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INFORMATION ON THE BUSINESS ACTIVITIES OF THE COMPANY AND THE GROUP

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

5.1 BUSINESS ACTIVITIES AND STRATEGY

AFR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Formerly Lagardère Services.

(3) Formerly Lagardère Unlimited.

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



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

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

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

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

5.2.1 LAGARDÈRE PUBLISHING

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) Source: internal estimates.

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

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

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

A.1 In France⁽¹⁾

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

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

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

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

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

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

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

A.2 Outside France⁽³⁾

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

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

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

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

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

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

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

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

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

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

(2) Source: internal estimates.

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

B) OPERATIONS DURING 2015

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

Breakdown of sales by activity

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

Breakdown of sales by geographic area

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

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

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

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

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

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

Hachette Livre's eight-pronged strategy is unchanged:

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

(1) Source: Nielsen BookScan.

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

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

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

B.1 In France

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

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

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

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

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

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

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

B.2 Outside France

United States

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

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

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

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

United Kingdom and the Commonwealth

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

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

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

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

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

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

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

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

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

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

Spain and Latin America

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

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

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

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

Partworks

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

B.3 Objectives and achievements in 2015

Hachette Livre had set itself five main objectives for 2015:

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

These objectives were largely achieved:

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

C) OUTLOOK

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

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

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

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

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

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

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

(1) Source: Nielsen BookScan.

5.2.2 LAGARDÈRE TRAVEL RETAIL⁽¹⁾

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

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

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

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

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

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

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

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

(2) Fast-moving consumer goods.

The Spanish activities were deconsolidated on 25 February 2016.

A.1 Travel Retail

Retail sales dedicated to travellers

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

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

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

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

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

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

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

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

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

The network includes the following sales outlets, operated:

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

(1) Formerly Lagardère Services.

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

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

a. World leader in Travel Essentials

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

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

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

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

A top player worldwide in Duty Free & Fashion

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

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

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

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

b. Fast-growing operator in Foodservice

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

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

A.2 Distribution

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

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

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

a. National Press Distribution and Press Import/Export

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

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

b. Other Distribution activities

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

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

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

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

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

B) OPERATIONS DURING 2015

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

Breakdown of sales by activity

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

Breakdown of sales by geographic area (Total)

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

Breakdown of sales by geographic area (Travel Retail)

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

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

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

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

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

▶ Continued growth in air traffic

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

▶ Further decline in print media sales

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

Lower volumes have been partially offset by higher prices.

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

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

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

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

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

B.1 Travel Retail

Europe, Middle East and Africa (EMEA)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asia-Pacific

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

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

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

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

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

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

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

North America

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

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

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

B.2 Distribution

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

Integrated Retail activities

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

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

Distribution activities

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

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

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

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

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

B.3 Objectives and achievements in 2015

Travel Retail

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

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

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

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

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

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

Distribution

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

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

The year was particularly eventful in terms of diversification:

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

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

C) OUTLOOK

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

For Travel Retail, the objectives are focused on:

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

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

5.2.3 LAGARDÈRE ACTIVE

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

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

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

A.1 Magazine Publishing

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

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

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

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

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

A.2 Radio

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

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

Europe 1

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

Virgin Radio

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

RFM

RFM, a music station aimed at a "contemporary adult" audience, is known for its diverse musical programming and its "*Le meilleur de la musique*" ("All the best hits") slogan. It attracts nearly 2.4 million listeners every day⁽¹⁾.

International radio

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

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

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

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

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

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

In France and abroad, these radio broadcasting activities are subject to national and EU laws and regulations governing the audiovisual and telecommunications industries. In France, radio broadcasters must have been approved by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) (see section 3.3.1.2).

A.3 Television channels

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

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

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

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

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

- ▶ the entertainment offering for young adults of both sexes consists of music channels MCM, RFM TV (formerly MCM Pop) and MCM TOP, as well as June. June is broadcast exclusively by CanalSat and Numericable, in the same formats as the youth

channels. This is not the case for the MCM channels, which are also distributed by Internet service providers. In the same music universe, two offshoots of the division's music radio stations were launched in 2014: Virgin Radio TV and RFM TV. They are distributed by Internet providers, CanalSat and Numericable.

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

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

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

A.4 Audiovisual Production and Distribution

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A.5 Advertising Sales Brokerage

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

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

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

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

A.6 Digital Pure Player

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

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

B) OPERATIONS DURING 2015

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

Breakdown of sales by activity

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

Breakdown of sales by geographic area

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

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

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

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

(3) Source: Médiamétrie NetRatings; desktop 2015.

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

(5) Source: Médiamétrie; November 2015.

B.1 France Magazine Publishing

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

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

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

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

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

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

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

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

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

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

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

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

B.2 Radio

Europe 1

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

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

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

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

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

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

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

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

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

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

(4) Source: Médiamétrie NetRatings; November 2015.

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

(6) Source: At; 2015 vs 2014.

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

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

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

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

Music radio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

International radio

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

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

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

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

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

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

(1) Cumulative audience.

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

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

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

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

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

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

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

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

Overall, LARI attracts over 13 million listeners every day.

LARI also continued its digital expansion in 2015 by:

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

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

B.3 Television channels

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

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

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

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

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

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

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

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

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

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

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

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

Examples include:

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

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

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

B.4 Audiovisual Production and Distribution

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

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

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

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

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

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

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

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

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

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

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

(3) Source: Médiamétrie – Médiamat; Thématic; January-June 2015; consolidated audience; audience share four- to ten-year-olds; extended channels; average Monday-Sunday; 3pm-3am.

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

(5) Source: Local reporting, Russia.

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

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

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

B.5 Digital

In 2015:

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

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

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

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

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

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

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

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

B.6 Objectives and achievements in 2015

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

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

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

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

C) OUTLOOK

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

To achieve this, six key levers have been activated:

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

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

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

5.2.4 LAGARDÈRE SPORTS AND ENTERTAINMENT⁽¹⁾

A) PRINCIPAL ACTIVITIES AND MAIN MARKETS

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

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

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

A.1 Lagardère Sports

A.1.1 Football

Europe

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

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

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

Africa

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

Asia

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

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

A.1.2 Golf

Lagardère Sports' golf business combines athlete and event management.

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

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

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

A.1.3 Tennis

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

Lagardère Sports represents WTA and ATP players.

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

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

A.1.4 Olympics and other major events

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

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

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

(1) Formerly Lagardère Unlimited.

A.1.5 Media

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

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

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

A.1.6 Brand consulting and rights activation

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

A.1.7 Stadiums and arenas

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

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

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

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

A.2.2 Theatre management

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

B) OPERATIONS DURING 2015

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

Breakdown of sales by activity

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

Breakdown of sales by geographic area

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B.1 Lagardère Sports

B.1.1 Football

Europe

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

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

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

Africa

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

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

Asia

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

B.1.2 Golf

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

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

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

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

B.1.3 Tennis

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

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

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

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

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

B.1.4 Olympics and other major events

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

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

B.1.5 Brand consulting and rights activation

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

B.1.6 Stadiums and arenas

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

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

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

B.2.2 Theatre management

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

B.3 Objectives and achievements in 2015

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

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

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

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

C) OUTLOOK

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

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

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

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

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5.3 CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE CITIZENSHIP – ETHICS

AFR

5.3.1 CSR – KEY PRIORITIES, POLICY AND RESPONSIBLE GOVERNANCE

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

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

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

5.3.1.1 CSR POLICY OBJECTIVES

A) MEETING INCREASINGLY STRINGENT REGULATORY REQUIREMENTS

The CSR reference framework applies both nationally and internationally.

