director, EADS
 Chairman, International Credit Insurance & Surety Association (ICISA)
 European Adviser, CityGroup

Groupama SA⁽¹⁾

A French corporation with share capital of €1,186,513,168
 8-10 rue d'Astorg – 75008 Paris, France

Date of appointment: 29 April 2008

End of current period of office: Groupama resigned from the Board on 23 December 2009.

Number of Lagardère SCA shares held by Groupama SA: 150

Represented by Mr. Helman le Pas de Sécheval

Chief Financial Officer, Groupama

Born 21 January 1966

Member of the Audit Committee of Lagardère SCA

^(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

⁽¹⁾ A list of all positions and appointments held by Groupama SA as manager, director, member of the Management Board or member of the Supervisory Board in other companies during the last five years is available for inspection at 121, avenue de Malakoff – 75116 Paris, France. A copy can be sent out on request.

Mr. Helman le Pas de Sécheval is an engineer belonging to the Corps des Mines and a graduate of the École Normale Supérieure. He was formerly head of the operations department and financial information at the French stock market regulator Commission des Opérations de Bourse and Chief Financial Officer of Groupama. He is currently Chief Executive Officer of Groupama Centre Atlantique.

Positions and appointments held in other companies

In France

Deputy Chairman of the Board of Directors, Groupama Banque

Director, Bouygues SA

Permanent representative of Groupama SA to the Board of Directors, Silic

Permanent representative of Groupama to the Board of Directors, GIE Groupama Systèmes d'Information

Permanent representative of Groupama SA, member of the Managing Board, SCA du Château d'Agassac

Permanent representative of Groupama SA, co-manager, SCI du Château d'Agassac

Outside France

Director, Groupama Assicurazioni SpA

Other positions and appointments held during the last five years

Chairman of the Board of Directors, Groupama Immobilier

Chairman of the Board of Directors, Groupama Private Equity

Chairman of the Board of Directors, Groupama Asset Management

Chairman of the Board of Directors, Compagnie Foncière Parisienne

Deputy Chairman of the Supervisory Board, Banque Finama

Director, Groupama Vita SpA

Director, Nuova Tirrena

Censor, Gimar Finance & Compagnie

Director, Groupama International

Permanent representative of Gan Assurance Vie to the Supervisory Board, Locindus

Director, Scor

Director, Scor Vie

Pierre Lescure

38 rue Guynemer – 75006 Paris, France

Born 2 July 1945

Date of appointment: 29 April 2008

End of current period of office: AGM 2014^(*)

Number of Lagardère SCA shares held: 150

Mr. Pierre Lescure is a journalist who has been Editor in Chief of the television channel France 2, Chairman and Chief Executive Officer of the pay TV channel Canal+, and Chief Executive Officer of Vivendi Universal. He is currently manager of the Théâtre Marigny, in Paris.

Positions and appointments held in other companies

In France

Chairman, AnnaRose Productions (SAS)

Director, Havas Advertising

Member of the Supervisory Board, Le Monde SA

Member of the Board of Directors, Thomson SA

^(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Outside France

Member of the Board of Directors, Kudelski (Switzerland)

Other positions and appointments held during the last five years

Chairman, Lescure Farrugia Associés

Christian Marbach

17 avenue Mirabeau – 78600 Maisons-Laffitte, France

Born 9 October 1937

Date of appointment: 2 May 2006

End of current period of office: AGM 2012^(*)

Number of Lagardère SCA shares held: 406

Member of the Audit Committee of Lagardère SCA

Mr. Christian Marbach is a graduate engineer belonging to the Corps des Mines, and a former Chairman of the French innovation agency ANVAR.

Positions and appointments held in other companies

Director, Compagnie Générale de Géophysique-Veritas (CGG)

Censor, Sofinnova

Other positions and appointments held during the last five years

Director, Erap

Chairman, Oseo-Services (formerly the “Agence des PME”)

Bernard Mirat

91 avenue de La Bourdonnais – 75007 Paris, France

Born 3 July 1927

Date of appointment: 2 May 2006

End of current period of office: AGM 2012^(*)

Number of Lagardère SCA shares held (with Mrs Mirat): 2,310

Member of the Audit Committee of Lagardère SCA

Mr. Bernard Mirat is a graduate of the Institut d'Études Politiques de Paris. He holds degrees in both literature and law and is a former student of the École Nationale d'Administration. He was formerly Deputy General Secretary of the Compagnie des Agents de Change, and Deputy Chairman and Chief Executive Officer of its successor the Société des Bourses Françaises.

Positions and appointments held in other companies

None

Other positions and appointments held during the last five years

Deputy Chairman of the Supervisory Board, GT Finance

Director, Fimalac

Censor, Holding Cholet-Dupont

Javier Monzón

Avenida De Bruselas, 33-35, 28108 Arroyo de la Vega – Alcobendas, Madrid, Spain

Born March 1956

Date of appointment: 29 April 2008

^(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

End of current period of office: AGM 2014^(*)

Number of Lagardère SCA shares held: 150

Mr. Javier Monzón has a degree in economics and has held the following main positions during his career: Corporate Banking Director at Caja Madrid where he began his career; after occupying the posts of Finance Director, then General Manager for development of international business, he became Chairman of Telefonica International; Worldwide Partner in Arthur Andersen and Managing Partner of Corporate Finance Consulting Services in Spain. He is presently Chairman of the Spanish technology firm Indra Sistemas.

Positions and appointments held in other companies

Outside France:

Member of the Board of Directors, ACS Actividades de Construcción y Servicios SA (Spain)

Member of the Board of Directors, ACS Servicios y Concesiones SL (Spain)

Permanent representative of Indra Sistemas SA to the Board of Directors, Banco Inversis, SA (Spain)

Member of the Board of Directors, YPF SA (Argentina)

Other positions and appointments held during the last five years

Permanent representative of Indra Sistemas SA to the Board of Directors, Inversis Networks, SA (Spain)

Permanent representative of Indra Sistemas SA to the Board of Directors, Marco Polo Investments SCRSA (Spain)

Chairman of the Board of Directors, Europraxis Atlante SL (subsidiary of Indra Sistemas SA in Spain)

Amélie Oudéa-Castéra

25 avenue Matignon – 75008 Paris, France

Born 9 April 1978

Date of appointment: 2 December 2009^(*)

End of current period of office: AGM 2010^(**)

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA

A former professional tennis player, Mrs Amélie Oudéa-Castéra is a graduate of the Institut d'Études Politiques de Paris and ESSEC Business School, holds a master's degree in law and attended the École Nationale d'Administration. She joined the Axa group in 2008 and became Project Director for Finance, Strategy and Operations on 1 January 2010.

Positions and appointments held in other companies

Conseillère Référendaire, Cour des Comptes

Other positions and appointments held during the last five years

Mrs Amélie Oudéa-Castéra has not held any other positions or appointments in the last five years.

Didier Pineau-Valencienne

24-32 rue Jean Goujon – 75008 Paris, France

Born 21 March 1931

Date of appointment: 29 April 2008

End of current period of office: AGM 2014^(*)

Number of Lagardère SCA shares held: 2,850

Member of the Audit Committee of Lagardère SCA

Mr. Didier Pineau-Valencienne is a graduate of the Paris Business School HEC, Tuck School of Business Administration (Dartmouth College) and Harvard Business School. He is a former Chairman and Chief Executive Officer of Schneider SA.

^(*) Coopted by the Supervisory Board at the meeting of 2 December 2009.

^(**) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Positions and appointments held in other companies

In France

Chairman of the Investment Committee, Sagard

Director, Fleury Michon

Chairman of the International Consultative Committee, Audencia (formerly ESC Nantes Atlantique)

Director, BIPE Association

Executive lecturer, HEC Paris Business School

Advisor, Centre d'Enseignement Supérieur de la Marine

Outside France

Director, Swiss Helvetia Fund (USA)

Member of the Advisory Board, Booz Allen & Hamilton (USA)

Member of the Board of Overseers, Tuck School of Business Administration, Dartmouth College (USA)

Member of the Trustees, American University of Paris

Other positions and appointments held during the last five years

Director, Pernod Ricard

Director, Wendel Investissement

Director, Aventis

Director, AFEP

Director, Axa

Director, Vivarte

Director, AON

Member of the Trustees, IASC (USA)

Director, Axa Financial (USA)

Senior Advisor, Crédit Suisse

Henri Proglio

36-38 avenue Kléber – 75116 Paris, France

Born 29 June 1949

Date of appointment: 11 May 2004

End of current period of office: Mr. Proglio resigned from the Board on 16 November 2009

Number of Lagardère SCA shares held: 150

Mr. Henri Proglio is a graduate of the Paris Business School HEC. He has been Chairman and Chief Executive Officer of Veolia Environnement, and, since November 2009, Chairman and Chief Executive Officer of EDF.

Positions and appointments held in other companies

In France

Chairman of the Board of Directors, Veolia Environnement

Director, CNP Assurances

Director, Natixis

Director, Dassault Aviation

Member of the Supervisory Board, Veolia Eau

Chairman of the Board of Directors, Veolia Propreté

Chairman of the Board of Directors, Veolia Transport

Member of the Supervisory Boards A and B, Dalkia (SAS)

Outside France

Director, Veolia Environment North America Operations

Other positions and appointments held during the last five years

Director, Sarp Industries
 Censor, Supervisory Board, Caisse Nationale des Caisses d'Epargne
 Director, Veolia Transport Northern Europe
 Director, Veolia Environmental Services, Plc
 Director, Veolia Transport Australasia
 Director, Veolia UK Ltd (United Kingdom)
 Director, Veolia ES Australia
 Director, Thales
 Member of the Supervisory Board, Elixior
 Member of the Supervisory Board, CNP Assurances
 Director, EDF International
 Member of the Supervisory Board, CEO
 Member of the Supervisory Board, CFSP
 Director, Comgen Australia
 Director, Connex Leasing (United Kingdom)
 Director, Connex Transport AB (Sweden)
 Director, Connex Transport UK (United Kingdom)
 Member of the Supervisory Board, Société des Eaux de Melun
 Director, B 1998 SL and FCC (Spain)
 Director, Onyx UK Holdings (United Kingdom)
 Director, Safise
 Director, Wasco (formerly USFilter) USA
 Director, Sarp
 Director, Veolia ES Asia
 Director, Casino, Guichard-Perrachon
 Director, Siram
 Manager, Veolia Eau
 Chairman of the Board of Directors, Veolia Water
 Director, Dalkia International
 Director, Société des Eaux de Marseille
 Member and Chairman of the Supervisory Board, Dalkia France
 Member of the Supervisory Board, Natixis

François Roussely

22-30 avenue de Wagram – 75008 Paris, France

Born 9 January 1945

Date of appointment: 11 May 2004

End of current period of office: AGM 2010^(*)

Number of Lagardère SCA shares held: 150

^(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Mr. François Roussely is a graduate of the Institut d'Études Politiques de Paris and the Paris Law and Economics University, and a former student of the École Nationale d'Administration. He is a former Chairman and Chief Executive Officer of EDF, a senior-level magistrate at the national audit office Cour des Comptes and Deputy Chairman of Crédit Suisse Europe.

Positions and appointments held in other companies

Conseiller Maître, Cour des Comptes

Other positions and appointments held during the last five years

Chairman and Chief Executive Officer, Crédit Suisse - France

Chairman, Crédit Suisse Banque d'Investissement France

Chairman of the Board of Directors, EDF

Director, AFII

Member, Comité de l'Énergie Atomique (CEA)

Member of the Supervisory Board, Dalkia Holding

President, Fondation EDF

Chairman of the Board of Directors, École Nationale des Ponts et Chaussées - ENPC

Member of the Consultative Council, Banque de France

Honorary Chairman, EDF

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 bankruptcy, receivership or liquidation proceedings in the last five years;
- no member of the Supervisory Board or Managing Partner has been subject to charges or official public sanction by statutory or regulatory authorities (including designated professional bodies);
- no member of the Supervisory Board or Managing Partner has been barred by a court from acting as a member of a governing, management or supervisory body or participating in a company's business management or governance in the last five years.

7.2.4.2

SERVICE CONTRACTS BETWEEN A MEMBER OF THE SUPERVISORY BOARD OR MANAGING PARTNER AND LAGARDÈRE SCA OR ANY OF ITS SUBSIDIARIES

To the best of Lagardère SCA's knowledge, no member of the Supervisory Board or Managing Partner is bound to Lagardère SCA or any of its subsidiaries through a service contract, with the exceptions, in the case of the Supervisory Board, of Mr. Raymond Lévy who has an employment agreement, and in the case of the Managing Partners, of the service agreement between LC&M (controlled by Mr. Arnaud Lagardère) and Lagardère Ressources. For more information on this agreement, see section 7.5.1 below and the Statutory Auditors' report on related party agreements and commitments in Chapter 6, section 6.8.

7.2.4.3 CONFLICTS OF INTEREST

To the best of Lagardère SCA's knowledge, no arrangement or agreement exists with the main shareholders, customers, suppliers or other parties for the selection of members of the Supervisory Board or Managing Partners.

To the best of Lagardère SCA's knowledge, no potential conflict of interest exists between the duties of the members of the Supervisory Board or the Managing Partners to Lagardère SCA and their personal interests, or between those duties and any other responsibilities they may hold.

7.2.4.4 RESTRICTIONS ON THE SALE BY MEMBERS OF THE SUPERVISORY BOARD OR MANAGING PARTNERS OF THEIR INVESTMENT IN LAGARDÈRE SCA

To the best of Lagardère SCA's knowledge:

- no restriction has been accepted by members of the Supervisory Board concerning the sale of their investment in the Company's share capital within a certain period, except for the rules for trading in Lagardère SCA shares set forth in the internal rules of the Supervisory Board (see section 7.4.2.2);
- no restriction has been accepted by the Managing Partners concerning the sale of their investment in the Company's share capital within a certain period, except for:
 - the rules for trading in Lagardère SCA shares defined in the laws in force or the "Charter for trade in Lagardère SCA shares by Lagardère Group employees";
 - the holding period set by the Supervisory Board in 2008 and 2009 for free share allocations (see the Special report of the Managing Partners on allocations of free shares, in section 7.3.5).

7.3 REMUNERATION AND BENEFITS

7.3.1 MANAGING PARTNERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

At 31 December 2009, the Executive Committee included:

Messrs Arnaud Lagardère,	General and Managing Partner,	} Managing Partners
Philippe Camus,	Co-Managing Partner,	
Pierre Leroy,	Co-Managing Partner, Secretary General,	
Dominique D'Hinnin,	Chief Financial Officer,	
Thierry Funck-Brentano,	Chief Human Relations and Communications Officer,	
Jean-Paul Gut,	Chief International Affairs Officer,	
Ramzi Khiroun,	Spokesman for the Managing Partners Head of External Relations	

Members of the Executive Committee

- receive immediate and deferred remuneration (retirement benefits);
- may be granted share subscription or purchase options and rights to the allocation of free shares.

Remuneration paid to the members of the Executive Committee for their positions in the Lagardère Group excluding EADS is entirely borne by their employer, Lagardère Capital & Management (LC&M) and accounts for most of the management fees charged by LC&M to Lagardère Ressources (see section 7.5.1). Messrs Arnaud Lagardère and Dominique D'Hinnin also receive remuneration from EADS for the functions they occupy on the EADS Board of Directors. This remuneration is reported in the following tables, but is not concerned by the comments in section 7.3.1.1.

7.3.1.1 COMPONENTS OF REMUNERATION

A) SALARIES

Salaries consist of a fixed portion and a variable portion.

The fixed portion is paid in twelve equal monthly instalments over the year.

The variable portion is determined on the basis of rules defined in 2003 and unchanged to date. Each year, it comprises the following, assessed in the light of individual targets:

- a qualitative component determined by Mr. Arnaud Lagardère, taking into account each person's contribution to the development of the Group, changes in valued added, the quality of management, relevance of its organisation and motivation of its teams,
- a Group performance-related component based on two parameters of equal importance in relation to the individual targets:
 - the percentage differential between the midpoint of the forecast range for progression in recurring operating profit before associates of companies in the Media segment as announced to the market at the start of the year, and the actual progression in that recurring operating profit for the year concerned;
 - the percentage differential between net cash from operating activities as forecast in the budget for the year, and net cash from operating activities stated in the consolidated cash flow statement for the year concerned.

For 2008, application of these two parameters resulted in a coefficient of 0.65 times the target amounts. Due to the economic situation, for 2009 only an estimated forecast for recurring operating profit before associates was announced, excluding the Lagardère Active division. This resulted in a coefficient of 1.66 times the target amounts and was disregarded because it is incomplete. Only the net cash from operating activities parameter was used in the calculation, leading to a coefficient of 1.28 times the targets.

Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

B) PENSIONS

The members of the Executive Committee who are also managers or salaried employees of LC&M benefit from an additional pension plan set up by LC&M from 1 July 2005 to complement the basic pension.

Under this plan, they acquire additional pension entitlements equivalent to 1.75% of the benchmark remuneration per year of seniority, up to a limit of 20 years' seniority. The income replacement rate of the additional pension is limited to 35% of the benchmark remuneration.

The benchmark remuneration is 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 limits defined by the French social security system.

The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the company at retirement age, except in the event of termination after the age of 55, early retirement or invalidity.

After the beneficiary's death, 60% of the pension is transferable to the surviving spouse.

At 31 December 2009, the Group's Defined Benefit Obligation as defined by IAS 19 under this plan amounted to €35.1 million.

C) TERMINATION INDEMNITIES

Neither LC&M nor any other Group company has undertaken any commitment or given any promise to grant termination indemnities to the Managing Partners or other members of the Executive Committee.