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

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

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

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

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

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

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

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

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

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

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

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

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

HUMAN RIGHTS

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

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

LABOUR

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

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

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

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

ENVIRONMENT

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

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

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

ANTI-CORRUPTION MEASURES

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

Arnaud Lagardère

General and Managing Partner of Lagardère SCA

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

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

B) ALIGNING CSR WITH THE GROUP'S DEVELOPMENT STRATEGY

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

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

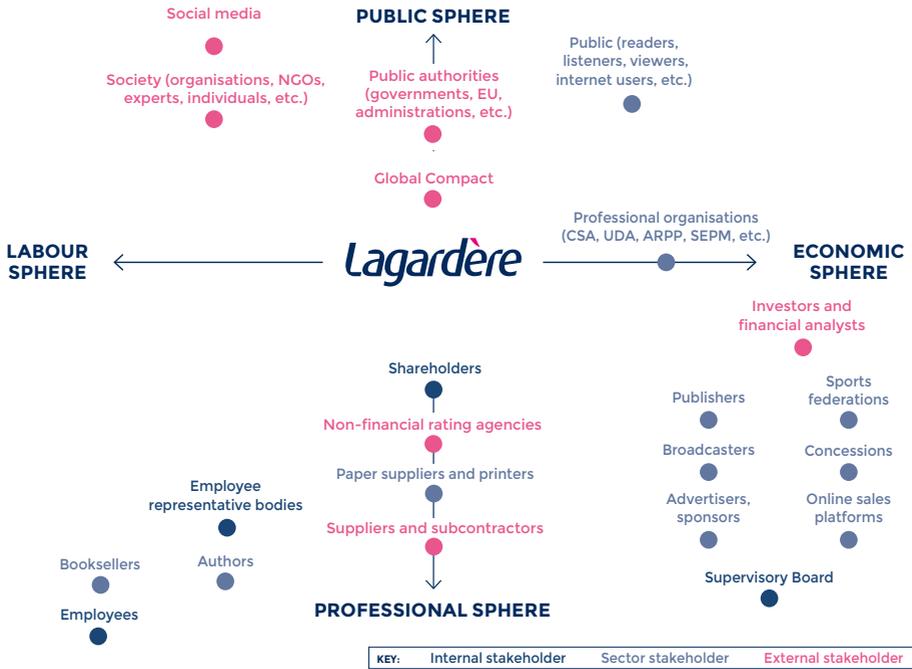
- ▶ *the development of businesses in new markets.* In addition to its economic impact on local populations, the confirmed growth of Lagardère Entertainment's Audiovisual Production businesses in Africa and of LARI radio stations⁽¹⁾ coincides with the development of the CSR priorities of promoting talent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

C) STRENGTHENING STAKEHOLDER RELATIONS

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

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

(1) Lagardère Active Radio International.



The panel met twice in 2015 with the aim of:

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

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

5.3.1.2 CSR PLAYERS AND GOVERNANCE

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

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

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

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

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

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

5.3.2 IMPLEMENTATION OF THE CSR POLICY, THE FOUR STRATEGIC PRIORITIES

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

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

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

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

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

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

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

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

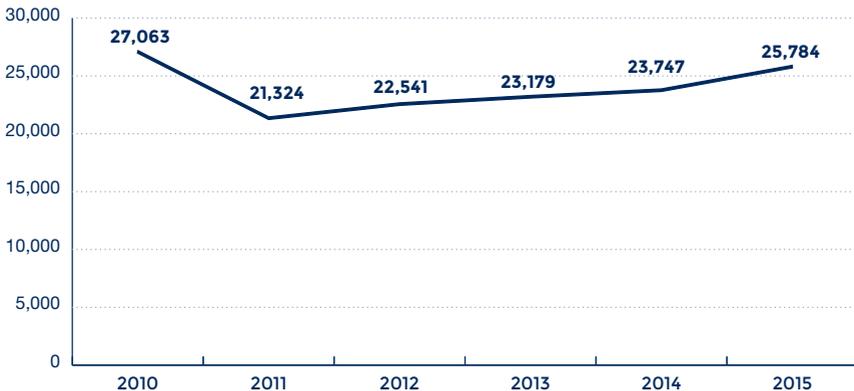
An IT Charter setting out the rules for using IT systems also applies to all Group employees.

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

5.3.2.1 BOOSTING DIVERSITY AND INNOVATION WITHIN THE GROUP

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

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

Changes in permanent workforce at 31 December 2015⁽¹⁾

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

Permanent workforce by division at 31 December 2015

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

The main changes include:

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

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

Permanent workforce by geographic area at 31 December 2015



A) PROMOTING DIVERSITY AND EQUAL OPPORTUNITY

A.1 Strategy

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

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

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

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

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

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

A.2 Application

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

Giving greater importance to the place of women in the media

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

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

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

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

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

Integrating employees with a disability

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

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

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

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

Breaking stereotypes based on race or social class

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

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

Other programmes launched in previous years continued:

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

A.3 Performance

Gender balance

Permanent workforce by occupational group and gender⁽¹⁾

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

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

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

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

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

Permanent workforce given a pay rise in 2015, by gender

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

Training expenditure by gender⁽²⁾

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

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

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

Hours of training by gender

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

Employees who participated in at least one training course by gender

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

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

Promotions also broke down evenly between men and women.

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

Disability

Number of employees with a disability⁽¹⁾

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

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

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

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

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

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

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

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

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

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

B.2 Application

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

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

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

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

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

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

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

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

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

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

Guidance in new technology

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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



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

5.3.2.2 SUPPORTING RESPONSIBLE DIGITAL MANAGEMENT

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

A) STRATEGY

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

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

B) APPLICATION

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

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

Protecting personal data

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

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

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

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

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

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

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

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

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

Protecting intellectual property

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

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

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

The environmental impact of digital tools

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

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

C) PERFORMANCE

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

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

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

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

5.3.2.3 PROMOTING ACCESS TO CULTURE AND ENTERTAINMENT

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

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

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

Community involvement in culture – the Lagardère group's foundations

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

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

Every year since 1990, the Foundation has awarded culture and media scholarships to talented young people under the age of 30 (or under 35 for certain categories). Scholarships are awarded by prestigious juries in ten categories: Writer, Film Producer, Television

Scriptwriter, Musician, Bookseller, Print Journalist, Photographer, Documentary Film-maker, Animated Film-maker and Digital Artist.

Since it was created, 261 beneficiaries (13 in 2015) have received a total of €5,630,000, including €255,000 awarded in 2015.

The Jean-Luc Lagardère Foundation extended its support in 2015 for the French Academy in the Villa Medici in Rome and the cultural programme aimed at teenagers at Studio 13/16 at the Pompidou Centre. It also formed a partnership with the organisation *Lire pour en sortir* which gives prime importance to reading in the reintegration of former prisoners into society and *École Miroir*, a free school that trains people from socially and culturally diverse backgrounds in France's lower-income neighbourhoods to become professional actors, directors and authors.

The panel of judges of the third Prix de la Littérature Arabe – chaired by Pierre Leroy, Co-Managing Partner of Lagardère SCA and made up of eminent figures from the media, arts and culture and experts on the Arab world – handed its literary award to the Saudi Arabian writer Mohammed Hasan Alwan for his novel *Le Castor*, published by Seuil. A special honour was also given to the Yemeni author Ali Al-Muqri for his novel *Femme interdite*, published by Liana Levi.

This literary prize created by the Jean-Luc Lagardère Foundation and the Institut du Monde Arabe (IMA) in 2013, worth €10,000 (€5,000 for the special award), honours authors from Arab League countries writing about the young generation in the Arab world.

At Lagardère Active, the Elle Foundation kicked off its third five-year term in 2015, giving financial support to eleven projects⁽³⁾, including five new initiatives. Three of these projects were in France, representing a total budget of €78,300, and eight abroad with a total budget of €100,747.

The 11th edition of *Elle Solidarité Mode*, sponsored by Jean-Paul Gaultier, financed the education of young girls from underprivileged backgrounds, enabling them to attend prestigious fashion schools.

In April 2015, the Foundation, representing *Elle* magazine, teamed up with the Comptoir de l'Innovation to create the first *Elle Impact*² award in honour of female social entrepreneurship. The award is growing internationally, now with about ten local editions of *Elle*. In 2016 *Elle Impact*² will become the *Elle Women Impact*.

The Elle Foundation led eight corporate foundations in the exciting adventure *Elles ont toute une histoire* (They all have a story), a series of short video segments giving extraordinary women from around the world the opportunity to make their voices heard. The series is directed by Nils Tavernier and is scheduled to air in March 2016 on France Télévisions stations.

(1) Including the CSR departments of TF1, Vivendi, France Télévisions, Bayard Presse and Havas.

(2) http://www.orse.org/rse_dans_le_secteur_des_medias-98.html.

(3) A twelfth project was launched in Burkina Faso in 2015, which will be given financial support in 2016.

A) PROMOTING CONTENT ACCESSIBILITY AND DIVERSITY, FREEDOM OF EXPRESSION, DIVERSITY IN IDEAS

A.1 Strategy

As a diversified media group, Lagardère must make its content accessible to all, especially those who do not have easy access to content due to geographic distance, social insecurity or physical disability.

Content diversity, diversity in ideas, promoting and defending the written word, reading and authors, combating illiteracy, and freedom of expression are all issues related to the activities and values of the Lagardère group.

A.2 Application

Accessibility

The Group's youth channels (Tiji, Gulli, Canal J) surpass the requirements set by the French broadcasting authority (*Conseil supérieur de l'audiovisuel* – CSA) on the number of hours of subtitled programmes aired.

All three channels regularly broadcast different programmes that teach sign language, such as *Fais-moi signe*, *Mes tubes en signe* and *Devine quoi*.

On 15 January 2015, Lagardère Active signed the Quality Charter for using French Sign Language on Television Programmes (*Charte de qualité pour l'usage de la Langue des Signes Française dans les programmes télévisés*), which sets quality standards for using sign language on television based on accuracy in meaning, differentiation between multiple speakers in complex conversations and visibility of the sign language interpreter.

Since 2008, Lagardère Publishing's audiobook brand Audiolib has helped people with a visual impairment or with reading difficulties, such as young dyslexics. Audiolib regularly improves the accessibility of its website for people with a visual impairment.

In promoting content and cultural diversity, each division takes its own approach.

Whether through the diversity of the books published by Hachette, reflecting a broad spectrum of opinions in some 60 countries and 15 languages, the number of countries (180) in which Lagardère Studio broadcasts its audiovisual content, the number of editions of *Elle* worldwide, the reach of the Lagardère Travel Retail network (more than 4,600 retail outlets in about 20 countries) and the broad range of products on offer, or the variety of sports and cultural talent represented by Lagardère Sports and Entertainment, diversity is the lifeblood of the Lagardère group.

In 2015, Africa was one of the focuses for the geographic expansion of the Group's media operations, starting with the launch of Gulli Africa in 22 French-speaking sub-Saharan African countries. Programming is exclusively in French, and the channel aims to produce 30% of its content in Africa within the next four years.

Lagardère Studios formalised its commitment with a production company in Senegal and a distribution company in Ivory Coast and plans to set up a training academy for future African directors and artists.

After launching Vibe Radio in Senegal in 2014, Lagardère Active Radio International (LARI) moved further in its expansion strategy in Africa, targeting French-speaking countries, followed by English-speaking countries.

Promoting diversity also carries implications for labour and social issues. For a media group, the diversity of in-house teams (see section 5.3.2.1) must be reflected in the content broadcast through its various media and its radio and television programming, which is closely monitored by the CSA. The commitments made by the Radio-Television unit in the area of diversity for 2016 were submitted to the CSA as they are every year. The managers were audited in November and December 2015.

In representing diversity, Lagardère held to the commitments made by its radio and television channels in 2015.

For example, Gulli has taken steps to ensure that, from the programme order to the production phases and ultimately to broadcast, social and cultural diversity is fairly represented in all of its programming, fiction, events, games, and so forth.

The many initiatives off the air include *Les Espoirs de l'animation* organised by Gulli, Canal J and Tiji in June 2015 as part of the Annecy International Animation Film Festival, in partnership with the CNC⁽¹⁾ and animation schools with the theme "All Equal, All Different" (*Tous égaux, tous différents*). For the 2015 edition, 60% of the participants were young women.

For International Women's Day on 9 March 2016, the channel June TV aired the documentary *Lucie à la conquête de l'Ouest*, about the producer Jérémy Michalak who travels across the United States with a young disabled woman confined to a wheelchair, Lucie Carrasco, in a funny, heart-warming road movie that tackles the clichés and stereotypes about disability.

The Gulli 2015 Novel of the Year award went to *Dans les yeux d'Anouch* by Roland Godel, a story about an Armenian girl who is forced to leave her home and takes refuge in Turkey.

Throughout 2015, Europe 1 was careful to ensure that all aspects of French society were properly represented in the participants on the air (hosts, journalists, guests, listeners) and its programming, in addition to the topics covered in its news broadcasts and shows. The initiatives on the air highlighted the vast diversity of French society, in terms of the ethnic and cultural backgrounds of the national community, socio-economic categories, gender and disability. Reflecting its support for these issues alongside Virgin Radio and RFM, Europe 1 was excited to be the first radio station to broadcast the segment developed and produced to promote diversity from 11 to 14 July 2015.

Europe 1 also supported diversity off the air through cultural partnerships and special campaigns, including the rebroadcast of the Tolérance concert produced by Lagardère Studios and its involvement in the Femmes en Or Awards, which recognise the achievements of women in diverse areas whose action, experience and dedication has made them exceptional and inspirational to all.

Freedom of expression, i.e., the right to inform and be informed as specified in article 19 of the Universal Declaration of Human Rights, is one of the fundamental values of democracy and of the Lagardère group.

Every year, the network of Relay sales outlets defends the work of Reporters Sans Frontières (Reporters Without Borders) to uphold freedom of expression, by selling the organisation's annual photo album to support its cause. Relay also promotes the organisation on its website and in its stores.

Hachette Livre is a founding member of the PEN International Publishers Circle. PEN International is an NGO formed in 1921 to protect freedom of expression, particularly that of persecuted writers, and to promote literature worldwide.

(1) CNC: National Centre for Cinema and the Moving Image (*Centre national du cinéma et de l'image animée*).

The Group reacted to the tragic events that occurred in 2015 by firmly reiterating the importance it attaches to freedom of expression. In January, the Jean-Luc Lagardère prize for journalist of the year was awarded to the editorial staff of *Charlie Hebdo* by the panel of judges, of which Georges Wolinski had been a member.

Livre de Poche paperback books brought together 60 writers in defence of freedom of expression in a book combining fundamental classic literature and the words of contemporary authors. All proceeds went to *Charlie Hebdo*.

Led by the SNE and with the participation, free of charge, of the printer, paper supplier, and distributor (Hachette), several publishers

including Hachette came together to produce a collective work, *La BD est Charlie*, featuring 183 drawings donated by 173 press cartoonists and comic book artists.

Éditions du Chêne also promoted the freedom of expression with the publication of the paperback *La Déclaration Universelle des Droits de l'Homme illustrée*, an illustrated version of the Universal Declaration of Human Rights, and a high-quality hardcover, *Déclaration universelle des droits de l'homme illustrée. Rien à déclarer? Si ! Les droits de l'homme*, while Livre de Poche published *Lettres à la France* in January 2016 to reaffirm our role in passing on the universal values that unite us.

A.3 Performance

Indicator	Unit	2015	2014	2013
Number of new books published in the Audiolib catalogue during the year	No.	78	70	55
Number of titles available in the Audiolib catalogue at year-end	No.	458	380	310
Percentage of Gulli air time per year with subtitled programmes	%	30.4	30.01	40.80
Percentage of Canal J air time per year with subtitled programmes	%	46.3	47.14	41.85
Number of hours of subtitled programmes devoted to the hearing impaired broadcast on youth channels during the year	Hours	6,521	6,460	-

B) EDUCATION, CHILD PROTECTION AND GUIDANCE, PROMOTING READING, MEDIA LITERACY

B.1 Strategy

Child protection is part of the corporate social responsibility of a media company like Lagardère, which creates and produces content for young audiences in different formats. Certain media, such as television, have been subject to strict child protection regulations for many years, while others, such as the Internet, must be closely monitored every day.