D) OTHER COMPONENTS

- Travel and entertainment expenses incurred by the Managing Partners or members of the Executive Committee in the course of their duties are borne by the Group.
- Benefits in kind generally take the form of use of a company car for personal purposes.
- Attendance fees may be paid for Board of Directors' meetings at companies in which the Lagardère Group has interests.

7.3.1.2 REMUNERATION AND BENEFITS OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

A) GROSS REMUNERATION PAID

(in euros)	2007	2008	2009
"LAGARDÈRE"	(1)	(2)	(3)
Fixed salary and benefits in kind	5,153,795	6,296,183	6,576,920
Variable portion of salary paid (in respect of the previous year)	3,794,600	3,455,060	2,565,983
Attendance fees	78,570	49,846	20,425
Total	9,026,965	9,801,089	9,163,328
"EADS"	(4)	(5)	(5)
Fixed salary and benefits in kind	60,000	60,000	220,000
Variable portion of salary paid (in respect of the previous year)	43,750	125,500	-
Attendance fees	75,000	50,000	60,000
Total	178,750	235,500	280,000

(1) Messrs Lagardère, Camus, Leroy, D'Hinnin, Gut (full-time from 17 September 2007), Funck-Brentano, Molinié (from 1 July 2007).
(2) Messrs Lagardère, Camus, Leroy, D'Hinnin, Gut, Funck-Brentano, Molinié (full-time).
(3) Messrs Lagardère, Camus, Leroy, D'Hinnin, Gut, Funck-Brentano (full-time), Mr. Molinié (until 30 June) and Mr. Khiroun (from 1 October).
(4) Mr. Lagardère for his position on the Board of Directors.
(5) Messrs Lagardère and D'Hinnin for their positions on the Board of Directors.

The "Lagardère" variable portion of salary to be paid in 2010 in respect of 2009 amounts to €3,637,120. Members of EADS' Board of Directors are no longer paid a variable portion of salary.

B) SHARE SUBSCRIPTION AND PURCHASE OPTIONS

Date of Plan	Date of AGM	Number of options originally granted	Exercise price	Number of beneficiaries	Options exercised in 2009	Options forfeited at end 2009	Options outstanding at end 2009 (*)	Exercise period
Subscription options								
None								
Purchase options								
Plans expired								
19.12.2001	23.05.2000	185,000	€46.48	7	0	0	0	19.12.2003 to 19.12.2008
19.12.2002	23.05.2000	185,000	€51.45	7	0	0	0	19.12.2004 to 19.12.2009
Plans in force								
18.12.2003	23.05.2000	178,000	€51.45	6	0	0	179,976	18.12.2005 to 18.12.2013
20.11.2004	11.05.2004	178,000	€51.92	6	0	0	179,991	20.11.2006 to 20.11.2014
21.11.2005	11.05.2004	240,000	€56.97	6	0	0	240,000	21.11.2007 to 21.11.2015
14.12.2006	11.05.2004	242,000	€55.84	6	0	0	242,000	14.12.2008 to 14.12.2016

(*) After adjustment in 2005.

C) FREE SHARE ALLOCATION RIGHTS

Date of Plan	Date of AGM	Number of rights granted	Number of beneficiaries	Number of shares vested in 2009	Number of rights cancelled in 2009	Number of rights outstanding at end 2009	Vesting date
Plan expired in 2009							
28.12.2007	27.04.2007	107,000	7	0	0	0 ^(*)	29.12.2009
Plan in force							
01.10.2009	31.12.2009	126,000	6	0	0	126,000	02.10.2011 ^(**)
(*) As the stock market performance condition for final allocation of shares was not fulfilled at 29 December 2009, no free shares were allocated.							
(**) 2 October 2013 for beneficiaries who are not resident in France for tax purposes.							

7.3.1.3 REMUNERATION AND BENEFITS OF THE MANAGING PARTNERS

Mr. Arnaud Lagardère

Summary of remuneration and benefits						
(in euros)	2007		2008		2009	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	Amounts receivable	Amounts received
"LAGARDÈRE"						
Fixed salary	914,700	914,700	978,729	978,729	1,140,729	1,140,729
Variable portion of salary	976,506	854,841 ⁽¹⁾	534,072	976,506 ⁽¹⁾	1,044,480	534,072 ⁽¹⁾
Exceptional remuneration	-	-	-	-	-	-
Attendance fees	6,334	8,300 ⁽¹⁾	6,650	6,334 ⁽¹⁾	7,125	6,650 ⁽¹⁾
Benefits in kind	3,120	3,120	3,600	3,600	12,764	12,764
Total	1,900,660	1,780,961	1,523,051	1,965,169	2,205,098	1,694,215
"EADS"						
Fixed salary	60,000	60,000	54,375	54,375	100,000	100,000
Variable portion of salary	113,734	43,750 ⁽¹⁾	-	113,734 ⁽¹⁾	-	-
Exceptional remuneration	-	-	-	-	-	-
Attendance fees	60,000	60,000	10,000	10,000	10,000	10,000
Benefits in kind	-	-	-	-	-	-
Total	233,734	163,750	64,375	178,109	110,000	110,000
Total	2,134,394	1,944,711	1,587,426	2,143,278	2,315,098	1,804,215

(1) Amounts paid in respect of the previous year. Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

The variable portion of salary paid to Mr. Lagardère includes no individually-assessed component, and depends totally on Group performance as described in section 7.3.1.1 - A.

Since his appointment as Managing Partner in 2003, Mr. Arnaud Lagardère has not received any options on Lagardère SCA shares or any rights to the allocation of free shares.

- Subscription or purchase options granted during the year: None.
- Subscription or purchase options exercised during the year: None.
- Performance shares granted during the year: None.
- Performance shares that vested during the year: None.

Total remuneration and benefits received and stock options and performance shares granted			
(in euros)	2007	2008	2009
Remuneration and benefits receivable for the year (details in previous table)	2,134,394	1,587,426	2,315,098
Value of options granted during the year	None	None	None
Value of rights to performance shares granted during the year	None	None	None
Total	2,134,394	1,587,426	2,315,098

Mr. Philippe Camus

Summary of remuneration and benefits						
(in euros)	2007		2008		2009	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	Amounts receivable	Amounts received
Fixed salary	998,923 ⁽²⁾	998,923 ⁽²⁾	1,123,458 ⁽²⁾	1,123,458 ⁽²⁾	1,047,115 ⁽²⁾	1,047,115 ⁽²⁾
Variable portion of salary	369,835	347,503 ⁽¹⁾	276,589	369,835 ⁽¹⁾	378,480	276,589 ⁽¹⁾
Exceptional remuneration	-	-	-	-	-	-
Attendance fees	-	6,450 ⁽¹⁾	-	-	-	-
Benefits in kind	-	-	-	-	-	-
Total	1,368,758	1,352,876	1,400,047	1,493,293	1,425,595	1,323,704

(1) Amounts paid in respect of the previous year. Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.
(2) Fixed annual salary of €1,088,000 excluding exchange rate effect due to the fact that most of Mr. Camus' salary is paid in the US by Lagardère North America.

Rights to performance shares granted in 2009						
Date of AGM authorisation	Date of Plan	Number of shares allocated in 2009	Value under IFRS2	Vesting date	End of holding period	Performance condition
28 April 2009	31 December 2009	25,000	572,000	1 April 2014	1 April 2014	⁽¹⁾

(1) Based on changes in recurring operating profit before associates of the Media segment for 2010 and 2011 and free cash flows for 2010 and 2011.

These rights are granted subject to certain conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Subscription or purchase options granted during the year: None.
- Subscription or purchase options exercised during the year: None.
- Performance shares granted during the year: 25,000.
- Performance shares that vested during the year: None.

On 28 December 2007, Mr. Philippe Camus was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition applicable for final allocation of these shares had not been fulfilled at 29 December 2009, no shares were allocated at the end of the year and the rights lapsed.

Total remuneration and benefits received and stock options and performance shares granted			
	2007	2008	2009
Remuneration and benefits receivable for the year (details in previous table)	1,368,758	1,400,047	1,425,595
Value of options granted during the year	None	None	None
Value of rights to performance shares granted during the year	⁽¹⁾	None	572,000
Total	1,368,758	1,400,047	1,997,595

(1) See comments above table.

Mr. Pierre Leroy

Summary of remuneration and benefits						
(in euros)	2007		2008		2009	
	Amounts receivable	Amounts received	Amounts receivable	Amounts received	Amounts receivable	Amounts received
Fixed salary	864,000	864,000	924,000	924,000	1,062,000	1,062,000
Variable portion of salary	782,977	751,512 ⁽¹⁾	614,895	782,977 ⁽¹⁾	808,800	614,895 ⁽¹⁾
Exceptional remuneration	-	-	-	-	-	-
Attendance fees	7,600	20,220 ⁽¹⁾	6,650	7,600 ⁽¹⁾	6,650	6,650 ⁽¹⁾
Benefits in kind	3,120	3,120	3,600	3,600	7,512	7,512
Total	1,657,697	1,638,852	1,549,145	1,718,177	1,884,962	1,691,057

(1) Amounts paid in respect of the previous year. Since the variable portion of salaries can only be calculated after the year-end, it is paid during the following year.

Rights to performance shares granted in 2009						
Date of AGM authorisation	Date of Plan	Number of shares allocated in 2009	Value under IFRS2	Vesting date	End of holding period	Performance condition
28 April 2009	31 December 2009	25,000	633,750	1 April 2012	1 April 2012	⁽¹⁾

(1) Based on changes in recurring operating profit before associates of the Media segment for 2010 and 2011 and free cash flows for 2010 and 2011.

These rights are granted subject to certain conditions described in the Special Report of the Managing Partners presented in section 7.3.5.

- Subscription or purchase options granted during the year: None.
- Subscription or purchase options exercised during the year: None.
- Performance shares granted during the year: 25,000.
- Performance shares that vested during the year: None.

On 28 December 2007, Mr. Pierre Leroy was granted rights to receive 20,000 free shares of Lagardère SCA, valued at €579,000. As the stock market performance condition applicable for final allocation of these shares had not been fulfilled at 29 December 2009, no shares were allocated at the end of the year and the rights lapsed.

Total remuneration and benefits received and stock options and performance shares granted			
	2007	2008	2009
Remuneration and benefits receivable for the year (details in previous table)	1,657,697	1,549,145	1,884,162
Value of options granted during the year	None	None	None
Value of rights to performance shares granted during the year	(1)	None	633,750
Total	1,657,697	1,549,145	2,517,912
(1) See comments above table.			

Share subscription and share purchase options ⁽¹⁾						
	Plans expired		Plans in force			
Date of AGM	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan	2006 Plan
Date of Board of Directors or Executive Board meeting as relevant	Not relevant to Lagardère SCA which is a limited partnership with shares Date of grant = date of decision by the Managing Partners					
Total number of shares available for subscription and purchase ⁽¹⁾ Of which: number that may be subscribed and purchased by Managing Partners and Members of the Supervisory Board ⁽¹⁾ :	1,271,740 ^(*)	1,313,639 ^(*)	1,453,451 ^(*)	1,586,519 ^(*)	1,683,844	1,844,700
Mr. Arnaud Lagardère	50,560	50,554	0	0	0	0
Mr. Pierre Leroy	30,336	30,333	40,444	40,447	50,000	50,000
Mr. Philippe Camus	20,224	20,222	30,333	30,336	50,000	50,000
Date from which options can be exercised	19/12/2003	19/12/2004	18/12/2005	20/11/2006	21/11/2007	14/12/2008
Date on which options expire	19/12/2008	19/12/2009	18/12/2013	20/11/2014	21/11/2015	14/12/2016
Subscription or purchase price	€46.48 ^(*)	€51.45 ^(*)	€51.45 ^(*)	€51.92 ^(*)	€56.97	€55.84
Number of shares acquired at 15 March 2009	30,336 ⁽²⁾					
Total number of subscription and purchase options cancelled or forfeited:						
Mr. Arnaud Lagardère	50,560	50,554	-	-	-	-
Mr. Pierre Leroy		30,333	-	-	-	-
Mr. Philippe Camus	20,224	20,222	-	-	-	-
Subscription and purchase options ⁽¹⁾ outstanding at end 2009:						
Mr. Arnaud Lagardère	0	0	-	-	-	-
Mr. Pierre Leroy	0	0	40,444	40,447	50,000	50,000
Mr. Philippe Camus	0	0	30,333	30,336	50,000	50,000
(1) Share purchase plans only. (2) Exercised by Mr. Pierre Leroy on 20 December 2005. (*) After adjustment on 6 July 2005.						

Other information								
Members of the managing bodies	Employment contract ⁽¹⁾		Additional pension plan		Indemnities or benefits receivable or likely to become receivable due to a termination or change of function		Indemnities payable under a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Arnaud Lagardère Position: Managing Partner Date of appointment: } <i>Renewed on 11 March 2009 for a six-year period</i> End of term of office: }		X	X			X		X
Mr. Pierre Leroy Position: ^(*) Date of appointment: End of term of office:	NA ⁽¹⁾		X			X		X
Mr. Philippe Camus Position: ^(*) Date of appointment: End of term of office:	NA ⁽¹⁾		X			X		X
(*) Chief Operating Officer of Arjil Commanditée-Arco whose term of office as Managing Partner of Lagardère SCA was renewed on 10 March 2010 for a further six-year period. (1) NA: Not applicable. The AFEP/MEDEF corporate governance recommendations that company officers should not hold employment contracts with the company only apply to the following persons: chairman of the board, chairman and chief executive officer, general manager of companies having a board of directors; chairman of the management board, chief executive officer of companies having a management board and supervisory board; managing partner of French limited partnerships with shares (SCA).								

7.3.2 SUPERVISORY BOARD

7.3.2.1 REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

The Combined General Meeting of 11 May 2004 fixed a total amount of €600,000 to be paid each year to members of the Supervisory Board as attendance fees.

Each member of the Supervisory Board is paid basic remuneration. Members who are also members of the Audit Committee receive an additional amount equal to twice the basic remuneration, and the Chairmen of the Supervisory Board and the Audit Committee receive a further additional amount equal to the basic remuneration.

The basic remuneration is equal to the total attendance fees divided by the number of shares held for each member.

The Supervisory Board has decided to modify the distribution of attendance fees between members as from 2009 in order to reflect the actual participation by Board members in Board and Audit Committee meetings.

Attendance fees paid to members of the Supervisory Board were as follows (in euros):

	2008	2009
Raymond H. Lévy	125,000	111,111.10
Bernard Arnault	25,000	22,222.22
René Carron	25,000	22,222.22
Martine Chêne	-	16,666.67
Georges Chodron de Courcel	25,000	22,222.22
François David	-	50,000.00
Groupama SA	75,000	66,666.67
Pierre Lescure	25,000	22,222.22
Christian Marbach	75,000	66,666.67
Bernard Mirat	75,000	66,666.67
Javier Monzón	-	16,666.67
Didier Pineau-Valencienne	75,000	66,666.67
Henri Proglío	25,000	22,222.22
Felix G. Rohatyn (USA)	25,000 ⁽¹⁾	5,555.56
François Roussely	25,000	22,222.22
Total attendance fees paid	600,000	600,000
(1) Less withholding tax.		

Mr. Raymond H. Lévy also received from the Group a gross amount of €222,456 in 2009 in consideration for his advisory services (€224,456 in 2008). In his capacity as director or member of the Supervisory Boards of several other Group companies, Mr. Lévy also received attendance fees in the amount of €15,200 (€12,456 in 2008).

7.3.2.2 SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO THE MEMBERS OF THE SUPERVISORY BOARD

None.

7.3.2.3 FREE SHARE ALLOCATION RIGHTS GRANTED TO THE MEMBERS OF THE SUPERVISORY BOARD

None.

7.3.3 TRANSACTIONS IN LAGARDÈRE SCA SHARES BY THE MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD AND THEIR RELATIVES DURING 2009

7.3.3.1 MANAGING PARTNERS

Arnaud Lagardère

Operations entered into by Lagardère Capital & Management

- Between 1 June and 5 November 2009: early settlement of 6,872,754 puts acquired over-the-counter and outside the market by the company to hedge part of his portfolio of Lagardère SCA shares, against payment of an indemnity totalling €108,702,234.
- 4 June 2009: delivery of 902,329 shares sold forward in 2007 and 2008

Philippe Camus

17 March 2009: purchase of 6,192 Lagardère SCA shares at a unit price of €19.775.

7.3.3.2 MEMBERS OF THE SUPERVISORY BOARD

None.

* * *

To the best of the Company's knowledge, no other transactions in company shares were undertaken in 2009 by Managing Partners or Supervisory Board members or their relatives.

7.3.4 STOCK OPTIONS GRANTED TO EMPLOYEES ON SHARES OF LAGARDÈRE SCA OR ITS SUBSIDIARIES

SPECIAL REPORT OF THE MANAGING PARTNERS ON SHARE SUBSCRIPTION AND PURCHASE OPTIONS

Ladies and Gentlemen, Dear Shareholders,

In application of article L. 225-184 of the French Commercial Code, you will find below the information required by the said article on changes in stock subscription and purchase options during 2009.

GENERAL

1. In the course of 2009, no new options to subscribe or purchase Lagardère SCA shares were granted.

The main characteristics of the plans in force at the end of 2009 or which expired in 2009 are summarised in the table below.