Lagardère's television and radio broadcasters ensure compliance with the applicable laws and regulations, as well as with the agreements signed with the CSA. Each of the Group's channels has signed an agreement with the CSA stipulating the permitted broadcasting times of programmes depending on their classification.

All Group media entities, particularly its youth channels, go beyond complying with regulations to place top priority on child protection and education, due obviously to their target audience, and also to the strong relationship of trust that they have forged both with children, parents and teachers.

The Lagardère group states in its Code of Conduct that it firmly believes in adhering to and promoting certain universal principles and guidelines, including the ILO's fundamental convention on the effective abolition of child labour and Unicef's Implementation Handbook for the Convention on the Rights of the Child.

The European Union defines media literacy as "the ability to access the media, to understand and to critically evaluate different aspects of the media and media contents and to create communications in a variety of contexts... Media messages are informational and creative contents included in texts, sounds and images" and are an important part of our contemporary culture.

The development of critical thinking, the responsible use of content and the ability to analyse are part of the social priorities of a media group like Lagardère.

B.2 Application

In addition to their activity of publishing youth works and teaching manuals on all markets, Hachette and Hatier are involved in Savoir Livre, a non-profit organisation that works with the French national education authority and the Books and Reading Department of the Ministry of Culture. Savoir Livre monitors the education system through studies, surveys, conferences and debates with the underlying aim of giving children the best chance of succeeding in life.

In addition to this work, the Youth Works publishers at Lagardère Publishing offer a number of online activities for children. Hatier's Annabac.com site is one of the most widely viewed websites among students (4.3 million UVs in 2015) during their schooling. Annabac.com provides tips and resources to succeed in secondary school and the first steps beyond.

In 2013, Hatier also launched a contest called "*Le Tremplin Prépabac*" for secondary school students, with a prize of €5,000 to finance the winner's career project. Since its launch, 1,500 students have participated in the programme.

At Lagardère Active, all programmes pre-purchased and co-produced for the youth channels are closely monitored by the business line. This work is performed upstream, for example when characters, scripts, dialogue and graphics are selected.

Gulli signed on to a Code of Conduct in December 2015 which covers new media used to deliver content through digital platforms, following approval from its Ethics Committee made up of qualified individuals and independent experts who are responsible for monitoring programme content and child protection.

As a youth channel, Gulli must comply with certain legal and regulatory requirements, and this new Code of Conduct lays down a set of specific commitments that it must meet, regarding for example the French language, corporate citizenship, representation of equality and diversity and awareness about sustainable development.

The Group's radio stations and advertising sales brokerages are also involved in efforts to protect children by broadcasting advertisements and displaying online banner ads for organisations dedicated to this cause.

In preventing obesity, the Group's youth channels take action to promote balanced and healthy diets among their young viewers. The youth channels took part in discussions organised by the CSA on drawing up a new five-year Charter, which was signed in November 2013. This text came into force in January 2014.

In November 2013, the CSA launched <http://education-medias.csa.fr/>, a media literacy website aimed at the general public. Certain media of the Lagardère group (in particular Europe 1 and Gulli) contributed to developing the site.

In March 2015, as in 2014, Europe 1 and Gulli teamed up to take part in the 26th Press and Media Week at School (*Semaine de la*

presse et des médias dans l'école), an event coordinated by the centre for liaison between teaching and information media, or Clerm, and the French Ministry of Education to help children to understand the media system, to develop their critical analysis skills and their interest in current issues, and to forge their identity as a citizen. Two of the Lagardère group's media entities invited 150 children aged 10 to 14 from across France to their offices to discover the world of radio and television by participating in a variety of activities.

In promoting reading, Hachette Livre, whose publishing business is, by definition, permanently encouraging reading, is involved via the SNE (the French Publishers Union) in all public events related to combating illiteracy and inciting reading. In addition, many literary prizes are awarded by the Lagardère group's various entities to encourage reading across all population groups. These awards include the *Elle* readers' grand prize, the Version Femina book prize, the Gulli novel prize, and the Relay des voyageurs prize.

Youth channels are also involved in promoting reading, by broadcasting programmes that teach children how to read and reading stories for children on air.

B.3 Performance

Indicator	Unit	2015	2014	2013
Number of hours of obesity prevention programmes broadcast on youth channels during the year	Hours	536h	330h18m	314h49m
Total number of hours of obesity prevention programmes broadcast on youth channels since 2009	Hours	2,040h	1,506h37m	1,176h19m
Number of UVs on annabac.com during the year	Millions	4.3	3.8	-
Number of formal litigation cases involving child labour	No.	0	0	0

C) RAISING AWARENESS ABOUT SOCIAL ISSUES AND SUSTAINABLE DEVELOPMENT

C.1 Strategy

Through their content, the media can contribute to providing their audiences with the skills to understand major issues in contemporary society (environment, social justice, diversity, health, human rights, etc.). As direct or indirect information providers, the media have a power of influence that can be instrumental in raising public awareness.

C.2 Application

With the year closing on the high note of the COP21 Climate Conference in Paris, 2015 put this particular responsibility of the Lagardère group in a new perspective. All Lagardère Active media and its advertising sales brokerage, Lagardère Publicité, got involved in the event.

Lagardère published content on environmental issues in its news magazines and organised a campaign including quizzes, a challenge and conferences to raise employee awareness about climate change priorities.

The Jean-Luc Lagardère Foundation supported the certified COP21 exhibition Footprint, which tells the story of successful environmental initiatives taken throughout the world.

C.3 Performance

Europe 1 organised a number of exclusive events before, during and after COP21: a special full-day of programming aired from Ile de Sein, an island off the French coast threatened by rising sea levels, a special morning broadcast on climate change live from Beijing, another special day of programming focused on anticipating the

impact of climate change, and more. These events culminated in the Europe 1 environment awards, which honoured seven initiatives offering solutions for a healthier planet. Lagardère's magazines were also mobilised. *Elle aime la planète* (*Elle Loves the Planet*), a special round-shaped edition with Mélanie Laurent as its environmental activist chief editor, made a strong impact. *Paris Match* wrapped up its six-month series of special reports, *L'appel de la Terre*, with a book featuring professional and amateur landscape photography, *Ma terre en photos*, which was offered to the chiefs of state who attended COP21.

Éditions du Chêne published a book covering the Footprint exhibition held at the Paris City Hall, while Relay stores displayed the event's promotional posters.

5.3.2.4 STRENGTHENING OPERATIONAL SUSTAINABILITY

The Lagardère group's range of activities focuses on the services sector, and this tends to mitigate its direct environmental risks that are not caused by the paper cycle. Nevertheless, environmental protection and more generally sustainability are upheld as critical Group CSR priorities.

That is why Lagardère lays the groundwork by taking steps to ensure that the development and growth of its businesses preclude any conflict with the environment, while complying with international, national and local regulations in all countries where the Group operates.

The Group and its divisions can then each organise their own approach to sustainability, developing awareness campaigns and training programmes to help their employees understand the

priorities specific to their particular business and the tools and measures available for managing them.

Paper-related activities, which concern two Group divisions, are targeted by several environmental priorities, including climate change, protection of natural resources and waste management, but the Group has decided to focus its action on climate change and social responsibility in the supply chain.

A) FIGHTING CLIMATE CHANGE

A.1 Strategy

Fighting climate change involves reducing greenhouse gas emissions, which can come from a wide range of sources: energy consumption, deforestation, manufacturing, transportation and so on.

This fight also requires a policy of responsible paper management, which tends to limit emissions throughout the paper life cycle.

A.2 Application

In offices:

In line with the Lagardère group's objective of increasing its use of low-carbon energy sources, several of its premises in Paris are heated by a district heating system supplied by Compagnie Parisienne de Chauffage Urbain (CPCU). Out of the energy supplied by CPCU, which combines several sources of power (2013 figures), 64% comes from natural gas or gas produced by cogeneration (25%) and recycled domestic waste (39%). The remaining 36% comes from coal (24%) and ultra-low sulphur heating oil (12%).

Similarly, the headquarters of the Lagardère group opted for the same energy mix several years ago to heat one of its two sites in Paris.

The building in Vanves that is home to Hachette Livre since April 2015 obtained HQE NF high environmental standard certification for commercial buildings and the BBC energy efficiency label. Hachette UK's new headquarters in Carmelite House meets BREEAM certification standards, while Hachette Book Group reduced its energy consumption at its New York offices by 70% in 2015.

Two of the office buildings housing Lagardère Active in Levallois are heated by Levallois Énergie Maintenance (LEM), which is comparable to the above-described Paris district heating system.

When Lagardère Studios relocated to Boulogne, it chose a building certified as HQE (built to High Quality Environmental Standards) and BBC (the French standard for low-energy buildings).

At Lagardère Sports and Entertainment, the Croix Catelan site and the Folies Bergère and Casino de Paris entertainment venues use district heating.

In 2015, the Lagardère group began its programme of 43 energy audits to be conducted in France. This programme was led by the Real Estate and Sustainable Development Departments in liaison with the Group's four divisions to meet the EU Energy Efficiency Directive and to anticipate France's energy transition law.

In the business lines:

Lagardère Publishing works to reduce the greenhouse gas emissions from energy consumption at its offices and is involved in an ambitious programme, Cap Action Carbone, to reduce the greenhouse gas emissions related to its book publishing activities. For the past three years, Lagardère Publishing has displayed on its French works the type of paper used in printing, if it is certified or recycled, and the carbon footprint of each copy.

The division has carried out three carbon audits for Scope 3 emissions, in 2008, 2012 and 2015. Scope 3 goes a step beyond Scopes 1 and 2, which meet the legal requirement, to account for indirect emissions from sold products, i.e., books for Lagardère Publishing. The entire value chain is covered, from the forests which produce the wood transformed into fibre and then paper, to printing and transportation before moving onto Hachette Livre's direct emissions from storage, distribution, delivery and office operations.

The calculation method must be continuously updated to keep it in line with other international methods, even if that involves raising or lowering previous audit findings to make the comparison meaningful. The 2012 audit had initially come out at 196,000 tonnes of CO₂ equivalent and was revised to 189,000 tonnes after factoring in the new criteria.

That did not prevent Hachette Livre's efforts from resulting in a 10% reduction in its greenhouse gas emissions between 2012 and 2015 to 169,000 tonnes of CO₂ equivalent.

This remarkable progress, which followed a 16% reduction between 2009 and 2012, mainly results from the efforts made to rationalise the print run and reprint processes. The average carbon footprint of a book is now 1.03 kg of CO₂ equivalent.

Using paper from sustainably managed forests (see below) has clearly contributed to fighting climate change. But print-on-demand technology, used to print only books that have been ordered, has also played a role in limiting greenhouse gas emissions from production, storage and transportation. The Group has developed the use of this technology in France, the United States and the United Kingdom, and its catalogue was enlarged in 2015.

In France, Hachette Livre is also using this technology as part of a large-scale project it has launched in association with France's national library (Bibliothèque Nationale de France). As part of this project an initial 100,000 copyright free titles will be marketed via Hachette Livre's bookstore network, selected from the 200,000 digitised books available through Gallica, the Bibliothèque Nationale de France's digital library.

Lagardère Active, alongside its paper management policy, constantly seeks to optimise transport in the manufacturing cycle by working with closely situated paper suppliers, printers, binders and transporters, and opting for transport methods with lower greenhouse gas emissions (train or boat where possible).

With the resources of the Technologies Department, the main physical flows required in its business operations have been transformed into digital flows, using electronic transfer and validation circuits. This has helped the business line to reduce the transportation of documents and physical media, streamline validation circuits and increase the efficiency of these operations. Digitisation has been adopted for financial and purchasing applications, for press and multimedia editorial flows (electronic flatplan, integration of digital pre-press), for advertising sales brokerage (digital transfer of advertising materials for press and audiovisual media, portal for adverts appearing in the press, electronic data interchange) and for TV channels (tape-free sending of productions and advertisements).

Lagardère Travel Retail's programme to refurbish its Relay stores in France has provided the opportunity to test an upcycling project at about 30 outlets. This involved transforming existing structures to adapt to the new product mix, which has limited greenhouse gas emissions, saved time and cut costs.

Efforts were also made in transportation. Aelia now has a fleet of twelve hybrid vehicles for its warehouse deliveries.

A.3 Performance

The Group's energy consumption in France and Western Europe in 2015

Division	Year	Gas (kWh)	Oil (kWh)	Electricity (kWh)	District heating system (kWh)
Lagardère Publishing	2015	12,388,715	2,699,245	26,713,516	1,811,817
	2014	12,159,065	3,650,804	26,763,170	2,394,711
Lagardère Travel Retail	2015	7,398,909	421,245	67,517,122	106,393
	2014	14,738,827	3,692,519	46,470,843	152,000
Lagardère Active	2015	2,433,763	162,062	18,351,073	2,447,425
	2014	4,777,040	37,538	21,128,545	1,463,000
Lagardère Sports and Entertainment	2015	5,813,072	53,919	4,242,181	642,234
	2014	3,269,456	2,535,370	4,495,733	1,411,770
Other Activities	2015	0	0	1,016,341	340,000
	2014	15,837	5,507	5,018,339	400,000
Total	2015	28,034,459	3,336,471	117,840,234	5,347,869
	2014	34,960,225	9,921,738	103,876,630	5,821,481

Year-on-year increases and decreases in energy consumption varied by branch and source. The Group's energy consumption in France and the rest of Western Europe showed a downward trend, except for electricity, due to a change in scope (see below).

The considerable decrease in district heating at Lagardère Publishing is a direct result of the relocation of the division's French registered office, which was the largest consumer of this form of energy.

The increase in electricity consumption at Lagardère Travel Retail comes from France, as the sales outlets from the joint venture with SNCF entered the reporting scope.

The drop in gas consumption at Lagardère Active was offset by its higher consumption of district heating.

And at Lagardère Sports and Entertainment, the drop in oil consumption and the rise in gas consumption is due to Lagardère

Paris Racing in France. The site underwent major renovation works in 2014 when the gas-fired boilers were replaced with temporary oil-fired boilers. After the renovation works were completed in late 2015, the gas-fired boilers were reinstalled.

In general the changes in reported consumption reflected:

- ▶ changes in organisational structure, with new entities entering the environmental reporting scope;
- ▶ a better understanding within an entity of the various sources of energy consumption;
- ▶ internal organisational changes (often due to refurbishment or renovation works) that may be temporary or permanent, and lead to increases or decreases in energy consumption.

CO₂ equivalents of the Group's tertiary energy consumption in France and Western Europe (in eq. t CO₂)

Division	Year	Scope 1			Scope 2			Total Scope 1 + Scope 2
		Gas	Oil	Total	Electricity	District heating system	Total	
Lagardère Publishing	2015	2,291.91	718.00	3,009.91	4,936.94	348.89	5,285.82	8,295.74
	2014	2,644.40	2,135.09	4,779.49	6,603.46	466.97	7,070.43	11,849.92
Lagardère Travel Retail	2015	1,368.80	112.05	1,480.85	13,833.21	20.75	13,853.95	15,334.80
	2014	3,162.89	1,195.85	4,358.74	7,645.75	29.64	7,675.39	12,034.13
Lagardère Active	2015	450.25	43.11	493.35	4,013.55	700.35	4,713.90	5,207.26
	2014	1,045.80	12.39	1,058.19	4,408.56	364.29	4,772.85	5,831.04
Lagardère Sports and Entertainment	2015	1,079.76	14.34	1,094.10	656.68	300.88	957.56	2,051.66
	2014	715.14	836.48	1,551.62	634.09	572.42	1,206.51	2,758.13
Other Activities	2015	0.00	0.00	0.00	79.27	66.30	145.57	145.57
	2014	3.47	17.90	21.37	391.43	78.00	469.43	490.80
Total	2015	5,190.71	887.50	6,078.21	23,519.65	1,437.16	24,956.81	31,035.03
	2014	7,571.70	4,197.71	11,769.41	19,683.29	1,511.32	21,194.61	32,964.02

As energy consumption for the Group's French and European operations decreased overall in 2015, so did the related greenhouse gas emissions.