Plan	Date of AGM	Number of options originally granted	Exercise price	Number of beneficiaries	Options exercised in 2009	Options forfeited at end of 2009	Options outstanding at end of 2009	Period of exercise
Subscription options								
None								
Purchase options								
Plan expired in 2009:								
19.12.2002	23.05.2000	1,299,000	€51.45	416	0	-	0	19.12.2004 to 19.12.2009
Plans in force:								
18.12.2003	23.05.2000	1,437,250	€51.45	445	-	196,797	1,214,132	18.12.2005 to 18.12.2013
20.11.2004	11.05.2004	1,568,750	€51.92	481	-	215,439	1,360,420	20.11.2006 to 20.11.2014
21.11.2005	11.05.2004	1,683,844	€56.97	495	-	181,855	1,501,989	21.11.2007 to 21.11.2015
14.12.2006	11.05.2004	1,844,700	€55.84	451	-	130,100	1,714,600	14.12.2008 to 14.12.2016
Total							5,791,141	

The 19 December 2002 Plan expired on 19 December 2009. Of the 1,299,000 options initially granted in December 2002, none were exercised during 2009, and only 187,579 options representing less than 15% of the total number of options granted could be exercised because of market price levels.

2. In the course of 2009, no new options to subscribe or purchase shares were granted by companies under the majority control of Lagardère SCA ⁽¹⁾.

(1) For information relative to EADS, see the EADS Registration Document.

The main characteristics of the plans in force today or which expired in 2009 are summarised in the table below.

Date of AGM Date of grant	Exercise price	Exercise period	Number of options granted	Number of beneficiaries	Number of options forfeited	Options outstanding	Period of repurchase ⁽²⁾
Plan in force: none							
Plan expired in 2009: Hachette SA							
18.06.1997 22.07.1999	€253.85 ⁽¹⁾	22.07.1999 to 21.07.2009	1,525 ⁽³⁾	63	75	0	23.07.2004 to 23.07.2009
(1) Following the merger on 31 December 2007 of Hachette Holding (formerly Hachette Filipacchi Médias, HFM) into Hachette SA, Hachette SA assumed all of the rights and obligations related to the subscription options outstanding, and the exercise prices and number of shares under option were adjusted on the basis of the exchange ratio used for the merger. Consequently, 27 beneficiaries remain, holding a total of 732 options. Each option enabled its holder to subscribe 91 Hachette SA shares at a per-share price of €253.85. The 91 Hachette SA shares subscribed were to be exchanged for 550 Lagardère SCA shares in accordance with the commitments undertaken in the public offerings of 2000. No options were exercised in 2009 and the plan expired on 23 July 2009. (2) Beneficiaries had the right to redeem their shares or exchange them for Lagardère shares. In the case of Hachette Holding, this was the period allowed for exchange for Lagardère shares. (3) Each option entitled the holder to subscribe 91 Hachette SA shares.							

INFORMATION ON THE COMPANY'S OFFICERS AND LAGARDÈRE GROUP EMPLOYEES

In 2009, members of the managing bodies of Lagardère SCA, their legal representatives and Group employees did not exercise any share purchase options and thus purchased no Lagardère SCA shares under the share purchase options granted to them in the years 2002 to 2006.

The Managing Partners

7.3.5

FREE SHARE ALLOCATION RIGHTS GRANTED TO EMPLOYEES ON SHARES OF LAGARDÈRE SCA OR ITS SUBSIDIARIES

SPECIAL REPORT OF THE MANAGING PARTNERS ON THE ALLOCATION OF FREE SHARES

Dear Shareholders,

Pursuant to article L. 225-197-4 of the Commercial Code, you will find below the required information on transactions carried out during the financial year 2009 which concern allocations of free shares.

The policy on the allocation of free shares, like the previous policy governing the allocation of purchase options, is intended primarily to give the Lagardère Group's executives worldwide a stake in the Group's growth and consequent rise in value. It also offers a means of singling out executives who have made a notable contribution to the Group's results through their positive action.

In addition, it instils loyalty among those whom the Company wishes to retain for many years, specifically young executives with strong potential for professional growth, through whose efforts the Group will ensure its continued growth as part of an established long-term strategy.

1) The first bonus share plan, implemented on 28 December 2007 and involving 594,350 shares granted to 387 individuals, included a so-called market performance condition applicable on 29 December 2009, stipulating that the average of the 20 most recent opening prices for Lagardère SCA shares preceding 29 December 2009 must be at least €51.14.

In view of the financial crisis that has arisen since the allocation date, this condition was not met; accordingly the plan lapsed on 29 December 2009 and no shares could be definitively allocated.

2) Based on the authorization granted by the General Meeting of 28 April 2009 (14th Resolution), Mr. Arnaud Lagardère, in his capacity as Managing Partner of the Company, proceeded at the close of 2009 with the allocation of bonus Lagardère SCA shares to selected employees and senior managers of Lagardère SCA and its related companies as defined by law.

The allocation of 1 October was defined as follows:

- **Number of beneficiaries:** 335 persons.
- **Number of shares granted:** 521,525 shares (0.398% of the number of shares comprising the capital stock).
- **Acquisition period:** Two years; the shares allocated will not be definitively awarded until 2 October 2011, on the condition that at that date the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross negligence.
- **Retention period:** Two years; once definitively granted, the shares must be kept in a registered account until 2 October 2013, inclusive, at which time they become transferable and may be traded under the terms and conditions established by applicable law.

For beneficiaries who reside overseas for tax purposes, the acquisition period has been set at four years, i.e. until 2 October 2013; in exchange, pursuant to a decision by the General Meeting, these beneficiaries are not subject to any retention period.

The total number of free shares granted during the 2009 financial year to the ten largest beneficiaries who are not Lagardère SCA officers was 157,000 free Lagardère SCA shares, or an average of 15,700 shares per person.

On 31 December 2009, Mr. Arnaud Lagardère, in his capacity as Managing Director, awarded to Messrs Philippe Camus and Pierre Leroy, employees of Lagardère Capital & Management and Managing Partners, as part of the 2009 allocation, the right to receive 25,000 free shares each (representing 0.019% of the number of shares comprising the capital stock), following a decision by the Supervisory Board, meeting on 2 December, pursuant to the provisions of the AFEP-MEDEF Code governing this allocation.

The characteristics of this allocation and the conditions to which it is subject are as follows:

- **Acquisition period:** The shares granted will not be definitively acquired until 1 April 2012 with regard to Mr. Pierre Leroy and 1 April 2014 with regard to Mr. Philippe Camus, a United States resident for tax purposes, subject to their fulfilment of the conditions governing performance and presence.
- **Performance conditions:** In view of the current economic and financial environment, the extremely limited short-term visibility available to most of the companies and the diversity of the Group's activities and development in various markets, the objectives have been defined on an annual basis rather than a multi-year basis, as would be the case during a normal period of operations. Similarly, in view of the instability of the financial markets, the objectives were defined on the basis of internal corporate criteria rather than in part on the basis of market performance conditions, since Lagardère SCA no longer has any suitably comparable competitors. Consequently, two objectives were adopted: one based on the change in REBIT for the Media Division companies in 2010 and 2011 by comparison with the target 2010 and 2011 REBIT established in the Group's Consolidated Annual Budgets; the second based on the change in free cash flow in 2010 and 2011 compared with the figures defined in the Consolidated Annual Budgets prepared at the start of the year. If each of these four target objectives is met, the free shares assigned to each objective (i.e. one quarter of the total quantity per target objective) will be granted in full; if between 50% and 100% of the objective is met, the free shares will be granted in proportion to the percentage of the objective that is fulfilled, in linear fashion.
- **Presence conditions:** In order to claim definitive allocation of the shares, Messrs Philippe Camus and Pierre Leroy must still be serving as executives of Lagardère SCA on 1 April 2012; this condition will be deemed met in the event of their removal from their executive position or the non-renewal of their appointment for reasons other than negligence.
- **Retention of shares:**

With regard to Mr. Pierre Leroy, 100% of the shares actually granted must be retained in a registered account for a period of no less than two years, i.e. from 1 April 2012 to 1 April 2014.

With regard to both beneficiaries:

- pursuant to a decision by the Supervisory Board on 12 March 2008, 25% of the shares actually granted must be held in a registered account until the beneficiary ceases to serve as a legal representative of Lagardère SCA;
- pursuant to a decision by the Supervisory Board on 2 December 2009, an additional 25% of the shares actually granted must be held in a registered account until the value of the Lagardère SCA shares held is at least equal to one year of fixed and variable gross compensation; this condition will be assessed at the start of each year in light of the average December share price and the fixed compensation received over the course of the preceding year as well as the maximum theoretical amount of variable compensation.

At the close of the mandatory retention periods defined above, the corresponding shares will become transferable and may be traded under the terms and conditions established by law and in accordance with the fixed trading periods established by Lagardère SCA in the "Charter for Transactions carried out on Lagardère SCA shares by employees of the Lagardère Group" which provides for just three windows each year: between the 3rd and 30th day following the publication of annual and interim results, and the date of the annual shareholders' meeting.

The Managing Partners

7.4 ORGANISATION, OPERATION AND CONTROL OF THE COMPANY AND THE GROUP

7.4.1 GENERAL ORGANISATION OF THE GROUP

The consolidated financial statements of the Lagardère Group include some 550 companies. The full list of consolidated companies with their addresses can be found in the notes to the consolidated financial statements (see Chapter 6).

Lagardère SCA is the holding company that controls all the subsidiaries and other participating interests, draws up the strategy for the Group, guides and finances its development, makes the main management decisions to this end, and ensures those decisions are implemented both at its own level as the Group's Parent Company and in the operating subsidiaries.

Lagardère SCA itself has no personnel; the human and operational resources required for policy implementation and control of its Group's business activities belong to a service company called Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA as its sole shareholder.

Operational activities of the Group include:

- activities in the field of the Media, through Hachette SA (named Lagardère Media for commercial purposes) which controls operational business activities in the Book Publishing, Distribution Services, Press, Radio/Television, Audiovisual Production, New Media and Sports divisions, respectively via the following companies: Hachette Livre, Lagardère Services, Lagardère Active and Lagardère Sports;
- the 7.5% interest in EADS NV (after the sale in March 2009 of 2.5% of the share capital in redemption of the last Mandatory Exchangeable Bonds), held through a subsidiary itself owned by the French State and the Lagardère Group.

Other smaller business activities constitute the Other Activities segment and are under the control of Lagardère SCA.

7.4.2 ORGANISATION AND OPERATION OF LAGARDÈRE SCA

7.4.2.1 THE MANAGING PARTNERS

The general management of the Company is the responsibility of the Managing Partners who are appointed by the Supervisory Board on the unanimous proposal of the general partners. The Managing Partners represent the Company in its relations with third parties and engage its responsibility.

Drawing on the Executive Committee, comprised of several Group key management executives under the chairmanship of Arnaud Lagardère, the Managing Partners' role is to:

- draw up the strategy of the Group;
- guide development and control;
- take the major management decisions required for this and ensure those decisions are implemented both at the level of the Parent Company and in the various operating units.

The Executive Committee enlists the help of any of the Group's senior managers it considers to be of use to accomplish its mission.

To make sure the decisions taken are fully implemented and to check their implementation, the Managing Partners have set up a specific organisation, mainly composed of:

- the Group's Central Divisions;
- the Financial Committee.

The Group's Central Divisions

Three members of the Executive Committee have been given the task of organising and leading the Group's major central structures. The responsibilities necessary for implementation of the decisions taken, as well as follow-up and monitoring, are allocated between their three posts: the Group Secretary General, the Group Chief Financial Officer and the Chief Human Relations and Communications Officer.

The Internal Audit Division as well as certain specific divisions or departments, report directly to the Managing Partners.

In order to carry out the different missions entrusted to them, the Group's Central Divisions, their teams, and the corresponding material resources are grouped together within a single company, Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA. This company, chaired by one of the Managing Partners who is the Group Secretary General, employs almost 200 people, all reporting to the Central Directors and therefore ultimately to the Managing Partners of Lagardère SCA. As the missions entrusted to these Central Divisions are just as much for the benefit of Lagardère SCA as for all of the subsidiaries, these companies have various service agreements with Lagardère Ressources, which receives a fee for its services, generally of 0.9% of sales revenues (or gross margin for Hachette Distribution Services).

The Operating Units

Operating activities are conducted by legally independent companies grouped together in the following business divisions or operating units: Lagardère Publishing, Lagardère Services, Lagardère Active (which now covers all the Group's activities in the press, audiovisual and digital sectors), and Lagardère Sports.

Each business division has its own organisation, which has been set up by the Head of the division under the Managing Partners' control; the various companies and resources in the division are grouped together under a specific holding company: Hachette Livre for the Lagardère Publishing division, Lagardère Services for the Press Distribution division, etc.

Each Division Head is responsible for the general management of the holding company concerned whose Supervisory Board members (Board of Directors in the case of Hachette Livre) are mostly also members of Lagardère SCA's Executive Committee.

Thus, all the members of these holding companies' governing, managing and supervisory bodies are appointed by Lagardère SCA through its subsidiary Hachette SA as the sole shareholder of the said companies.

The Financial Committee

After the Executive Committee, the Financial Committee is the second most important entity for the tracking and control of the Group's operational activities.

The Financial Committee is chaired by the Group's Chief Financial Officer, and members include representatives of each of the Group's principal Central Divisions, as well as their respective management controllers, providing all the requisite skills for it to accomplish its mission.

Its principal task is to examine and monitor the following, in cooperation with the chief managers of each business division concerned:

- the budget for the coming year;
- the three-year plan;
- the annual financial statements;
- any significant investments (or disposals), particularly acquisitions of shareholdings in non-Group companies.

The Financial Committee's Chairman reports directly to the Managing Partners when they are not represented at its meetings.

Other Committees

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

7.4.2.2 THE SUPERVISORY BOARD

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 principally concerning the membership and operation of the Supervisory Board, and the internal control and risk management procedures applied by the Company.

All preparatory work for this report (including interviews with the Management) was presented at an Audit Committee meeting. The Supervisory Board approved the terms of the report at its meeting of 10 March 2010.

Membership and renewal of appointments

In accordance with the Company's by-laws, the Supervisory Board is composed of a maximum of fifteen members, appointed for a maximum term of six years.

Following the resignation of Mr. Henri Proglio on 16 November 2009, replaced by Mrs Amélie Oudéa-Castéra on 2 December 2009, and the resignation of Groupama on 23 December 2009, replaced by Mr. Xavier de Sarrau on 10 March 2010, the Board comprised the following 14 members on 10 March 2010.

		Date of first appointment or renewal	End of current period of office
Chairman of the Board Chairman of the Audit Committee	Raymond H. Lévy Honorary Chairman of Renault SA	11 May 2004	AGM 2010
Member of the Board	Bernard Arnault Chairman and Chief Executive Officer of LVMH	11 May 2004	AGM 2010
Member of the Board	René Carron Chairman of the Board of Directors of Crédit Agricole SA	11 May 2004	AGM 2010
Member of the Board	Martine Chêne Former archivist at Hachette Filipacchi Associés. Former CFDT union representative on the Group Employees' Committee	29 April 2008	AGM 2014
Member of the Board	Georges Chodron de Courcel Chief Operating Officer of BNP Paribas	2 May 2006	AGM 2012
Member of the Board Member of the Audit Committee	François David Chairman of the Board of Directors of Coface SA	29 April 2008	AGM 2014
Member of the Board	Xavier de Sarrau Lawyer	10 March 2010	AGM 2014
Member of the Board	Pierre Lescure Chairman and Chief Executive of Canal+ SA	29 April 2008	AGM 2014
Member of the Board Member of the Audit Committee	Christian Marbach Former Chairman of the French innovation agency ANVAR	2 May 2006	AGM 2012
Member of the Board Member of the Audit Committee	Bernard Mirat Former Deputy Chairman and Chief Executive Officer of Société des Bourses Françaises	2 May 2006	AGM 2012
Member of the Board	Javier Monzón Chairman of the Spanish company Indra Sistemas	29 April 2008	AGM 2014
Member of the Board	Amélie Oudéa-Castéra Axa Project Director for Finance, Strategy, Operations	2 December 2009	AGM 2010
Member of the Board Member of the Audit Committee	Didier Pineau-Valencienne Former Chairman and Chief Executive Officer of Schneider SA	29 April 2008	AGM 2014
Member of the Board	François Roussely Chairman of Crédit Suisse-France	11 May 2004	AGM 2010

These members form a competent, independent and attentive Supervisory Board, fully able to represent shareholders' interests.

A review of each Board member's position has concluded that nine Supervisory Board members – nearly two thirds of the Board – currently qualify as “independent” directors as defined by the AFEF-MEDEF report on corporate governance for listed companies, as applied by Lagardère (see below). The nine members concerned are:

- Mrs Martine Chêne,
- Mr. François David,
- Mr. Xavier de Sarrau,
- Mr. Pierre Lescure,
- Mr. Christian Marbach,
- Mr. Bernard Mirat,
- Mr. Javier Monzón,
- Mr. Didier Pineau-Valencienne,
- Mr. François Roussely.

Operation of the Supervisory Board

The terms and conditions of the Supervisory Board's organisation and operations are set forth in a set of internal rules (updated on 2 December 2009) which also define the duties incumbent on each member, and the code of professional ethics each individual member is bound to respect.

These rules concern the following:

1. **The independence of Board members:** the minimum quota for independent members is fixed at half of the total serving members. Independent members must have no direct or indirect relations of any kind with the Company, Group or management that could compromise their freedom of judgement or participation in the work of the Board.
2. **The annual number of meetings:** a schedule for the coming year is fixed annually, based on a proposal by the Chairman.
3. **The duties of each member:** apart from the fundamental duties of loyalty, confidentiality and diligence, members' obligations also concern knowledge of the law, regulations and by-laws, 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 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 shareholders' meeting, in the form of a block purchase for all Board members carried out through the Company;
 - shares must be retained for at least six months after the end of a Board member's term of office;
 - the Chairman, Managing Partners and Financial Markets Authority (AMF) must be informed of any transactions in shares within five days of their completion.
5. **The existence of an Audit Committee:** its task is to prepare the Board meetings for subjects within its remit.