Lagardère is gradually extending its reporting scope to cover energy consumption outside France. For 2015, the Group disclosed its energy consumption and greenhouse gas emissions for its entire Eastern Europe scope (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia).

The Group's energy consumption in Eastern Europe in 2015

Division	Year	Gas (kWh)	Oil (kWh)	Electricity (kWh)	District heating system (kWh)
Lagardère Publishing	2015	0	0	0	0
Lagardère Travel Retail	2015	1,764,694	1,201,081	39,510,975	3,526,391
Lagardère Active	2015	635,493	236,627	2,324,135	138,425
Lagardère Sports and Entertainment	2015	1,850,704	134,935	2,850,579	16,668
Total	2015	4,250,891	1,572,643	44,685,689	3,681,484

CO₂ equivalents of the Group's tertiary energy consumption in Eastern Europe in 2015 (in eq. t CO₂)

Division	Year	Scope 1			Scope 2			Total Scope 1 + Scope 2
		Gas	Oil	Total	Electricity	District heating system	Total	
Lagardère Publishing	2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lagardère Travel Retail	2015	326.47	319.49	645.96	26,761.90	4,052.67	30,814.58	31,460.53
Lagardère Active	2015	117.57	62.94	180.51	1,546.10	0.00	1,546.10	1,726.60
Lagardère Sports and Entertainment	2015	342.38	35.89	378.27	910.59	24.64	935.23	1,313.50
Total	2015	786.41	418.32	1,204.74	29,218.59	4,077.31	33,295.90	34,500.64

The substantial amount of greenhouse gas emissions at Lagardère Travel Retail in Eastern Europe clearly comes from the significant consumption of electricity, but is especially due to the emissions factors for electricity which are higher on average in this region than in Western Europe. For example, in Poland, where electricity accounts for nearly half of total Eastern European electricity consumption, the emissions factor is ten times higher than in France, where electricity accounts for 60% of consumption in Western Europe.

B) SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN

B.1 Strategy

The Lagardère group has had a Procurement Policy since 2008. This Procurement Policy was revised in 2013 to become the Sustainable Procurement Policy. This new policy offers the Group's procurement specialists information on respect for the environment, diversity and social inclusion, the quality of governance, easier access for VSEs and SMEs, as well as on taking into account the cash flow of small suppliers and selecting sustainable suppliers.

In addition to its Sustainable Procurement Policy, which defines the basic principles that each employee concerned should apply and uphold, the Lagardère group has also had a suppliers' charter since 2005. Updated in 2012 and renamed the Responsible Supplier Charter, it is based on a certain number of international standards, such as the OECD Guidelines, the ILO Conventions and the UN Global Compact. All new suppliers working with a Group company have been required to systematically sign up to this Charter since 2013.

Despite the decline of the press and magazine businesses at Lagardère Active, Lagardère is fully aware that its paper use remains a crucial environmental priority. The Group has long led a policy of rigorous responsible paper management which applies throughout the paper life cycle. From supply to production and ending with the management of returns, Lagardère works with all its trade partners involved at every stage.

B.2 Application

In assessing suppliers, the Lagardère group signed a framework agreement with EcoVadis at the end of 2014, which provides a collaborative platform for companies to assess the environmental and social performance of their suppliers. The first supplier scorecards (164) were gradually implemented in 2015. EcoVadis sends detailed CSR questionnaires to selected suppliers and

requests documented evidence to support their answers. EcoVadis analyses and assesses the suppliers and gives them a rating. Buyers now use these scorecards when choosing new suppliers or in managing active suppliers.

As a matter of policy, **Lagardère Publishing** also promotes environmental and labour issues with its paper suppliers and printers, both in and outside France, by encouraging certification. As regards the environmental management system, 90% of Lagardère Publishing's paper suppliers and 99.5% of Lagardère Active's paper suppliers are ISO 14001 certified.

In terms of raising awareness on labour issues, Lagardère Publishing primarily focuses on subcontractors operating in countries where labour legislation is less strict than in Europe. Most of Lagardère Publishing's printers in Asia have already obtained OHSAS 18001 certification (a universally recognised standard for health, safety and working conditions) or have signed a framework agreement including a labour clause.

As regards production in Asia of books published in French, 90% of the printers Lagardère Publishing works with have signed the Responsible Supplier Charter or obtained OHSAS 18001 certification. These awareness-raising operations apply to both subcontractors outside Europe and to Lagardère Publishing's European printers, which currently handle over 80% of the business line's printing work.

As a result, an increasing number of Lagardère Publishing's French and European printers have signed framework agreements including a labour clause or have obtained labour-related certification.

The Responsible Supplier Charter (called the Code of Ethics at Hachette Collections) stipulates that the publisher can initiate compliance audits at the suppliers' and subcontractors' premises or at any of their production sites, with penalties applied for any infringement. Hachette Collections commissioned four audits at two of its plants in 2015, one of which was delisted as the second audit detected major non-compliance issues.

In managing paper purchases, Lagardère's objective is to increase the proportion of certified paper (paper from sustainably managed forests) it purchases every year and to use recycled paper whenever possible.

Initiatives focusing on traceability and monitoring of the quality of paper purchased by printers have made it possible to significantly reduce the proportion of fibres used for publications whose origin cannot be traced and/or to ensure that no fibres are used from forests that are not replanted. Lagardère Publishing asks its

suppliers in Asia to ban certain qualities of paper that do not meet the requirements set (traceability, fibres from sustainably managed forests, etc.).

In 2010, Lagardère Active launched a PEFC chain-of-custody certification process for paper. Following this process completed in early 2011, the division received authorisation to include the certification logo in magazine mastheads or credits. This PEFC chain of custody certification process is now audited annually by an accredited independent firm⁽¹⁾.

Recycled paper is very well suited to the production of newsprint. *Le Journal du Dimanche* is printed entirely on recycled paper. On the other hand, the supply of recycled paper for magazines is still limited because of the volumes required and the number of suppliers in the market. As a result Lagardère mainly uses certified paper.

B.3 Performance

The main raw material used to make paper is wood, which is a renewable resource. The wood is processed into a pulp which is used to make reels of paper. The reels are shipped to the printer

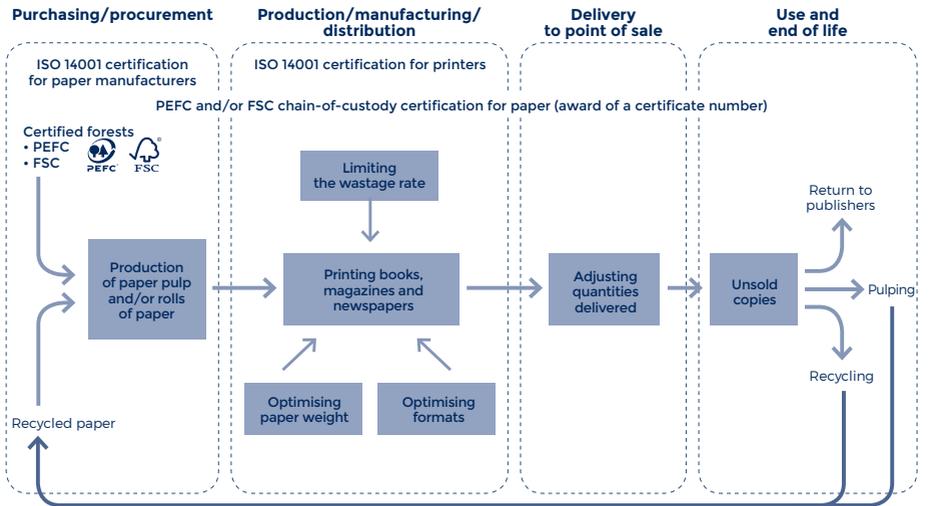
to be made into books, magazines and newspapers. Once used, these products can be collected and recycled to be used as a raw material for the production of recycled paper pulp.

A sustainably managed forest is defined as land where the amount of wood harvested every year does not exceed biomass growth over that same year. This guarantees carbon sequestration in the forest, which does not occur in the case of overexploitation or deforestation.