The Supervisory Board meets regularly to review the financial situation and operations of the Company and its subsidiaries, the annual and interim financial statements, the outlook for each of the business activities and the Group's strategy. It also defines an annual schedule for the coming year's meetings: at least five are planned for 2010.

During 2009, the Supervisory Board met four times, in March, June, September and December, with an attendance rate of 93% at the March meeting, 78% at the June meeting, 86% at the September meeting and 77% at the December meeting.

The meetings of March and September were held primarily to examine the parent company and consolidated financial statements and general business position and outlook; like the other meetings, they were preceded by an Audit Committee meeting. The March meeting also renewed Mr. Arnaud Lagardère's term of office as Managing Partner, amended the Supervisory Board's internal rules, did preparatory work for the Annual General Meeting, and finalised the Board's report to the shareholders. At the June meeting, the Board examined the current position of the advertising market, EADS and Lagardère Services (presentations were given by the teams from the relevant entities) and reviewed the changes in the way the Audit Committee operates. In December, the Board formally recorded Henri Proglio's resignation, coopted Amélie Oudéa-Castéra to replace him and examined the positions of Lagardère Active, EADS and Lagardère Sports (presentations were given by the teams from the relevant companies).

Audit Committee

In application of its internal rules (as modified to include the new legal provisions applicable to the audit committees from 1 September 2009), it meets at least four times a year and its tasks include the following:

- to review the accounts and the continuity of the accounting methods used for the Lagardère SCA parent company and consolidated financial statements, and to monitor the process for elaboration of financial information;
- to monitor the audit of the parent company and consolidated financial statements by the Statutory Auditors;
- to monitor Statutory Auditors' independence;
- to issue a recommendation on the Statutory Auditors nominated for appointment at the shareholders' meeting;
- to ensure that the Company has internal control procedures, particularly procedures for (i) elaboration and processing of accounting and financial information used to prepare the accounts, (ii) risk assessment and management, (iii) compliance by Lagardère SCA and its subsidiaries with the main regulations applicable to them; the Audit Committee is informed of any observations and/or suggestions from the Statutory Auditors regarding these internal control procedures and examines the report of the Chairman of the Supervisory Board on internal control procedures and risk management;
- to monitor the efficiency of internal control and risk management systems;
- more specifically to review, as regards the internal auditing of the Company, its business activities, audit programme, organisation, operation and realisations;
- to review the agreements directly or indirectly binding the Group and the senior managers of Lagardère SCA;
- to prepare an annual summary of business over the past year for release to the shareholders.

The members of the Audit Committee interview the Group's main senior managers when necessary, and the Statutory Auditors also present a report on their work.

The Chairman of the Audit Committee reports to the members of the Board on the work conducted by the Audit Committee.

The Audit Committee met six times in 2009, in February, March, June, July, October and November.

All meetings were attended by all Committee members, giving an attendance rate of 100%.

The February meeting involved a review of intangible assets and impairment methods, analysis of recent acquisitions, presentation and examination of the Chairman's draft report.

The March meeting concerned the consolidated financial statements for 2008.

In June, the Committee focused on the internal audit activity, relations with the Statutory Auditors, and the effectiveness of internal control and risk management (including a review of Lagardère SCA's proposed action plan and measures for its implementation); finally, it examined the state of relations with Lagardère Capital & Management (LC&M).

The purpose of the July Audit Committee meeting was to examine the financial statements for the first half-year of 2009.

In October, the meeting included a presentation of the Committee's role and missions in the light of new regulations; the Committee also examined the initial results of the legal reporting system and the corresponding improvement plan, as well as reporting on counterparty risks.

At the last meeting of the year in November, the agenda concerned internal audit activities during the second half-year and the audit plan for 2010, and the Committee examined the external review by specialist consultants of the Group's Internal Audit, Risk Management and Internal Control.

These meetings took place in the presence of the Chief Financial Officer, the Director of Management Controls, the Director of Internal Audit and the Statutory Auditors. They were also attended by the senior executives concerned by the issues on the agenda, particularly the Central Accountancy Director, the Group's Legal Director and the Director of Risks.

When the Audit Committee reviewed the financial statements, the Chief Financial Officer gave a presentation of risk exposure and significant off balance sheet commitments.

Audit Committee members reserve the right to interview the Statutory Auditors without the Management in attendance.

Compliance with French corporate governance regulations – AFEP-MEDEF

The Company has applied the corporate governance principles brought together in the AFEP-MEDEF Code de Gouvernement d'Entreprise des Sociétés Cotées (Code of Corporate Governance for Listed Companies) revised in December 2008. This Code is available from the Corporate Governance section of Lagardère's website.

As stated in the Introduction to the Code, most of the recommendations it contains have been established with reference to companies with a board of directors. Companies with a management board and supervisory board, and limited partnerships with shares must make the necessary adjustments. By its very principle, a limited partnership with shares has strict separation of powers between the managing partners who run the company (and thereby the general partners who have

unlimited liability), and the supervisory board, which only reviews management actions after completion and does not participate in management.

Given Lagardère's specificities in terms of French law and its own by-laws as a limited partnership with shares, the Board has adopted an organisation structure considered appropriate to the nature of its work under the law and the recommendations of the AFEP-MEDEF Code for good governance.

The following comments concern the few recommendations not applied by Lagardère, and others not applied until recently but which the Board has decided to adopt.

A) INDEPENDENCE OF BOARD MEMBERS

In view of its control duties, the Board considers it necessary to have a majority of independent members (see above).

Each member's situation has therefore been examined in the light of the "criteria" for independence contained in the AFEP-MEDEF Code, which it has taken as a benchmark framework for analysis.

It has thus been decided:

- that Mrs Chêne's former employee status does not disqualify her as an independent member, since she benefited from a protective legal status due to her functions as union representative on the Group Employees' Committee. However, in the case of Mr. Raymond H. Lévy, employee status has been considered incompatible with qualification as an independent Board member;
- that the fact of having been a Board member for more than twelve years, which is the case for Mr. Mirat, does not disqualify him as an independent member; on the contrary, it is considered an asset in a control role;
- that the fact of being, or having been, a member of the Board of Directors or Supervisory Board of a company consolidated by Lagardère SCA or a company in which a Managing Partner or Supervisory Board member of Lagardère SCA holds a non-executive position does not affect the independence of Mr. François David, who was a director of EADS from 2004 to 2007, or of Mr. Pierre Lescure or Mr. Pierre Leroy (Co-Managing Partner of Lagardère SCA), who are both members of the Supervisory Board of Le Monde SA.

B) TERMS OF OFFICE

It was previously considered that for a Supervisory Board whose members should have sound experience of the Company's business, a six-year term of office, which is longer than the Code's recommendation of four years, was highly appropriate. Furthermore, given the number of members, with a six-year term one third of the Board could be renewed regularly, every two years.

The Board reviewed its position in early 2010 as it prepared to renew some of its members, and decided to reduce the term of office progressively from six to four years, in line with the position adopted by most listed companies. To move towards renewal of half of the Board rather than one third every two years, the terms of office submitted for renewal have been fixed at two years, while the terms of new members will be four years, such that at the end of the 2010 General Meeting some Board members will have two-year terms and others four-year terms, to expire at the end of the shareholders' meetings called respectively in 2012 and 2014 to approve the financial statements for the previous year.

C) STRUCTURE OF THE BOARD

As the Supervisory Board's mission is essentially to control the Company's accounts and management operations, it has set up an Audit Committee consisting of six members (four of whom qualify as independent under the criteria discussed above). The Audit Committee carries out preparatory work for Board meetings, mainly in the fields of accounting, finance and audit.

Since Lagardère systematically renewed one third of Board members every two years, it considered it unnecessary to set up an Appointments Committee as the Board itself could carry out the relevant work.

Also, given Lagardère's specificities as a limited partnership with shares, the Board considered that there was no need to set up a Remuneration Committee as the Supervisory Board has no specific duties regarding the Managing Partners' remuneration other than monitoring performance shares.

The senior executives are paid by another company, LC&M, under a management agreement with the Group that qualifies as a regulated agreement. This agreement is closely monitored by the Board, and the Board has asked the Audit Committee to have LC&M's accounts for this agreement presented to it every year, together with details of the remuneration concerned, which form an essential component of LC&M's expenses. The Committee is to report to the Board on this review and any resulting comments.

In early 2010 the Board decided to set up a committee to undertake preparatory work for Supervisory Board decisions required by the law or the AFEP-MEDEF corporate governance code regarding management remuneration for managers of a limited partnership with shares. Currently this only concerns supervision of the attribution of performance shares, as Lagardère SCA Managing Partners receive no termination payment if they leave the Company.

However, it considered that it could continue to select new Board members directly.

D) OPERATION OF THE BOARD

As recent regulations have significantly increased the workload for both the Board and its Audit Committee, leading to a progressive rise in the number of meetings, the Supervisory Board has decided to introduce a formal self-evaluation procedure from 2009, with the primary aim of assessing the preparation and quality of its own work and the work of the Audit Committee.

E) REMUNERATION OF THE SUPERVISORY BOARD

The distribution of attendance fees between members was modified in 2009, in order to reflect the actual participation by Board members in Board and Audit Committee meetings.

The total amount of attendance fees currently approved by the shareholders is €600,000, divided into two portions of €300,000 each:

- the first portion is allocated between all members of the Board, with a triple share for Audit Committee members and an extra allowance for the Chairman of the Board and Chairman of the Audit Committee. As a result, for the 14 Supervisory Board members and the six Audit Committee members in 2009, the standard share of attendance fees for a Board member was €10,714 and the standard share of attendance fees for an Audit Committee member was €32,142;
- the second portion is variable and is distributed according to actual attendance of the Supervisory Board and Audit Committee meetings.

Specific rules for attendance of general meetings by shareholders

These rules are set out in the by-laws (articles 19 to 22), and mostly reported in Chapter 8, section 8.2.6 - "General Meetings". The Company's by-laws can be consulted on its website (Investor relations – Corporate governance – Articles of Association).

Internal control and risk management procedures

Information on the internal control and risk management procedures used at Lagardère SCA is presented in the Reference Document.

A working party has been set up by the Group's Finance, Audit and Legal Divisions to define a method for presentation of internal control and risk management procedures in the Reference Document, and monitor their application.

This includes asking the head of each business division of the Lagardère Group to draw up a brief report on internal control and risk management procedures existing in the division, based on supporting documents and predefined specifications. I have examined the corresponding reports.

The working party's analysis using 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 7.4.3 of the 2009 Reference Document.

The internal control and risk management procedures in existence at EADS NV are described in the EADS Registration Document, and Canal+ France is covered by Vivendi's internal control and risk management system, which is described in the Vivendi Annual Report. These procedures are not reported in the Lagardère Reference Document.

The Chairman of the Supervisory Board

7.4.3 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

7.4.3.1 DESCRIPTION OF INTERNAL CONTROL PROCEDURES

A) *FRAMEWORK, RESPONSIBILITIES, OBJECTIVES AND SCOPE*

A.1 GUIDELINES FOLLOWED AND DUTIES

The following description of internal control procedures in place at Lagardère SCA is based on the published internal control framework recommended by the Financial Markets Authority (AMF). This description has been prepared by a working party set up within the Group to establish its methods and monitor application; this working party based its analysis on the areas for attention defined in this framework and the associated implementation guidelines.

Each business division head in the Group has been asked to draw up a brief description, following predefined specifications, of their own division's internal control and risk management procedures, based on the relevant supporting documents.

A.2 OBJECTIVES AND LIMITATIONS OF THE INTERNAL CONTROL SYSTEM

Lagardère SCA has introduced a certain number of internal control procedures designed to ensure:

- compliance with applicable laws and regulations;
- application of the instructions and orientations defined by the Managing Partners;
- proper operation of the Group's internal processes, particularly regarding safeguarding of its assets;
- reliability of financial information;

and in general to contribute to control of its business, 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.

A.3 SCOPE OF THE INTERNAL CONTROL SYSTEM

The procedures described below apply to subsidiaries that are fully consolidated in the Lagardère Group financial statements.

As Lagardère SCA only exercises significant influence over companies accounted for by the equity method, those companies are not covered by the Group's internal control system, although the Group may have specific control rights related to its status as a special shareholder. The internal control system in place in 2009 at EADS NV and Canal+ France (which is subject to Vivendi group procedures) are described in the EADS Registration Document and the Vivendi Annual Report respectively.

Companies that have recently entered the scope of the Lagardère SCA internal control system are progressively adapting their own internal control procedures for harmonisation with the Group's system.

B) *ORGANISATION AND DEFINITION OF RESPONSIBILITIES*

Section 7.4 contains a description of the Group's internal organisation and operations: Managing Partners, Central Divisions, Operating Units, the Financial Committee and other committees. Each of them has a duty to implement internal control for the scope under its responsibility.

Some bodies are more specifically involved in implementation of internal control, mainly the following divisions: the Audit Division, the Group's Legal Division, and in the Finance Division, the Management Control Division, the Accounting Division and the Risk and Internal Control Division.

C) INTERNAL CONTROL FOR PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION

C.1 REFERENCE DOCUMENTS AND PROCEDURE GUIDES FOR FINANCIAL REPORTING AND THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The persons concerned by the Group's financial reporting must adhere to a collection of reference documents defining the common principles for establishing the consolidated financial statements and monitoring forecasts. In particular, the "*Guide du Reporting du Groupe Lagardère*" (Lagardère Group Reporting system guide) provides details of a Charter for consolidation procedures, and a set of definitions of the main indicators used in the consolidated reporting package. There are also user and operator guides to the management system used by all Group companies, with details of the corresponding tasks.

Other key documents are provided to all concerned, particularly for the preparation of the consolidated financial statements. They include:

- a framework document defining the off-balance sheet items to be reported in the notes to the financial statements, and the treatment applicable;
- specific instructions issued when there are changes in accounting standards or their application or when annual impairment tests are prepared for intangible assets and goodwill arising upon acquisitions.

C.2 PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS, REPORTING SYSTEM

C.2.1 *The reporting system: frequency and timing*

The Lagardère Group's reporting system is structured by Operating Units (OUs). It is decentralised, hence each Operating Unit is responsible for producing its own figures.

The financial and non-financial information collected and consolidated using the Lagardère Group's reporting system must comply with legal requirements and satisfy the Group's own control and management needs. This information includes an income statement by activity and management indicators specific to each business type.

The overall reporting cycle is based on common principles and uses a single data base and management system shared by all the financial departments in charge of providing the information required, whether specific to management indicators or intended for publication.

This unified organisation of the cycle relies on the financial departments of each Operating Unit, and the Group's Finance Division. Under the supervision of the Group's Finance Division, 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.

C.2.2 *Preparation of budgets*

During the final quarter of the calendar year, all business divisions of the Group establish their three-year budgets, and submit to the Financial Committee a summary comprising the following key information with notes:

- sales;
- operating income and expenses;
- profit before finance costs and tax;
- net finance costs;
- profit for the year;
- cash flows from operations;
- free cash flow;
- cash flows from operating and investing activities;
- capital increases;
- dividends;
- capital employed;
- net indebtedness.

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

C.2.3 Reporting, monthly Group reports

Each Group company's financial departments enter data from their own monthly accounts into the Group's financial data base.

For each Operating Unit, these data include a balance sheet and an income statement with notes, and the principal key indicators from the income statement.

Careful attention is paid to regular revision of forecast figures such as year-end estimates.

These data are included in the Monthly Group Report established by the Group's Management Control Division and submitted to the Managing Partners and Group's principal managers. This document lists the evolutions in the following key indicators for each business division, with comments for each Operating Unit:

- sales;
- operating profit before associates;
- income from associates and other information;
- net finance costs;
- income tax expense;
- net income before discontinued operations and minority interests;
- cash flow from operations;
- change in working capital requirement;
- income taxes paid, interest paid and received;
- net purchases of tangible and intangible assets;
- free cash flow;
- net cash from financing activities;
- cash flows from operating and investing activities;
- change in cash surplus or net indebtedness;
- capital employed;
- cash surplus or net indebtedness.

The Monthly Group Report is presented to the Group's Chief Financial Officer before final distribution.

The Finance Division also prepares a monthly analysis of cash flows and balances for each Operating Unit, and a breakdown of bank covenants described in note 29.1.1 to the consolidated financial statements, in Chapter 6. A regular analysis of the counterparty risks described in the same note is also drawn up.

C.2.4 Half-yearly and annual consolidated financial statements

Additional information is supplied for the establishment of the half-yearly or annual consolidated financial statements for publication.

Chapter 6 contains a description of the principles and methods used in establishing the consolidated financial statements. For certain types of information, such as breakdowns of intercompany transactions, off-balance sheet commitments and derivatives, procedures are set out in memos applicable to all Group companies.

C.3 RELIABILITY AND CHANGES IN THE SINGLE DATABASE AND MANAGEMENT SYSTEM

C.3.1 Reliability of data entry

The single management system includes blocking controls which help prevent incidents and anomalies, and improve the reliability of data entry.

C.3.2 Security

As described in 7.4.3.2 - D.8 (System and IT network security), the Group's IT Division, together with the Risks Division, carries out frequent internal-evaluation surveys to assess the security of the systems and IT networks contributing to improve the security of these systems and networks.

C.3.3 Changes in the single database and management system

The single database and management system and its settings are upgraded to the latest versions as often as necessary. Specific resources (as described in C.3.2) are dedicated to data integrity, availability and confidentiality.

D) CONTROL PROCEDURES FOR COMMITMENTS AND CASH FLOWS

D.1 INVESTMENT AND DIVESTMENT PROCEDURE

The Group's investment procedure applies to:

- all financial investments or divestments and
- all acquisitions and disposals of tangible or intangible assets of over €10 million if previously planned, or €5 million if the transaction was not included in budgets, or lower amounts if the transaction has any effect related to anti-trust regulations, namely with regard to mono and plurimedia concentration thresholds.

The acquisitions and disposals under consideration are presented to the Financial Committee, which is chaired by the Group's Chief Financial Officer.

The Financial Committee issues an opinion by any appropriate means to the Managing Partners, after assessing the strategic value of the proposed transaction, after verifying that the risks generated by the transaction are known and can be managed, and after validating the underlying assumptions used to analyse profitability, based on the methodology and spreadsheets defined by the Group's Finance Division.

This procedure does not apply to cash management, or to capital increases by consolidated and/or controlled companies through incorporation of current account advances.

D.2 FINANCE AND CASH MANAGEMENT

The Cash Management and Financing Division defines the circumstances in which it uses banks for external financing or cash management services.

D.2.1 External financing

In general, only Lagardère SCA uses medium or long-term bank or market financing, and finances the business divisions itself. Apart from the financing of normal business operations, the divisions retain responsibility for certain previously-negotiated transactions, or specific operations such as securitisation; however, these operations require advance authorisation and are reported to the Group's Finance Division on a regular basis.

The Group's Finance Division can thus monitor the use of capital by companies in the Group. As explained in section C.2.3, this division permanently monitors bank covenants which are binding on the whole Group.

D.2.2 Cash/Treasury management

Cash investments must be in fixed-income instruments issued by top quality issuers, with maturities appropriate to the expected term of the investments. Speculative or high-risk investments are not permitted.

D.2.3 Hedging policy and market risk monitoring

The hedging and market risk monitoring policy is described in Chapter 3, section 3.5. The Group's General Management and operational managers regularly adjust the hedging policy and the corresponding control system in the light of the resulting priorities.

E) COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLYING TO THE GROUP – PROTECTION OF THE GROUP'S PROPERTY AND RIGHTS

The Group's business is governed by a certain number of laws and specific regulations, as set out in Chapter 3, section 3.3.1.

E.1 COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLYING TO LAGARDÈRE SCA

The Group's Legal Division, which reports to the Group Secretary General, is responsible for ensuring that the main laws and regulations applicable to Lagardère SCA are complied with.

In particular, this division examines mergers and acquisitions (partnerships, acquisitions, disposals, internal restructurings, etc) that are significant for Lagardère SCA, and supervises Lagardère SCA's organisation of financing operations and off-balance sheet commitments.

The Group's Legal Division also ensures that all regulations that may concern Lagardère SCA as the ultimate holding company of the Group (anti-trust laws, competition law, etc) are properly applied.

It is involved in all legal aspects of the business of Lagardère SCA's and the companies at the head of each business division. In this capacity, it monitors application of stock exchange regulations, since Lagardère SCA is listed on the Euronext Paris *Compartiment A*, and in 2006 introduced the full procedure necessary to prepare lists of insiders, in application of EU regulations.

A database has also been set up at the instigation of the Group's Legal Division, to record corporate information on features of each of its French and foreign companies.

E.2 COMPLIANCE WITH THE MAIN LAWS AND REGULATIONS APPLICABLE TO THE DIVISIONS

The Group's Legal Division is informed of all procedures introduced in each business division to ensure compliance with the laws and regulations specific to their activity, and these procedures are regularly monitored by these division's management bodies via their Legal Department or by external advisors.

E.3 LITIGATION MANAGEMENT

The Group's Legal Division manages all litigation involving Lagardère SCA, and any litigation involving the divisions when the potential consequences in terms of finance or image are considered significant for the Group. All other division-level litigation is handled by the Legal Department of the division concerned and/or by external advisors.

E.4 PROTECTION OF THE GROUP'S PROPERTY AND RIGHTS

The Group's brands and intellectual property rights are an essential part of its entire portfolio of property and rights.

The Group's Operating Units own a large number of undeniably well-known brands, which are directly managed and protected by the units.

In view of the importance of brand awareness for its business, particularly in press activities, audiovisual production, distribution and book publishing, the Group dedicates significant resources to protecting its portfolio of commercial brands. They are protected by registration, which is regularly renewed, and by legal action against any counterfeiters. The Group has set up a system for regular monitoring of brands, in liaison with specialist external advisors, to counteract all significant risks that may affect the validity of the Group's rights over those brands.

As the Lagardère brand is being increasingly used through the Group's business, in view of the resulting exposure the Group set up a wide-ranging policy in 2007 to extend international protection of the Lagardère name to cover areas where the Group is currently in development or expanding. This policy was pursued in 2009, and protection for the Lagardère brand is now established in all the continents.

In 2009, Lagardère SCA completed the procedure for introducing licensing agreements for use of its brands by the four business divisions when necessary.

E.5 REPORTING OF EXCEPTIONAL DIVISION TRANSACTIONS TO THE GROUP'S LEGAL DIVISION

The Group's Legal Division is informed of exceptional transactions planned by business divisions, including:

- acquisitions and disposals planned, which are reported under the procedure described in 7.4.3.1 - D.1 above. The Legal Division is represented at all financial committee meetings in order to keep abreast of such transactions;
- contractual commitments which individually involve financial commitments or off-balance sheet commitments that are significant at Group level; and
- legal restructuring plans involving major operational entities.

7.4.3.2 DESCRIPTION OF RISK MANAGEMENT PROCEDURES

Like any corporation, Lagardère is exposed to a variety of risks in the normal course of its business. The principal exposures identified are described in Chapter 3 "Risk factors". The Group pays particular attention to risk management, both at business division and central levels, under the coordination of central management.

A) BASIC PRINCIPLES

The Group accepts exposure to a controlled level of business risk in the course of its business activities.

The components of risk management 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 components 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 components cannot guarantee that all risks the Group may encounter in the future have been correctly analysed or even identified.

B) ORGANISATION AND DEFINITION OF DUTIES

In compliance with the Group's general organisation structure, the operational and functional managers remain in charge of the risks related to their respective fields of activity.

The General Management at the Head Office focuses particularly on monitoring of risks that can only be assessed at Group level or are considered significant at Group level due to their individual or cumulative scale.

As a rule, risk management is an integral part of the Group's management procedures and cannot be separated from them. However, certain procedures are specifically dedicated to risks, for example risk mapping or setting up insurance coverage.

The Central Divisions play a support, monitoring and coordination role in this respect.

Within the Finance Division, the Risk and Internal Control Division is in charge of proposing and heading the risk management policy. Working closely with the other Central Divisions and the business divisions, the Risk and Internal Control Division provides methodological support and advice, particularly for identification, analysis and quantification of risks, and also when financial or insurance coverage is set up. It is responsible for providing a synthesis on the Group's risks.

The Group also takes internal measures to strengthen the risk control culture through information-sharing and awareness-raising, and to reinforce the specific visibility of certain emerging risks and the capacity to cope with potential crises.

C) IDENTIFICATION AND ANALYSIS OF RISKS

A certain number of the Group's procedures contribute to risk identification, particularly:

- audit reviews,
- reporting activities described in sections 7.4.3.1 - C.1 and C.2, particularly for impairment tests and monitoring of off-balance sheet commitments,
- risk intelligence activities by the various administrative and business divisions,
- the investment procedure, which includes a section specifically dedicated to risks, and more generally pre-acquisition or pre-sale audits,
- review and regular renegotiation of insurance programmes,
- thematic reviews conducted as and when necessary, for instance the investigation of risks in IT systems and networks.

Lagardère SCA and its business divisions continue their general risk mapping policy, in order to rank the main risks to which the Group could consider itself exposed by seriousness, possibility of occurrence and degree of controllability.

The factors taken into account for risk analysis include: potential severity, likelihood of occurrence, emergence period, possible scenarios, internal and external limiting or aggravating factors, current and proposed control measures.

D) MANAGEMENT PROCEDURES

D.1 STRATEGIC AND COMMERCIAL RISKS: WORLDWIDE ADVERTISING MARKETS, ECONOMIC CLIMATE, CHANGES IN CONSUMER BEHAVIOUR

The Group's procedures for management of strategic and commercial risks form an integral part of its decision-making process.

Among other duties, the business divisions' General Managements are responsible for monitoring risks related to the economic climate and the worldwide advertising markets, technological developments such as the expansion of digital products and instruments, and changes in consumer behaviour.

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

D.2 RISKS ASSOCIATED WITH MAJOR CONTRACTS

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.

D.3 LEGAL RISKS

The management procedures for legal risks are an integral part of the relevant internal control procedures as described in section 7.4.3.1 - E.

D.4 RISKS ASSOCIATED WITH PAPER PRICES

Lagardère is very attentive to changes in paper prices: Lagardère Publishing's paper purchases are supervised by its Technical Division, and Lagardère Active's paper purchases are supervised by its Paper Procurement Department.

The risk of unfavourable developments in paper prices can be alleviated by inclusion of price smoothing clauses in purchasing contracts whenever it is possible to negotiate such clauses on acceptable economic terms.

D.5 MARKET RISKS (INTEREST RATE, EXCHANGE RATE AND EQUITY RISKS)

The following description is taken from note 29 to the consolidated financial statements in Chapter 6.

"Market risks are monitored at Group level by the Cash Management and Financing Division in cooperation with the Risk and Internal Control Division, under the responsibility of the Group's Chief Financial Executive.

Periodic reports are submitted to General Management. The Group has implemented a specific policy to reduce risks, introducing authorisation procedures and internal controls and using risk management tools to identify and quantify these risks. Derivatives are used exclusively in 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, with maturities appropriate to the planned duration of the investment. No investments are made in speculative or risky instruments.

There are no derivatives related to these investments."

D.6 CREDIT AND COUNTERPARTY RISKS

The following description is taken from note 29 to the consolidated financial statements in Chapter 6.

"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, action is taken for progressive introduction of monitoring procedures appropriate for credit risks.

The Group has set up periodic reporting on counterparty risks, to monitor the Group's consolidated exposure to risks on the principal counterparties, the variations in accumulated receivables, and the level of related provisions, and to oversee the measures for control of this type of risk.

The Cash Management and Financing Division is responsible for ensuring that the financial institutions with which the Group does business are of good quality."

D.7 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.

D.7.1 Prevention policy

Management of industrial and environmental risks is the duty of the operational managers of the sites concerned, with particular emphasis on compliance with the relevant regulations and standards.

The operational managers of sites for which certain environmental risks have been identified apply the regulations concerned and implement operational procedures, quality systems and a range of security measures specific to the business lines.

In view of the industrial past of certain Lagardère sites, the Group remains attentive to any environmental damage that may come to light.

D.7.2 Assessment of impact

Due to the limited nature of the Group's industrial and environmental risks, costs related to evaluation, prevention and remediation of those risks are included in the relevant investment and expense items and are not separately valued.

D.8 SYSTEM AND IT NETWORK SECURITY

The Group's IT Division, together with the Risk and Internal Control Division, carries out recurrent internal-evaluation surveys to assess IT system and network security. These surveys examine:

- the organisation and general security of information systems;
- physical security (against intruders or accidents);
- workstations (administration and protection);
- networks (local, remote, and via internet);
- control of access to resources;
- availability of applications and data.

All measures to preserve data confidentiality, protect the systems against intruders, and minimise the risk of system breakdown are adjusted based on the results of these surveys.

A charter for use of the information systems applies to all Group employees.

The Group is also continuing to extend its secure communication network, both in France and internationally.

D.9 INSURANCE

The financial consequences of certain risks can be covered by insurance policies when this is justified by the scale of the risk, provided insurance coverage is available at acceptable conditions.

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

The Group generally seeks to insure all insurable assets for their estimated value, and business interruptions for their estimated cost, in keeping with the relevant best practices.

However, given the diversity of situations and the specificities of the insurance market, it cannot be considered that the Group will be covered by insurance in all circumstances, nor that existing insurance coverage will always be effective.

The Risk and Internal Control Division is in charge of overseeing use of insurance in the Group, with a coordination and advisory role in this respect.

7.4.3.3 MONITORING AND CHANGES IN INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

A) AUDIT

The Group's Audit Division, supervised by the Managing Partners, carries out permanent internal audit work either as part of the annual audit plan or following specific requests from the Managing Partners and the Group's Finance Division or from the heads of the business divisions. Its scope of intervention includes all fully-consolidated companies.

The main areas covered are:

- monitoring internal control and risk management procedures;
- review of operational and financial risks;
- participation in connection with mergers, acquisitions or sales;
- monitoring of action plans issued after audits.

The Group's Audit Division presents to the Audit Committee the annual audit plan, a summary of the work carried out, the resulting conclusions and details of their application. The Audit Committee is thus able to examine the main conclusions resulting from internal audit work and ask any questions considered necessary.

In addition to the work done by the Group's Audit Division, further action may be taken directly by the business divisions on their own behalf.

B) SELF-EVALUATION OF INTERNAL CONTROL

An internal self-evaluation procedure exists for the internal control at Lagardère SCA's main entities/subsidiaries. Starting from 2010, this is carried out by the Risk and Internal Control Division.

The objectives are to further improve the control and efficiency of operations for continuous improvement, and clearly define the internal control responsibilities of operational staff.

The methodology is based on definition of a Group reference framework consisting of six financial and eight operational processes, concerning 195 risks covered by 386 points of control. For each point of control, the self-assessment aims to list and assess the formalisation of existing procedures and controls. An action plan is drawn up where necessary for certain key controls in response to the areas for improvement identified.

Risk management is part of the cycles covered by the internal control's internal evaluation.

The resulting information is used by operational management in their quality assessment of the internal control procedures they oversee, and for implementation of improvement plans.

This information is included in the scope of audits carried out by the Group's Audit Division.

This self-evaluation approach leads to better formal definition of internal control procedures, and their adoption by all operational managers. Progress on the improvement plans identified by operational staff is also monitored.

C) CHANGES IN INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The Group's General Management and operational managers adjust the internal control and risk management procedures according to the priorities identified as a result of all the monitoring actions.

In 2009, it decided:

- to set up a dedicated internal control function in the Finance Division, with the main purpose of supervising the Group's internal control procedures and establish a report; this led to creation of the Risk and Internal Control Division;
- to reinforce the risk mapping process;
- to make the audit plan multi-annual, with the accent on coverage of all significant entities in the Group, by rotation;
- to redefine the ways audit missions are implemented.

7.4.3.4

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 226-10-1 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF LAGARDERE SCA

To the shareholders,

In our capacity as Statutory Auditors of Lagardère SCA and in accordance with Article L. 226-10-1 of the French Commercial Code, we hereby report on the report prepared by the Chairman of your Company's Supervisory Board in accordance with the requirements of this article for the year ended 31 December 2009.

It is the responsibility of the Chairman of the Supervisory Board to prepare and submit for the Supervisory Board's approval a report on internal control and risk management procedures implemented by the Company. This report must provide the additional information required under Article L. 226-10-1 of the French Commercial Code relating to corporate governance.

It is our responsibility to:

- Report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- Confirm that this report includes the other information required by Article L. 226-10-1 of the French Commercial Code, having specified that it is not our responsibility to verify the fairness of this other information.

We have conducted our work in accordance with the professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of 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 accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- Obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- Determining if any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with the provisions of Article L. 226-10-1 of the French Commercial Code.

Other information

We confirm that the report of the Chairman of the Supervisory Board also contains the other information required by article L. 226-10-1 of the French Commercial Code.

Courbevoie and Neuilly-sur-Seine, 23 March 2010

The Statutory Auditors

Mazars
Bruno Balaire

Ernst & Young et Autres
Jeanne Boillet

7.5 TRANSACTIONS CONCLUDED WITH RELATED PARTIES (MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD)

7.5.1 TRANSACTIONS CONCLUDED WITH LAGARDÈRE CAPITAL & MANAGEMENT (LC&M)

Lagardère Capital & Management, controlled and chaired by Mr. Arnaud Lagardère and with Mr. Pierre Leroy as Chief Operating Officer, is the material embodiment of the Group. Lagardère Capital & Management provides an array of management resources and skills to both the Group and each of its component parts, with the following aims:

- over the long term, to guarantee that the Group's operating businesses have the best environment required for expansion,
- to bring them the economic and financial power of a Group with sales of €8 billion,
- to supply the Group with strategic planning and operational services, coupled with high quality management services, including principally:
 - designing and developing economic and financial strategic scenarios; providing project monitoring skills;
 - providing research and follow up concerning major markets and their evolution; assessing factors in different market environments that may create new opportunities for action;
 - keeping a watchful eye on potential investments and divestments;
 - managing business negotiations such as divestments, mergers and acquisitions;
 - orchestrating corporate operations, including state-of-the-art finance and capital management techniques;
 - establishing and maintaining relations in banking and finance, with particular attention to the characteristics of the various countries in which the Group does or plans to do business;
 - enhancing human resources by attracting high-potential management personnel;
 - providing overall management of the Group's image.

To attain these goals and accomplish its mission, Lagardère Capital & Management employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee, in collaboration with the Managing Partners, is to develop and ensure the application of Group strategy, to lead the Group's development, to take the resultant necessary decisions and implement them globally at Parent Company level and in the Group's different business activities. Lagardère Capital & Management is responsible for paying the entire remuneration and related working expenses of these managers, and the fees of outside French or international consultants that may be required.