Sustainable forest management involves controlling forest resources, but covers many other criteria beyond carbon. The productive function of forests, biological diversity, their protective function and forest health and vitality are also taken into account. Buying certified paper also has an impact on the preservation of biodiversity.

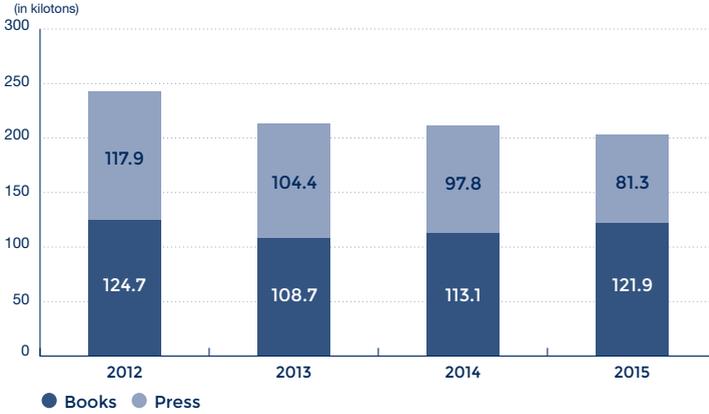
This sustainable use of natural resources helps gradually eliminate any negative impact of the Group's operations on endangered forests.

The paper cycle

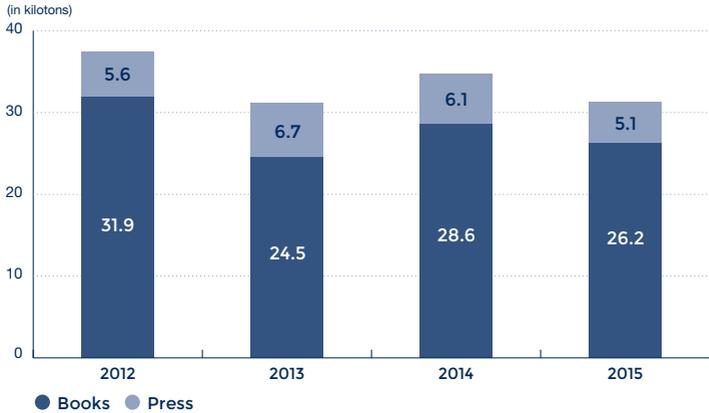


(1) The purpose of this audit is to check that all the physical and administrative flows provide adequate traceability throughout the service chain up to the layout service, which applies the logo to the magazine, certified under a unique number.

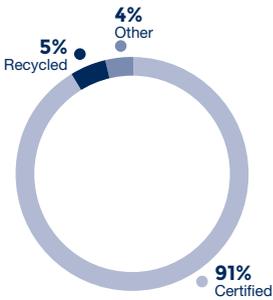
Total weight of paper purchased directly



Total weight of paper supplied by printers



Breakdown of paper purchased and supplied in 2015



Indicator	Unit	2015	2014	2013
Total weight of paper purchased directly	kiloton	203.2	210.9	213.1
Total weight of paper purchased and supplied	kiloton	234.5	245.6	244.3
Percentage of certified paper	%	91	88	88
Percentage of recycled paper	%	5	4	4
Number of PEFC-certified magazines	No.	28	29	37
Number of pages of advertising granted to Ecofolio in Lagardère Active magazines	No.	42	68	70
Number of active responsible supplier charters at year-end	No.	248	-	-
Number of suppliers and subcontractors assessed via the EcoVadis platform at 31 December 2015	No.	164	-	-
Percentage of revenue generated with ISO 14001 certified printers – Lagardère Publishing	%	50	48	-
Percentage of revenue generated with ISO 14001 certified printers – Lagardère Active	%	25	22	-
Percentage of ISO 14001 certified paper suppliers – Lagardère Publishing	%	90	78	97
Percentage of ISO 14001 certified paper suppliers – Lagardère Active	%	99.5	99	99

5.3.3 MONITORING OTHER REQUIRED DISCLOSURES

In addition to the information provided on the four strategic priorities (see section 5.3.2) and in line with article R. 225-105-1 of the French Commercial Code (as shown in the cross reference index at the end

of this chapter), the disclosures in this section cover the other labour, environmental and social information required by law.

5.3.3.1 LABOUR INFORMATION

Permanent workforce by age group

Division	Under 30	Age 31-40	Age 41-50	Age 51-60	Over 60	Total
Lagardère Publishing	1,116	1,772	1,811	1,378	280	6,357
Lagardère Travel Retail	5,083	3,920	3,258	2,087	438	14,786
Lagardère Active	429	1,095	986	541	56	3,107
Lagardère Sports and Entertainment	374	561	306	110	33	1,384
Other Activities	21	36	41	37	15	150
Group total 2015	7,023	7,384	6,402	4,153	822	25,784
Percentage	56%		25%		19%	100%

Staff recruitments/separations

The Lagardère group monitors the indicators on staff recruitments and separations, which reflect its ability to attract and keep talent.

Staff recruitments and separations by type

Division	Recruitments	Contract conversions	Internal mobility	Promotions	Total
Lagardère Publishing	575	164	73	118	930
Lagardère Travel Retail	4,564	241	18	228	5,051
Lagardère Active	199	160	31	54	444
Lagardère Sports and Entertainment	211	62	27	50	350
Other Activities	11	4	3	2	20
Group total 2015	5,560	631	152	452	6,795
Group total 2014	3,995	318	251	653	5,217

Division	Resignations	Retirements	Redundancies	Dismissals for personal reasons	Separations by mutual agreement	Other reasons	Total
Lagardère Publishing	405	77	68	84	40	74	748
Lagardère Travel Retail	2,582	47	208	590	1,353	652	5,432
Lagardère Active	116	17	86	103	176	53	551
Lagardère Sports and Entertainment	154	3	43	32	40	40	312
Other Activities	4	5	1	1	5	2	18
Group total 2015	3,261	149	406	810	1,614	821	7,061
Group total 2014	2,550	147	584	886	1,007	887	6,061

In 2015, most staff recruitments at the Group – 91% of staff recruitments versus 83% in 2014 – involved new hires and conversions of fixed-term contracts into permanent contracts. Mobility and promotions, however, were halved, falling from 17% of staff recruitments in 2014 to 9% in 2015.

Most staff recruitments and separations took place at Lagardère Travel Retail. Operating in the retail sector, its businesses are more susceptible to turnover than other Group activities.

Remuneration, employee welfare benefits

It is Group policy to use remuneration and pay rises to recognise and reward individual performance levels, based on quantitative and qualitative criteria defined by the subsidiaries.

To take into account employees' levels of skills, training and responsibility and the specific nature of the sectors they work in, individual rather than collective pay rises are increasingly common.

Regarding remuneration, most of the Group's entities make use of individual and collective performance incentives such as bonuses and variable pay. These practices allow an employee's remuneration to be linked to the achievement of personal objectives and collective objectives at the level of the subsidiary concerned.

In return for these individually tailored pay measures, to ensure optimum transparency between staff and their management on remuneration, the Group encourages annual interviews, which give employees a better perception of their fulfilment of the requirements of their job.

Lagardère also seeks to build loyalty among fast-track employees with the regular allocation of shares in the parent company, Lagardère SCA.

Until 2006, this allocation took the form of share options but since 2007 the Group has used free share awards (see the special reports of the Managing Partners).

Although the divisions are largely free to adapt their remuneration policy to their business line and context, the Group believes that each entity should cover its social security contributions in line with the requirements and practices of its home country.

Regarding employee welfare benefits, all Group employees in France have supplementary health and social welfare plans partially funded by the employer. Welfare benefits also exist or are offered to employees in other countries, depending on the state systems in place and local practices.