Lagardère Capital & Management's mission is carried out within the framework of its agreement with Lagardère Ressources (formerly Matra Hachette Général). This agreement is described each year in the Auditors' Special Report issued under article L. 226-10 of the French Commercial Code and published in the annual report.

Since 2004, the remuneration of Lagardère Capital & Management is equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, with an absolute upper limit set at €1 million. Expenses charged are examined for each fiscal year by the Audit Committee, which pronounces an opinion on the way they are changing. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

As a result, in 2009, Lagardère Capital & Management invoiced €19.5 million to the Group, compared to €18.9 million in 2008.

Payroll costs recorded by Lagardère Capital & Management amounted to €16.0 million. This figure corresponds to €10.2 million for gross salaries, not including payroll taxes and the pension provision. After deducting other expenses (support costs reimbursed to the Group for €1.9 million and fees and miscellaneous expenses for €0.5 million), this left operating profit after tax from the above agreement of €0.66 million.

7.5.2 TRANSACTIONS CONCLUDED WITH MEMBERS OF THE SUPERVISORY BOARD

See sections 7.2.4.2 to 7.2.4.4

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▶ CHAPTER 8

OTHER INFORMATION ON THE COMPANY

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8.1 SHARE CAPITAL

8.1.1 AMOUNT AND CHANGES IN THE SHARE CAPITAL

8.1.1.1 AMOUNT

On 31 December 2009, the share capital of the Company amounted to €799,913,044.60 and was divided into 131,133,286 shares of par value €6.10 each, all ranking pari passu and fully paid.

8.1.1.2 CHANGES IN THE SHARE CAPITAL OVER THE LAST FIVE 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
2005	Exercise of share subscription options	1,223,435	7,462,953	32,291,722	866,456,932	142,042,120
2006		649,111	3,959,577	24,764,519	870,416,509	142,691,231
2007	Reduction of share capital	(8,561,474)	(52,224,991)	(437,478,371)	818,191,517	134,129,757
	Exercise of options	3,529	21,526	198,368	818,213,044	134,133,286
2008	Reduction of share capital	3,000,000	18,300,000	(121,807,204)	799,913,044	131,133,286
2009	-	-	-	(121,807,204)	799,913,044	131,133,286

As shown in the above table, all changes in the share capital over the last five years result from the exercise of share subscription options by employees and the share capital reduction by cancellation of treasury shares.

8.1.2 TREASURY STOCK

8.1.2.1 AMOUNTS

At 31 December 2009, the Company directly held 4,238,948 of its own shares (par value: €6.10), representing 3.23% of the total share capital at that date. The total cost of these shares was €160,778,485.73.

Based on the average weighted market price of Lagardère SCA's shares in December 2009 (€29.17 per share) a provision of €37,118,750.17 was recorded, reducing the total carrying value of treasury shares directly held by the Company to €123,659,735.56.

8.1.2.2 SHARE BUYBACK PROGRAMMES: SHARES ACQUIRED, SOLD, TRANSFERRED OR CANCELLED

A) OPERATIONS CARRIED OUT IN 2009

Due to the economic and financial environment, buyback operations carried out by the Company in 2009 under the authorisations granted by the General Meetings of 29 April 2008 and 28 April 2009 only related to the last of the following four major objectives: remittal of shares to beneficiaries of purchase option plans or free share allocation plans, reduction of the share capital, acquisition of shares for retention in view of future transfers or exchanges in consideration for acquisitions, and ensuring proper liquidity of the market for Lagardère SCA's shares through a liquidity contract.

A.1 ACQUISITIONS AND UTILISATIONS

Under the €20 million liquidity contract signed in mid-October 2008 and renewed for a period of one year with Crédit Agricole Chevreux, in order to maintain liquidity of its shares in 2009, the Company:

- acquired 1,555,391 shares for a total price of €41,348,513.91 or an average per-share price of €26.58;
- sold 1,496,391 shares for a total price of €39,450,194.71 or an average per-share price of €26.36.

A.2 PARTIAL REALLOCATION FOR OTHER USES

None.

B) POSITION AT 31 DECEMBER 2009

At the end of 2009, the 4,238,948 shares directly held by the Company and representing 3.23% of the share capital were allocated as follows:

- 1,599,250 shares for future allocation to employees (stock purchase option plans, free share allocation plan, etc.), representing 1.22% of the share capital;
- 2,476,698 shares for retention in view of future transfers or exchanges in consideration for acquisitions, representing 1.89% of the share capital;
- 163,000 shares for ensuring proper liquidity of the market for Lagardère SCA's shares, representing 0.12% of the share capital.

Lagardère also held rights to purchase 6,341,993 shares from Barclays Bank Plc in the form of call options at the prices stated below, for subsequent resale at the same prices to Group employees benefiting from the stock purchase option plans awarded between 2003 and 2006.

Date of Plan	Number of shares to be acquired	Exercise price (in euros)	Expiry date for call options
2003	1,353,068	51.45	18 December 2013
2004	1,515,831	51.92	20 November 2014
2005	1,651,194	56.97	21 November 2011
2006	1,821,900	55.84	14 December 2012

In order to adjust the coverage of its obligations under stock purchase option plans to the number of options remaining available for exercise at 31 December 2009, on 20 January 2010, the Company partially cancelled the hedging contracts concluded outside the market in 2005, 2006 and 2007 with Barclays Bank Plc. This reduced the number of calls, corresponding to the number of shares employees may acquire, to match the number of purchase options outstanding as of that same date, i.e. 5,791,141 shares.

C) OPERATIONS CARRIED OUT UNDER THE AUTHORISATION GRANTED BY THE GENERAL MEETING OF 28 APRIL 2009

The General Meeting of 28 April 2009 renewed the authorisation granted to the Managing Partners by the General Meeting of 29 April 2008 to acquire Lagardère SCA shares representing up to 10% of the share capital, for a maximum amount of €500 million, and at a maximum per-share purchase price of €60, mainly for the following purposes:

- allocation to employees;
- retention in view of future transfers or exchanges in consideration for acquisitions;
- ensuring proper liquidity of the market for Lagardère SCA's shares, within the framework of a liquidity contract signed with an independent investment services firm, whose terms and conditions comply with the Code of Conduct recognised by the French Financial Market Authority (AMF);
- reduction of the share capital by cancelling all or some of the shares purchased.

The corresponding share buyback programme was described in a press release issued on 15 July 2009.

This authorisation was granted for an 18-month period starting on 28 April 2009.

Under this authorisation, between 28 April 2009 and 28 February 2010, the Company acquired 1,546,870 shares for a total price of €42,348,833.58, and sold 1,480,590 shares for a total price of €39,035,569.21, on the market, under the liquidity contract referred to above.

The Annual General Meeting of 27 April 2010 will be asked to renew this authorisation.

8.1.3

**OTHER SECURITIES AND RIGHTS GRANTING
ACCESS TO THE COMPANY'S SHARE CAPITAL**

8.1.3.1

SECURITIES

None of the existing securities grant or may grant immediate or future access to the Company's share capital.

8.1.3.2

SHARE SUBSCRIPTION OPTIONS

At 31 December 2009, there were no subscription options outstanding which if exercised would result in the issue of an equivalent number of new shares, the last share subscription plan having expired in December 2007.

8.1.3.3

FREE SHARE ALLOCATIONS

The shares due to be remitted to employees in 2011 as a result of free share allocations made in 2009 will in principle be new shares created through a capital increase by capitalisation of reserves; the maximum number of shares to be created for that purpose would amount to 571,525 shares of €6.10 par value each, representing a maximum share capital dilution of 0.4% which could be offset by cancellation of an equivalent number of treasury shares.

8.1.4

AUTHORISED, UNISSUED SHARE CAPITAL

The Combined General Meeting of 28 April 2009 authorised the Managing Partners, for a period of 26 months:

- to issue, with or without preferential subscription rights, securities granting immediate or future access to the Company's capital, within the following limits:
 - maximum nominal amount of capital increases which may result from authorised issues, representing 37.5% of the existing share capital: ≈ €300 million
 - maximum authorised for bond issues: €2,500 million
- to increase the share capital by incorporating reserves or share premiums and issue bonus shares to shareholders (or raise the par value of existing shares) within the limit of 37.5% of the existing share capital: ≈ €300 million
- to issue new shares, allocate free shares or grant stock subscription or purchase options to Group employees and senior managers, within the limit of 3% of the number of shares making up the share capital, i.e. a maximum nominal amount of capital increase of: ≈ €24 million

It being understood that:

- the annual number of free shares allocated to employees and senior managers of the Group cannot exceed 0.5% of the total number of shares making up the share capital, and the number allocated to each senior manager cannot exceed 0.025%;
- the annual number of share subscription or purchase options allocated cannot concern more than 1.5% of the total number of shares making up the existing share capital, and the number allocated to each senior manager cannot exceed 0.075%.

Only the authorisation relating to attributions of free shares was used in 2009, as follows:

- on 1 October 2009, attribution to 335 persons of 521,525 rights to the allocation of free shares;
- on 31 December 2009, attribution to 2 senior managers of 50,000 rights to the allocation of free shares.

Concerning securities that do not grant access to the Company's capital, it should be noted that the Meeting of 28 April 2009 renewed the authorisation granted to the Managing Partners to issue, on one or more occasions, bonds and securities other than securities granting access to the Company's capital, up to a maximum amount of €2.5 billion.

8.1.5 PLEDGES OF COMPANY SHARES

8.1.5.1 PLEDGES OF REGISTERED SHARES OF THE COMPANY AT 31 DECEMBER 2009

Number of shareholders: 133.

Number of shares: 12,648,093, or 9.645% of the share capital.

8.1.5.2 PLEDGES OF COMPANY SHARES REGISTERED IN THE NAMES OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF THE SHARE CAPITAL AT 31 DECEMBER 2009

These pledges concern 12,184,357 shares held by Lagardère Capital & Management, or 9.29% of the share capital.

8.1.6 STOCK MARKET INFORMATION

8.1.6.1 GENERAL

Number of shares making up the share capital at 31 December 2009: 131,133,286.

Number of shares listed on 31 December 2009: 131,133,286.

Listed: NYSE-Euronext Paris – *Compartiment A*.

8.1.6.2 DIVIDENDS, SHARE PRICES AND TRADING VOLUMES

Dividends per share

Year of payment	Number of shares entitled to dividend	Net dividend (€ per share)	Tax credit (€ per share)	Gross dividend (€ per share)	Total dividends (€ million)
2005	136,720,742	1.00	None	1.00	136.72
(Exceptional dividend)	136,898,627	2.00	None	2.00	273.79
2006	139,648,467	1.10	None	1.10	153.61
2007	133,685,820	1.20	None	1.20	160.42
2008	130,128,551	1.30	None	1.30	169.17
2009	126,812,338	1.30	None	1.30	164.86

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: NYSE-Euronext Paris

Year	Month	Total shares traded	Average daily volumes	Total amount traded (€ thousand)	Average daily amount traded (€ thousand)	Opening price on last trading day of month (in €)	High for month (in €)	Low for month (in €)
2006	January	13,248,315	602,196	865,154.70	39,325.20	64.95	67.15	62.75
	February	11,264,736	563,237	751,782.40	37,589.10	65.45	68.90	64.65
	March	19,179,264	833,881	1,236,802.10	53,774.00	64.30	66.70	62.50
	April	16,815,499	934,194	1,112,815.70	61,823.10	66.25	68.20	64.10
	May	29,448,390	1,338,563	1,874,047.40	85,184.00	60.35	67.15	59.30
	June	20,531,117	933,233	1,173,536.50	53,342.60	57.60	62.70	54.00
	July	14,412,673	686,318	794,566.50	37,836.50	54.70	58.40	53.00
	August	9,247,417	402,062	514,715.00	22,378.80	56.90	57.50	53.90
	September	13,407,974	638,475	753,237.10	35,869.40	56.70	57.70	54.40
	October	13,904,457	632,021	777,755.00	35,352.50	56.95	57.80	54.40
	November	14,996,222	681,646	842,652.20	38,302.40	55.65	57.85	54.75
	December	13,601,768	715,883	789,108.60	41,532.00	61.05	61.40	54.70
2007	January	16,074,426	730,656	979,060.00	44,502.70	59.70	63.30	58.45
	February	11,302,068	565,103	676,990.70	33,849.50	56.80	61.05	56.80
	March	21,818,528	991,751	1,258,599.80	57,209.10	57.91	61.98	55.28
	April	12,618,669	664,140	732,315.20	38,542.90	57.27	59.45	57.11
	May	17,864,818	812,037	1,068,992.40	48,587.40	61.20	62.20	56.81
	June	18,718,946	891,378	1,176,368.70	56,017.60	64.09	65.29	59.50
	July	16,175,072	735,231	993,341.30	45,151.90	58.39	64.38	57.70
	August	18,223,501	792,326	1,061,010.90	46,130.90	59.44	60.07	56.00
	September	12,708,022	635,401	750,614.80	37,530.70	59.26	60.90	56.79
	October	17,627,123	766,397	1,035,778.30	45,033.30	58.45	62.90	56.92
	November	13,338,149	606,280	730,370.80	33,198.70	54.90	58.76	51.62
	December	10,335,395	543,968	559,239.80	29,433.70	50.45	56.16	50.15
2008	January	20,061,923	911,906	984,475.50	44,748.90	48.78	54.68	42.63
	February	16,425,586	782,171	828,661.80	39,460.10	51.63	54.02	46.77
	March	14,515,191	763,957	701,007.80	36,895.10	47.36	52.84	44.80
	April	14,668,638	666,756	689,047.90	31,320.40	45.70	49.92	45.10
	May	21,317,292	1,015,109	975,938.90	46,473.30	45.53	47.40	44.14
	June	21,055,732	1,002,654	881,544.20	41,978.30	36.19	47.93	35.80
	July	27,741,101	1,206,135	922,619.60	40,113.90	35.29	36.45	30.06
	August	14,533,230	692,059	549,200.30	26,152.40	38.12	39.30	34.63
	September	22,078,965	1,003,589	782,050.60	35,547.80	30.26	39.48	30.10
	October	31,909,460	1,387,368	904,492.10	39,325.70	31.00	33.16	23.56
	November	15,034,433	751,722	440,456.70	22,022.80	27.42	34.30	24.91
	December	12,243,854	583,041	343,787.90	16,370.90	28.60	30.17	25.65
2009	January	12,950,452	616,688	393,505.00	18,738.30	30.890	31.905	28.600
	February	10,751,894	537,595	306,959.70	15,348.00	25.945	31.270	25.330
	March	24,688,166	1,122,189	533,565.70	24,253.00	20.345	25.640	19.110
	April	14,720,495	736,025	343,921.50	17,196.10	24.350	24.830	20.750
	May	18,567,368	928,368	437,679.70	21,884.00	24.060	25.240	21.950
	June	13,386,235	608,465	317,720.50	14,441.80	23.685	24.890	22.650
	July	17,488,724	760,379	438,247.60	19,054.20	26.715	29.120	22.025
	August	11,395,344	542,635	314,326.40	14,967.90	30.050	30.885	25.785
	September	13,471,035	612,320	421,203.20	19,145.60	32.940	33.705	28.300
	October	14,377,897	653,541	478,881.50	21,767.30	32.000	35.645	30.795
	November	12,220,602	581,933	370,694.20	17,652.10	28.910	32.065	28.340
	December	10,344,438	470,202	301,635.80	13,710.70	28.610	30.675	27.800
2010	January	14,112,176	705,609	400,143.40	20,007.20	27.310	29.625	26.965
	February	12,979,420	648,971	354,061.20	17,703.10	26.580	28.890	26.185

8.1.7

OPTIONS GRANTED TO THIRD PARTIES ON SHARES MAKING UP THE SHARE CAPITAL OF CERTAIN CONSOLIDATED GROUP COMPANIES

Some investments included in Lagardère SCA's consolidated financial statements are subject to put options for which exercise is conditional on certain events. These commitments are described in the notes to the consolidated financial statements presented in Chapter 6 of this Reference Document. At the date of filing, there were no other put options concerning all or part of any significant investment⁽¹⁾ held directly or indirectly by Lagardère SCA.

8.1.8

SHARE OWNERSHIP STRUCTURE – PRINCIPAL SHAREHOLDERS

8.1.8.1

CHANGES IN SHARE OWNERSHIP STRUCTURE AND VOTING RIGHTS OVER THE LAST THREE YEARS

Shareholders	At 31 December 2009			At 31 December 2008			At 31 December 2007		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Lagardère Capital & Management ^(*)	12,610,893	9.62	13.86	13,513,222	10.31	13.25	13,513,222	10.07	12.96
French institutional investors	26,229,338	20.00	21.34	21,707,721	16.55	19.15	21,388,629	15.95	18.92
Non-French institutional investors	76,720,727	58.51	52.26	79,285,638	60.46	54.13	83,603,848	62.33	55.31
General public	9,526,185	7.26	10.37	10,153,149	7.74	10.87	9,142,390	6.82	10.09
Employees and Group Savings Plan investment funds	1,807,195	1.38	2.17	2,293,608	1.75	2.60	2,474,404	1.84	2.72
Treasury stock	4,238,948	3.23	-	4,179,948	3.19	-	4,010,793	2.99	-
Total	131,133,286	100	100	131,133,286	100	100	134,133,286	100	100

(*) Mr. Arnaud Lagardère, Lagardère SAS and its subsidiary Lagardère Capital & Management.

Of the 1.38% of capital held by Group employees, 0.59% is held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

At 31 December 2009, the share capital was held by 78,705 shareholders.

8.1.8.2

SHAREHOLDING THRESHOLDS CROSSED IN 2009

On 11 June 2009, Lagardère Capital & Management controlled by Mr. Arnaud Lagardère, acting in concert with the latter and Lagardère SAS, declared that its holding had decreased to below the threshold of 10% of the share capital.

8.1.8.3

CONCERT WITH OTHER GROUPS

None.

(1) "Significant investments" are shareholdings above €150 million.

8.1.8.4 VOTING RIGHTS

Including the double voting rights attributed to shares registered in the name of the same shareholder for at least four years (see section 8.2.6.4), the total number of rights to vote at meetings at 31 December 2009 was 161,774,892.

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 2009 amounted to 170,895,330.

The total number of voting rights (gross and net) is now published every month at the same time as the amount of the share capital.

The percentage of voting rights held by Supervisory Board members was 0.03%.

Under the by-laws, the number of voting rights to be taken into consideration for assessing whether thresholds have been crossed is the total number of rights to vote at meetings, i.e. 161,774,892 at 31 December 2009.

8.1.8.5 PRINCIPAL SHAREHOLDERS

Mr. Arnaud Lagardère, personally and via his two companies, Lagardère SAS and Lagardère Capital & Management (LC&M), is the largest permanent shareholder in the Lagardère Group with 9.62% of the capital and 13.86% of the rights to vote at meetings. In accordance with the Company's by-laws (see section 8.2.6.4), all shares which have been registered in the name of LC&M for at least four years carry double voting rights. LC&M's share capital is held by its Chairman, Mr. Arnaud Lagardère, who is also a Managing Partner of Lagardère SCA, as is Arco, a subsidiary of LC&M.

Based on declarations of thresholds crossed:

- at 31 December 2009, 9.99% of the share capital and 8.09% of the rights to vote at meetings were held by AllianceBernstein of the Axa insurance group;
- at 31 December 2009, 6.60% of the share capital and 5.35% of the rights to vote at meetings were held by Qatar Investment Authority.

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 2010 in Chapter 4, section 4.3.

8.2 PRINCIPAL PROVISIONS OF THE COMPANY'S BY-LAWS

8.2.1 CORPORATE PURPOSE

Lagardère's purpose is, in France and abroad:

- to acquire any form of interests or investments in all types of corporation or business, whether French or foreign, by any appropriate means;
- to manage any type of security portfolio and to carry out any related spot or future transactions, whether contingent or not;
- to acquire and license any patents, trademarks, and commercial and industrial businesses;
- and more generally, to carry out any commercial, financial, industrial, security and real estate transactions related to the above purposes or to any other purpose related thereto with the aim of fostering the development of the Company's operations.

8.2.2 MANAGING PARTNERS

1. The Company is managed by one or more Managing Partners (*Gérants*).

Following the death of Mr. 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 Mr. Arnaud Lagardère as Managing Partner for a six-year term.

For information:

- The Company is now managed by two Managing Partners: Mr. Arnaud Lagardère and the company Arjil Commanditée-Arco.
- On 11 March 2009, the Supervisory Board approved the General Partners' proposal to renew Mr. Arnaud Lagardère's appointment as Managing Partner for a six-year term.
- When Arjil Commanditée-Arco's appointment as Managing Partner was renewed for a further six-year period on 10 March 2010, the Supervisory Board, in application of the provisions of article 14-2 of the by-laws, approved the following persons as the Company's legal representatives upon proposal of the General Partners:
 - Mr. Arnaud Lagardère, Chairman and Chief Executive Officer;
 - Mr. Philippe Camus, Deputy Chairman and Chief Operating Officer;
 - Mr. Pierre Leroy, Deputy Chairman and Chief Operating Officer;
 - Mr. Dominique D'Hinnin, Chief Operating Officer;
 - Mr. Thierry Funck-Brentano, Chief Operating Officer.

2. Throughout the life of the Company, any new Managing Partner is appointed unanimously by the General Partners, with the approval of the Supervisory Board or of the General Meeting according to the provisions of article 14 of the by-laws.

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 law or the by-laws to the meeting of shareholders and to the Supervisory Board.

In accordance with the law, each Managing Partner may, in the name of the Company, authorise and grant any sureties, warranties and undertakings which he deems reasonable.

Each Managing Partner may delegate part of his powers to one or more persons, whether or not they are employees of the Company and whether or not such persons have a contractual relationship with the Company. Such delegation in no way affects the duties and liability of the Managing Partner in relation to the exercise of such powers.

4. The Managing Partner(s) must take all necessary care in handling the business of the Company.
5. The age limit for a person who is a Managing Partner is 80 years.
6. The term of office of a Managing Partner cannot exceed six years and is renewable.

A Managing Partner who wishes to resign must inform the other Managing Partners, the General Partners and the Chairman of the Supervisory Board, by registered letters with acknowledgment of receipt, at least three months before the date on which the said resignation is to take effect.

In the event that a corporate General Partner which is also a Managing Partner of the Company changes its Managing Partner(s), the Chairman of its Board of directors and/or its General Manager(s), it is automatically deemed to have resigned as Managing Partner of the Company, with immediate effect. This is also the case on expiry of the approval of such persons given by the Supervisory Board as described in section 8.2.3, or in the event of sale or subscription of shares which the Supervisory Board has not approved as described in section 8.2.3.

When a Managing Partner's office terminates, the management of the Company is carried out by the Managing Partner(s) who remain(s) in office, without prejudice to the right of the General Partners to appoint a new Managing Partner as a replacement, or to renew the appointment of the outgoing Managing Partner, as described in paragraph 2 above.

When a sole Managing Partner's term of office terminates, one or more new Managing Partner(s) are appointed, or the outgoing sole Managing Partner is reappointed, as described in paragraph 2 above. However, pending such appointment(s), the Company is managed by the General Partner(s) who may delegate all necessary powers for the management of the Company until the new Managing Partner(s) has been appointed.

A Managing Partner may be dismissed at any time on the grounds of incapacity (whether as a result of insolvency proceedings or otherwise) or for any other cause, by the unanimous decision of the General Partners, after the Supervisory Board has expressed its opinion as described in section 8.2.3. A Managing Partner may also be dismissed for just cause, by decision of the courts.

8.2.3 SUPERVISORY BOARD

Composition of the Supervisory Board (Article 12)

1. The Company has a Supervisory Board composed of a maximum of 15 members, selected exclusively from shareholders who are neither General nor Managing Partners.
2. The Board members are appointed or dismissed by the shareholders in an Ordinary General Meeting. Shareholders who are also General Partners are not entitled to vote on such resolutions.
3. The term of office of members of the Supervisory Board cannot exceed six years. It terminates at the close of the Annual General Meeting called to approve the financial statements for the preceding year held during the year in which the term of the member expires. Members of the Supervisory Board may be re-elected.

No more than a third of the members of the Supervisory Board may be more than seventy-five years old. If this number is exceeded, the oldest member is automatically deemed to have resigned.

Meetings of the Supervisory Board (Article 13)

The Supervisory Board appoints one of its members as Chairman, and may if it wishes appoint one or more Deputy Chairmen, to preside over Board meetings.

The Board meets as often as required by the interests of the Company, and once per half-year at least.

Board meetings may be convened by the Chairman or in his absence a Deputy Chairman, or by at least half the Board members, or by each Managing Partner or General Partner.

At least half the Board members must be present for the meeting to validly deliberate.

Its decisions are made by the majority of members present and represented. The Chair has the casting vote in the event of a tied vote.

In calculating the quorum and majority, members attending the meeting via video conferencing or telecommunication technology are considered to be present.

The deliberations are recorded in minutes of the meetings.

Powers of the Supervisory Board (Article 14)

1. The management of the Company is placed under the permanent supervision of the Supervisory Board as provided by law. In accordance with the law, the Board prepares a report for each Annual General Meeting called to approve the financial statements of the Company. This report is made available to the shareholders at the same time as the Managing Partners' report and the financial statements.

In the event of one or more Managing Partners being dismissed by the General Partners, the Board must give its opinion. For this purpose, the Board is notified by the General Partners at least 15 days in advance, and it must give its opinion within 10 days of such notice, which is given by registered letter addressed to the Chairman of the Supervisory Board.

The Supervisory Board draws up a report on any proposal to increase or reduce the Company's share capital.

The Supervisory Board may, if it deems it necessary, after informing the Managing Partner(s) in writing, call an Ordinary or Extraordinary General Meeting of the shareholders, in compliance with the legal provisions relating to notices of meetings.

The Supervisory Board has the right by law to receive the same documents from the Managing Partners as those made available to the Statutory Auditors.

2. The appointment or reappointment of any Managing Partner must be approved by the Supervisory Board. Should Arco be appointed as corporate Managing Partner, the Supervisory Board's approval has to be obtained, not in respect of Arco itself, but in respect of its Chairman and general managers.

The Supervisory Board must grant or refuse its approval within 20 days of receiving notice from the General Partners of the proposed appointment.

If the Supervisory Board twice refuses to approve an appointment within a period of two months, in respect of two different candidates, while the Company is left without a Managing Partner and is being managed on an interim basis by the General Partners under article 10-6 of the by-laws, approval may be given by a majority vote of the shareholders in an Ordinary General Meeting called by the General Partner(s) and at which only one of the two candidates is put forward.

In the absence of approval from either the Supervisory Board or the General Meeting in accordance with the above, the General Partner(s) designate a third person. If the Supervisory Board fails to approve the appointment of the said third candidate, the appointment is submitted to the shareholders in an Ordinary General Meeting which may only refuse the candidate by a vote of a two-thirds majority of the shareholders present or represented.

3. Should Arco become a Managing Partner of the Company, as from its appointment to such office, no person may become a shareholder in Arco either by acquiring shares in Arco or by subscribing to an increase in its share capital, exercising share warrants or through the conversion or redemption of bonds, without the prior approval of the Supervisory Board, which must approve or refuse the proposed transaction within 20 days of receiving notice, either from Arco or from those shareholders who intend to transfer their shares.

If such a transaction takes place without the approval of the Supervisory Board, Arco, by virtue of the third paragraph of article 10-6 of the by-laws, is automatically deemed to have resigned from its office as Managing Partner, with immediate effect.

4. Any transaction for the transfer of Arco shares or the issue of securities by Arco which might alter its control immediately or in the future, must obtain the prior approval of the Company's Supervisory Board, which must make a decision within 20 days of receiving notice, either from Arco or from those shareholders who intend to transfer their shares.

If such a transaction takes place without the approval of the Supervisory Board, Arco, by virtue of article 18-5 of the by-laws, will automatically forfeit its status as General Partner, with immediate effect.

5. The approval of the Supervisory Board required in paragraphs 3 and 4 above is automatically deemed to have been given, if the acquiring or subscribing candidate makes a valid public tender offer for all of the Company's shares. Such approval is not required in the event of a transfer of Arco shares through inheritance.

8.2.4 GENERAL PARTNERS (ARTICLE 18)

1. The General Partners (*Associés Commandités*) are:
 - Mr. Arnaud Lagardère,
domiciled at 4 rue de Presbourg – 75116 Paris, France
 - Arjil Commanditée-Arco,
a French corporation with share capital of €40,000
having its head office at 121 avenue de Malakoff – 75116 Paris, France
and registered in the Commercial Register under number 387 928 393 RCS Paris.
2. The appointment of one or more new General Partners is decided by the shareholders in an Extraordinary General Meeting, upon the unanimous recommendation of the existing General Partners or Partner.
3. The Company is not wound up in the event of the death or incapacity of a person who is a General Partner, nor in the event of liquidation of a General Partner which is a corporate entity.
4. A person who is a General Partner and is also a Managing Partner loses his status as General Partner, automatically and with immediate effect, if the person is dismissed as Managing Partner for just cause under the terms of article 10-6 of the by-laws.

5. Any corporate entity which is a General Partner automatically loses such status with immediate effect in the event that it effects a sale or subscription of shares which is likely to change its control, when no approval for such a transaction has been given by the Supervisory Board, as provided in article 14-4 of the by-laws.

In both cases the by-laws are automatically amended to reflect this change. The amendment is recorded and published by a Managing Partner, or in the absence of a Managing Partner, by a General Partner or by the Supervisory Board.

Arijl Commandité-Arco unconsolidated financial statements for 2009 are as follows (in thousands of euros):

Balance sheet

Assets	
Accounts receivable	19,019
Cash and cash equivalents	3
Total	19,022
Liabilities and shareholders' equity	
Shareholders' equity	18,989
Accounts payable	33
Total	19,022

Statement of income

Operating revenues	0
Operating expenses	25
<i>Operating loss</i>	(25)
Financial income	3,104
Financial expenses	0
<i>Net financial profit</i>	3,104
<i>Non-operating profit</i>	0
Income tax expense	1,035
Net profit for the year	2,044

Rights of the General Partners (Article 18 B)

General Partners who are not also Managing Partners (*commandités non-gérants*) do not participate directly in the management of the Company, except as described in article 10-6 of the by-laws (absence of Managing Partner).

They exercise all the prerogatives attributed to their status by law and the by-laws.

By reason of the unlimited joint and several liability they assume, General Partners who are not also Managing Partners have the right of access to all books and documents of the Company and to ask the Managing Partners any questions concerning the management of the Company, in writing. The Managing Partners must answer such questions in writing as promptly as possible. In addition, in consideration for their unlimited joint and several liability, General Partners are entitled to specific remuneration calculated in accordance with the provisions of article 25 of the by-laws.

Decisions of the General Partners (Article 18 C)

1. The General Partner(s) take decisions either in meetings or by written consultation (ordinary letter, telex, telegram, fax, etc.).
2. In the event of a written consultation, each General Partner has a period of 15 days to inform the Managing Partners of his decision on each of the draft resolutions. A General Partner who does not reply within this period is considered to have voted against the resolution.
3. Decisions taken by the General Partner(s) are recorded in minutes stating, inter alia, the date and method of consultation, the report or reports made available to the General Partner(s), the text of the resolutions and the result of the voting.

The minutes are drawn up by the Managing Partners or by one of the General Partners, and signed by the General Partner(s) and/or the Managing Partner(s), as the case may be.

Copies or extracts of the minutes are validly certified as true copies either by the Managing Partner, or by one of them if there are more than one, and by the General Partners.

8.2.5 REQUIREMENTS FOR CHANGING SHAREHOLDERS' RIGHTS

Any change in the rights of shareholders as defined in the Company's by-laws requires:

- unanimous decision by the General Partners;
- a decision by the Extraordinary shareholders' Meeting, passed by a two-thirds majority of the votes of shareholders present or represented.

8.2.6 GENERAL MEETINGS OF SHAREHOLDERS

8.2.6.1 GENERAL (ARTICLE 19)

General Meetings are called either by the Managing Partners or by the Supervisory Board, or by any other person having the right to do so by virtue of law or the by-laws of Lagardère.

General Meetings are held at the head office or at any other place as indicated in the notice of meeting. Notices of meeting are issued in the manner and within the time period provided by law and regulations.

General Meetings are chaired by the Managing Partner or one of the Managing Partners if there are several. If the meeting is called by the Supervisory Board, it is chaired by its Chairman or by a member of the Supervisory Board appointed to this effect. Where the meeting has been called by any other person legally empowered to do so, the meeting is chaired by the person who called the meeting. If the person entitled or appointed to chair the meeting fails to do so, the meeting itself elects its chair.

The vote tellers (*scrutateurs*) are the two shareholders having the greatest number of shares, either directly or by way of proxy, and who are present and are willing to be tellers.

The vote tellers thus designated constitute the officers of the meeting (*bureau*), and appoint a secretary who need not be a shareholder.

The officers of the meeting verify, certify and sign the attendance sheet, ensure that discussions are properly held, settle any differences which may arise in the course of the meeting, count the votes cast, verify that voting procedures are properly observed and that minutes of the meeting are drawn up.

Minutes recording the deliberations of each meeting are entered in a special register signed by the officers of the meeting. Minutes drawn up and recorded in this form are considered to be a true transcript of the 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)

The annual Ordinary General Meeting examines the management report prepared by the Managing Partners, the report of the Supervisory Board and the reports of the Statutory Auditors; it discusses and approves the Parent Company financial statements for the previous year and the proposed allocation of net profit, in accordance with the law and the by-laws. In addition, the annual Ordinary General Meeting and any other Ordinary General Meeting may appoint or dismiss the members of the Supervisory Board, appoint the Statutory Auditors and vote on all questions within its authority and placed on the agenda, with the exception of those matters defined in article 21 of the by-laws as being exclusively within the authority of an Extraordinary General Meeting.

No resolution can be adopted by an Ordinary General Meeting without the unanimous prior consent of the General Partner(s), with the exception of resolutions concerning the election, resignation or dismissal of members of the Supervisory Board and the appointment of a Managing Partner, where the Supervisory Board has exercised its right of veto twice within two months (see section 8.2.3 – Powers of the Supervisory Board, paragraph 2). The consent of the General Partner(s) must be obtained by the Managing Partners prior to the Ordinary General Meeting.

All resolutions are adopted by a majority of the votes cast by the shareholders present or represented, including votes cast by mail, except as expressly provided in the last section of paragraph 2 of section 8.2.3.

8.2.6.3 EXTRAORDINARY GENERAL MEETINGS (ARTICLE 21)

The Extraordinary General Meeting may validly decide on:

- any amendment of the by-laws for which approval by an Extraordinary General Meeting is required by law, including, but not limited to, the following, subject to the provisions of the by-laws:
 - increase or reduction of the Company's share capital;
 - changes in the terms and conditions of share transfers;
 - changes in the composition of Ordinary General Meetings or shareholders' voting rights at Ordinary or Extraordinary General Meetings;
 - changes in the purposes of the Company, its duration or its head office, subject to the powers granted to the Managing Partners by the by-laws to transfer the Company's head office;
 - transformation of the Company into a company having another legal form, such as a corporation (*société anonyme*) or a limited liability company (*société à responsabilité limitée*);
- winding-up of the Company;
- merger of the Company;
- and all other matters on which an Extraordinary General Meeting may validly decide in accordance with law.

No resolution can be passed by the Extraordinary General Meeting without the unanimous prior consent of the General Partner(s). However, where there are several General Partners, a resolution to transform the Company into a company having another legal form requires the prior consent of only a majority of the General Partners.

The consent of the General Partner(s) must be obtained by the Managing Partners, in advance of the Extraordinary General Meeting in question.

8.2.6.4 ATTENDANCE AND REPRESENTATION AT MEETINGS, PROXIES, DOUBLE VOTING RIGHTS (ARTICLE 19)

Any shareholder has the right to attend General Meetings and to take part in the discussions, either personally or through a proxy, subject to presenting proof of identity and providing that the shares have been registered in his name in the Company's shareholder accounts since at least the third business day (00.00, Paris local time) prior to the meeting.

Subject to inclusion of the relevant decision by the Managing Partners in the public notice of a meeting and the notice sent personally to shareholders, shareholders may participate in General Meetings by means of video conferencing technology, and vote by electronic means of communication. It is the Managing Partners' responsibility to define the practicalities of this method of attendance and voting after consulting the Supervisory Board. The technologies used must be capable of continuous, simultaneous transmission of the discussions and shareholder and proxy identity authentication, and guarantee vote confidentiality and security.

A shareholder who does not personally attend the meeting may choose one of the three following possibilities:

- to give a proxy to another shareholder or to his or her spouse; or
- to vote by mail; or
- to send a blank proxy form to the Company without naming a proxy, in accordance with the applicable laws and regulations.

In this last case, the Chair of the General Meeting will cast a vote in favour of all draft resolutions presented or approved by the Managing Partners and a vote against all other draft resolutions. In order to cast their votes differently, shareholders must choose a proxy holder who agrees to vote as instructed by them.

If a shareholder decides, after a decision by the Managing Partners in accordance with the provisions of the second paragraph of this section, to vote by mail, give a proxy to another shareholder, or send a blank proxy form to the Company without naming a proxy, by sending the relevant form by an electronic means of communication, his electronic signature must:

- be in the form of a secure electronic signature as defined in the applicable provisions of law;
- or result from use of a reliable identification process guaranteeing the association with the document to which it is attached, or any other identification and/or authentication process considered acceptable by the applicable provisions of law.

At each meeting, shareholders have a number of votes equal to the number of shares they own or represent, as evidenced by the share register on the fifth business day prior to the meeting. However, double voting rights – two votes for each share – are attributed to all those shares which are fully paid-up and have been registered in the name of the same

shareholder for at least four years. Shareholders entitled to double voting rights on the date on which the Company was transformed into a limited partnership with shares retain their double voting rights.

Furthermore, if the Company's share capital is increased by capitalisation of reserves, profits or issue premiums, a double voting right is granted from the date of issue for free registered shares distributed to the holder of shares which already carry double voting rights.

Transfer of title to a share results in the loss of the double voting right. However, transfer as a result of inheritance, liquidation of community property between spouses or an *inter vivos* gift to a spouse or relative automatically entitled to inherit under French law does not cause existing double voting rights to lapse, nor does it interrupt the four-year period referred to above. Similarly, the merger or demerger of the Company has no effect on the double voting rights which may be exercised within the resulting company or companies if the by-laws of the said companies recognise these rights.

Voting rights are exercised by the owner even if the shares are pledged, and by the usufruct owner (*usufruitier*) at Ordinary General Meetings and the bare owner (*nu-propriétaire*) at Extraordinary General Meetings.

8.2.7 REQUIREMENTS FOR A CHANGE IN CONTROL OF THE COMPANY

As stated at the beginning of Chapter 7, section 7.1, a limited partnership with shares has two categories of partner: General Partners and limited partners (or shareholders).

Any change in control of the Company thus implies a change in the composition of both categories of partner. As the Company is listed on the stock exchange, it would be possible for a third party to take control of the capital and associated voting rights through a public takeover bid. However, it would not be possible to take control over General Partners' meetings, and consequently, no third party could single-handedly modify the Company's by-laws.

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 modify the by-laws without the consent of the General Partners.

In view of these measures, no change in control of the Company could take place without the consent of the General Partners who manage the Company until the end of the period during which the Company is left without a Managing Partner.

8.2.8 DISCLOSURE OF SHAREHOLDINGS EXCEEDING SPECIFIC THRESHOLDS

Without prejudice to the provisions of article L. 233-7 of the French Commercial Code, any shareholder holding directly or indirectly, as defined in said article L. 233-7, 1% or more of the voting rights, must, within five days following registration to his account of the shares that brought his holding to or above such threshold, disclose to the Company the total number of shares and voting rights he holds by registered letter with acknowledgment of receipt addressed to the head office.

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 legal regulations applicable, particularly article 228-II of the French Commercial Code, the Company has the right to obtain at any time from the central securities 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⁾ See section 8.2.3 – Powers of the Supervisory Board, paragraph 2 on the appointment or reappointment of a 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):

Acquisition of a majority interest in World Sport Group

On 16 May 2008, Lagardère Sports acquired approximately 70% of the capital and voting rights of World Sport Group Holdings Ltd (WSG). Based in Singapore, WSG specialises in the management of marketing and television rights, and sponsorship consultancy for Asian sporting events (in the South-East Asia, the Middle East, India and Japan).

The agreement was based on an enterprise value of US\$125 million (for 70% of WSG). A deferred payment of up to US\$25 million may be due after three years, contingent upon the level of cash flow from operations.

WSG is the leading player in the Asian football market, which accounted for a large part of its 2007 revenues. It also specialises in golf, and is continuing to expand its investment into cricket.

For Lagardère Sports, the acquisition offers a number of benefits:

- access to the fast-growing Asian football market, with unchallenged market leadership in the region;
- development of its leadership position in the world football rights industry;
- broader market penetration for Lagardère Sports' strategic partners (rights holders and sports governing bodies);
- a move into the cricket market via a competition (Twenty20) which shows very substantial growth potential.

Acquisition of Psychologies Magazine group by Lagardère Active

Lagardère Active had held 49% of the Psychologies Magazine group (Finev, InterPsycho, Selma) since June 2004, and in May 2008 it acquired the remaining 51% for approximately €31 million.

Lagardère Active wishes to consolidate the presence of the Psychologies group in the women's/health/wellbeing segment where Lagardère Active is the market leader both in and outside France.

Acquisition by Hachette Livre of a majority interest in Éditions Albert René, publisher of the "Asterix" books

On 12 December 2008, Hachette Livre bought Albert Uderzo's 40% interest in Éditions Albert René held via Syadal, and the 20% interest owned by Anne Goscinny, daughter of René Goscinny.

Éditions Albert René publishes the Asterix books produced since the death of René Goscinny, and also holds all subsidiary rights associated with the characters, including audiovisual rights.

Hachette Livre also acquired the publishing rights for 24 *Asterix* books released during René Goscinny's lifetime. These rights were purchased from Anne Goscinny and Albert Uderzo, and cover the full period of literary and artistic copyright worldwide.

Hachette Fujingaho and Sumitomo Corporation: strategic alliance in Japan

Hachette Filipacchi Presse and Sumitomo Corporation signed agreements including a plan to develop an e-commerce business around the *Elle* brand through Hachette Fujingaho in Japan, selling advertiser-branded products, products selected by *Elle Japan* magazine and by the *Elle.co.jp* website, and licensed products. It is planned to expand this new business by capitalising on all the media brands owned by Hachette Fujingaho (*Elle Girl*, *Elle déco*, *25 ans*, *Fujingaho*, etc.) and using Sumitomo's distribution channels (e-commerce, m-commerce, TV shopping, etc).

Under the terms of a conditional contract signed on 14 January 2009 as part of these agreements, Sumitomo Corporation acquired a 34% interest in Hachette Fujingaho from Hachette Filipacchi Presse on 22 May 2009. Hachette Filipacchi Presse continues to hold 66% of the capital of its Japanese subsidiary.

Sale by HFM US of five special-interest magazines to Bonnier Corp.

Hachette Filipacchi Media US (HFM US), Lagardère Active's US subsidiary, and Bonnier Corp. announced on 2 June 2009 that Bonnier had acquired the following five special-interest publications from HFM US: *Popular Photography*, *Flying*, *Boating*, *Sound & Vision* and *American Photo*.

The five titles were sold to Bonnier along with their brand extensions including websites, book publishing, licensing agreements, videos and branded events.

This deal is part of a strategic move announced some time back by HFM US, to refocus on its core target segments (women's and automotive magazines) by selling special-interest magazines that to date account for less than 10% of its print business in the USA. This will also free up resources that can be better allocated to rolling out HFM's bi-media (print and digital) strategy in those segments.

8.3.2 CONTRACTS INVOLVING MAJOR COMMITMENTS FOR THE WHOLE GROUP

Lagardère and/or its subsidiaries have also entered into a certain number of major contracts (other than those entered into in the normal course of business) involving an obligation or major commitment for the whole Group. The contracts concerned are the financing contracts referred to in Chapter 6, in note 28 to the consolidated financial statements for 2009, particularly the following:

- On 6 October 2009 Lagardère SCA undertook a five-year €1 billion bond issue on the Luxembourg Stock Exchange regulated market. The bond is redeemable in 2014 and pays an annual coupon of 4.875%.
- On 11 April 2006, Lagardère SCA issued Mandatory Exchangeable Bonds totalling €1,992,186,000 redeemable in a number of EADS shares (minimum 53,139,130 shares, maximum 61,110,000 shares depending on the share's market price). The bonds pay a 7.7% annual coupon. Lagardère SCA redeemed the first two tranches of the bonds maturing on 25 June 2007 and 25 June 2008 by remitting 20,370,000 EADS shares to the holder of the bonds, at each of those dates. In an amendment to the subscription contract signed on 26 January 2009, Lagardère SCA and Natixis, the sole subscriber and only holder of the 20,370 Mandatory Exchangeable Bonds still outstanding, agreed at the initiative of Natixis to bring forward the date of redemption of those bonds, and thereby the date of delivery of the third tranche of EADS NV shares, from 25 June 2009 to 24 March 2009. In execution of this amendment, on 24 March 2009 Lagardère SCA delivered to Natixis 20,370,000 EADS NV shares representing 2.5% of EADS NV share capital and voting rights. The agreements entered into in connection with this operation are described in Chapter 5, section 5.2.2.
- On 22 June 2005, Lagardère SCA signed a syndicated loan contract with a group of 22 French and foreign banks for an initial term of 5 years (with a two-year extension, i.e. until June 2012), for an amount of €2,200 million. This syndicated loan replaced two credit lines set up in June 2001 and July 2003 for €1,350 million and €700 million respectively. Amounts used bear interest at variable rates and depend on the Group's effective needs; at 31 December 2008, the amount drawn was €1,680 million.
- On 21 January 2001, Lagardère SCA signed a financing contract with a group of private US investors for an amount of US\$500 million in three tranches, converted into euros. On 24 July 2003, a further tranche of €150 million was subscribed. These loans are similar to bond issues and are classified as such for accounting purposes. They are redeemable over periods of 5 to 10 years, and the original fixed rates were immediately swapped to variable rates. Two tranches of US\$125 million and US\$150 million were reimbursed in January 2006 and January 2008 respectively.

8.4 REAL ESTATE PROPERTY

The total gross value of property, plant and equipment belonging to the Lagardère Group (land, buildings, machinery and equipment, assets under construction) is €1,583 million.

This includes the gross value of land (€149 million) and buildings (€474 million). The net book value of land and buildings is €365 million, i.e. less than 3% of the balance sheet total, and includes a property with net book value of €71 million at 31 December 2009, rented under an operating lease to the Presstalis group (formerly NMPP); this lease was terminated on 31 December 2009.

In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

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▶ CHAPTER 9

RECENT DEVELOPMENTS AND OUTLOOK

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9.1 RECENT DEVELOPMENTS (SINCE 1 JANUARY 2010)

9.1.1 SIGNIFICANT EVENTS

PUBLICATION ON 15 JANUARY 2010 OF THE NOVEMBER/DECEMBER 2009 POLL BY MÉDIAMÉTRIE: RECORD GAIN IN AUDIENCE SHARE BY EUROPE 1⁽¹⁾

- With a 9.9% share of cumulative audience, Europe 1 registered its second best performance in 23 series of polls. The station attracts more than 5,164,000 listeners every day, its best performance in seven years (up by 116,000 listeners from September-October 2009 and 9,000 from November-December 2008) despite the downward trend in radio audiences.
- Europe 1 thus entered the top 3 radio stations in France, at number 3.
- This was the sixth consecutive rise in audience share in six polls for the 13+ age group for Europe 1, reaching another record high at 8.6%.
- There were also excellent results for the commercial targets: a 9.2% audience share in the CSP+ occupational group (+0.1pt) and a 7.0% audience share for the 25-59 age bracket (+0.5pt).

LAGARDÈRE ACTIVE AND BOLLORE MÉDIA IN EXCLUSIVE NEGOTIATIONS FOR THE SALE OF VIRGIN 17

Bolloré Média and Lagardère Active have entered into exclusive negotiations concerning the sale of the freeview digital terrestrial television channel Virgin 17.

The draft agreement will become official after consultation with the bodies representing the staff concerned and examination by the competent authorities.

Once approved, Virgin 17 personnel will be transferred to Bolloré Média, which is said to be considering the creation of a new identity rather than using the *Virgin 17* brand.

According to Didier Quillot, Chairman of Lagardère Active's Management Board, *"We aim to concentrate our investments on our brand management strategy and strongest brands, like Gulli. We therefore accepted Bolloré Média's offer for Virgin 17, which was particularly attractive in financial terms and for the personnel. We will naturally continue as a broadcaster of pay and free channels with Gulli, and as an audiovisual producer with Lagardère Entertainment."*

Lagardère Active intends to focus on its operations as a broadcaster of pay TV (Canal J, TiJi, MCM, June and Mezzo) and Gulli, the number three DTT channel in France for ages 4 and up, and according to a February Médiamat report, the channel with the highest growth.

Lagardère Active will continue its brand management-based growth and diversification strategy for Gulli through the web, mobile applications and Gulli magazine, with international development also in progress (Gulli was launched in Russia in late 2009).

9.1.2 MAJOR CHANGES IN THE GROUP'S FINANCIAL AND COMMERCIAL POSITION

None.

9.1.3 CURRENT TRENDS

9.1.3.1 LAGARDÈRE MEDIA

LAGARDÈRE PUBLISHING

As expected, sales by Lagardère Publishing saw a noticeable decline in the early weeks of 2010 due to the falloff in sales of Stephenie Meyer's books, but were nonetheless higher than for the same period of 2008 based on comparable exchange rates. The comparison with 2009 is particularly unfavourable since sales for the first quarter of 2009 registered a 14.1% increase on a like-for-like basis.

(1) Source: 126 000 Médiamétrie - November-December 2009 vs November-December 2008.

LAGARDÈRE ACTIVE

PRESS

The beginning of the year has been marked by a limited decrease in advertising revenues, reflecting a shift from the trend observed in 2009. Sales in France were practically stable, while sales outside France were down slightly following discontinuation of certain titles. Circulation is still shrinking, but less markedly than in 2009.

AUDIOVISUAL

Radio advertising revenues were down in France in the early part of 2010, due to declining levels of business for the music radio stations, although at Europe 1 business was up slightly. Radio activities in the Eastern European countries declined with the drop in sales in Russia. Freeview DTT channels are experiencing growth.

In response to these trends, Lagardère Active will once again seek to cut operating costs in 2010, by €40 million after the €100 million reduction achieved in 2009.

As well as reducing costs, Lagardère Active will continue to rationalize its Magazine Publishing activities: some titles will be discontinued, sold or licensed and partnerships will be entered into outside France, as the division refocuses on its strongest brands and leadership positions.

LAGARDÈRE SERVICES

Positive trends have been observed in airport sales in early 2010, whereas in other activities contrasting developments continue.

LAGARDÈRE SPORTS

Lagardère Sports experienced a downturn at the beginning of 2010 due to a less intensive sporting event schedule than in 2009.

9.1.3.2 EADS

Information on current trends for EADS was published in the EADS press release of 9 March 2010 (www.eads.net).

9.2 OUTLOOK

9.2.1 LAGARDÈRE MEDIA

A very slight increase in recurring operating profit for the Media segment assuming constant exchange rates, without Lagardère Publishing returning to normal levels. The Group's overall forecast is a decline of around 10% in recurring operating profit for all of Lagardère Media, assuming stable advertising revenues compared to 2009.

9.2.2 EADS

Information on the outlook for EADS was published in the EADS press release of 9 March 2010.

9.3 EARNINGS FORECASTS

None.

▶ CHAPITRE 10

DOCUMENTS AVAILABLE TO THE PUBLIC



DOCUMENTS AVAILABLE TO THE PUBLIC

The persons responsible for this Reference Document certify that during the validity of this Reference Document the following documents will be freely accessible in the “Investor Relations” section of the Company’s website (www.lagardere.com):

- annual financial reports/reference documents for the last five years;
- interim reports for the last five years;
- monthly information on the share capital and voting rights;
- description of share buyback programmes;
- Annual General Meeting documents for the last five years;
- by-laws of the Company.

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▶ CHAPTER 11

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23 Third party information, statements by experts and declarations of interests	—
24 Documents available to the public	10
25 Information on significant holdings (subsidiaries and affiliates)	4.3 / 5.2 and 6.3 (note 36)

(*) Refers to chapter and section numbers of the Reference Document.

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