Average annual gross salary by occupational group and by geographic area (in €)

Continent	Executives	Managers	Journalists and Photographers	Other employees
France	201,739	54,358	63,458	23,984
Rest of Europe	137,161	49,944	22,110	24,336
North and South America	294,361	81,783	NA	29,472
Asia-Pacific	227,764	63,993	34,320	30,884
Africa	85,524	46,203	NA	8,764
Group average 2015	177,875	55,470	55,792	25,676
Group average 2014	179,532	57,749	53,891	25,187

Behind these salary averages – which are provided for information purposes – lie widely varying situations (due to the nature of the activities and their location, with lifestyles and the cost of living differing greatly from country to country), and no general conclusions or comparisons should be drawn from them.

Organisation of labour relations

Labour relations are an essential part of the Lagardère group's human resources policy, based on the acknowledged principle of maintaining a balance between economic and labour priorities, at all levels of the organisation (entities, divisions and Group).

The Lagardère group has freely elected independent employee representatives through whom it can regularly discuss labour issues that have an impact on employment such as working conditions and restructuring.

In all countries, Lagardère complies with rules entitling employees to form their own representative bodies.

As such, the Lagardère group works to apply and promote the ILO's fundamental principles on the freedom of association and the effective recognition of the right to collective bargaining.

In terms of labour relations, although it practices a policy of independence for its business lines, the Group also promotes cooperation and dialogue with employee representative bodies and between the various subsidiaries in France and the rest of the world.

Two committees have been set up to meet this objective: the European Works Committee, set up in January 2003, and the Group Employees' Committee, set up in January 2002.

These two bodies have regular exchanges with Management about the key priorities and changes necessary for the Group's business activities.

The Group Employees' Committee comprises 30 members representing employees of the Lagardère group.

The European Works Committee also comprises 30 members who are employees of the Lagardère group in Europe. Since the committee was renewed on 1 July 2015, France holds 13 seats and the remaining 17 seats are held by representatives from ten other European countries – Austria, Belgium, the Czech Republic, Germany, Hungary, Italy, Poland, Romania, Spain and the United Kingdom.

New or existing members of both committees will be appointed or reappointed in July 2017.

The articles of association of the Group Employees' Committee and the European Works Committee stipulate that each of these bodies must hold an annual ordinary meeting.

In addition to these annual meetings, extraordinary meetings or meetings between committee members and union representatives may be held if the situation so requires.

In 2015, as every year, the Group Employees' Committee and the European Works Committee held two ordinary general meetings. At these meetings, the committees assessed the activity of each division and reviewed their strategies.

2015 was another active year for the Group's labour relations. The Lagardère group maintains its plan to sell Lagardère Travel Retail's distribution operations. The situation is being discussed among its employee representative bodies, and the European Works Committee held an extraordinary meeting to keep them informed of the Group's progress on the deal.

Collective agreements signed during the year and agreements in place⁽¹⁾

Continent	Collective agreements in place at 31 December	Collective agreements signed during the year
France	549	46
Rest of Europe	105	20
North and South America	9	6
Asia-Pacific	2	0
Group total 2015	665	72
Group total 2014	680	84

(1) At 31 December 2015.

Percentage of the workforce covered by collective agreements, by type

Type of agreement	Gender balance	Hygiene, safety, working conditions	Integration of employees with a disability	Employee welfare benefits	Working hours	Training	Remuneration
Group total 2015	51%	61%	33%	62%	78%	31%	73%
Group total 2014	46%	66%	27%	55%	70%	35%	72%

Employee representation

Percentage of employees covered by employee representation

Group total 2015	71%
Group total 2014	74%

Organisation of working hours

Group entities have put in place work organisation schemes that provide the flexibility to meet the specific requirements of their operations, with overtime hours, fixed-term contracts and temporary employment.

In France, due to the nature of its press, audiovisual and live entertainment production activities, the Lagardère group calls on the services of specific types of employees, namely freelance journalists, entertainment workers, and other occasional employees such as proof readers and events and hospitality staff.

This flexibility – which is required for the organisation of working time – does not, however, jeopardise the Lagardère group's compliance

with legal regulations specific to each country, particularly in terms of working hours and overtime.

Based on the indicators relating to the organisation of working hours, Lagardère carefully monitors how its companies use work flexibility arrangements, such as overtime hours, agency staff and fixed-term work contracts.

It is therefore important to note that the total number of employees on fixed-term contracts and agency staff accounted for 12.3% (versus 11.98% in 2014) of the Lagardère group's total workforce.

The Group also carefully monitors the total number of part-time staff.

Average daily and annual working hours

Region	France	Rest of Europe	North and South America	Asia-Pacific	Africa	Group total 2015
Days worked per year	219.3	240.6	250.0	252.4	286.0	234.6
Hours worked per day	7.1	7.9	7.6	8.0	8.0	7.6
Hours worked per year	1,565.1	1,902.8	1,892.9	2,018.7	2,288.0	1,782.1

Employees on fixed-term contracts⁽¹⁾ (Full-Time Equivalent basis⁽²⁾)

Division	2015	2014
Lagardère Publishing	346.90	350.17
Lagardère Travel Retail	1,585.49	1,479.96
Lagardère Active	299.06	249.79
Lagardère Sports and Entertainment	170.94	123.10
Other Activities	5.88	3.19
Group	2,408.27	2,206.21

(1) Non-permanent employees = employees on fixed-term contracts.

(2) The FTE figure is obtained by adding together all the employees who worked for the Group during the year, based on their standard working hours and the hours they actually worked over the twelve months concerned. For example, an employee who works half a week for six months of the calendar year is counted as 0.25 FTE (0.50 x 0.50). This measure is particularly relevant for analysing the non-permanent workforce, given that reporting a figure as at 31 December would not reflect the actual situation for this occupational group.

Occasional employees⁽¹⁾ (Full-Time Equivalent basis)

Division	2015	2014
Lagardère Publishing	16.90	23.61
Lagardère Travel Retail	471.00	19.00
Lagardère Active	1,049.63	1,091.84
Lagardère Sports and Entertainment	1,043.08	152.73
Other Activities	25.00	1.90
Group	2,605.61	1,289.08

Number of overtime hours worked during the year

Division	Number of hours	FTE
Lagardère Publishing	117,792.17	67.89
Lagardère Travel Retail	457,398.79	263.63
Lagardère Active	9,083.74	5.24
Lagardère Sports and Entertainment	7,522.35	4.34
Other Activities	35.83	0.02
Group total 2015	591,832.88	341.11
Group total 2014	476,552.00	274.67

Number of temporary hours worked⁽²⁾ during the year

Division	Number of hours	FTE
Lagardère Publishing	814,694.92	469.56
Lagardère Travel Retail	609,404.20	351.24
Lagardère Active	33,698.80	19.42
Lagardère Sports and Entertainment	104,204	60.06
Other Activities	113	0.07
Group total 2015	1,562,114.92	900.35
Group total 2014	1,573,375.73	906.84

Percentage of part-time employees

Division	Women	Men	Total
Lagardère Publishing	13%	2%	8%
Lagardère Travel Retail	23%	14%	20%
Lagardère Active	10%	5%	8%
Lagardère Sports and Entertainment	17%	8%	11%
Other Activities	9%	7%	8%
Group total 2015	19%	9%	15%
Group total 2014	16%	10%	14%

(1) Occasional employees alternate between periods worked and periods not worked to meet the company's specific requirements.

(2) The number of temporary hours worked includes the use of employees from temporary employment agencies. Temporary employees sign a contract under which they provide their services for a fixed period, which is invoiced to the entity. The individual is not registered in the entity's payroll and is paid by the temporary employment agency.

Health and safety at work

Lagardère's business activities are mainly concentrated in the services sector, which has low exposure to health and safety risks. However, entities with logistics and distribution activities have a greater "safety culture" than other Group companies.

Each division implements a policy of reducing health and occupational risks through preventive action and training.

In terms of safety, Lagardère specifically monitors the indicators covering lost time due to sick leave and all indicators covering work-related accidents and sick leave, which are presented below.

France was hit by a number of terrorist attacks in 2015. Some Group employees were directly involved. The human resources teams at the entities concerned took the necessary measures to offer support to those affected.

Number of work accidents and sick leave cases

Division	Number of accidents	Number of sick leave cases
Lagardère Publishing	128	3
Lagardère Travel Retail	425	1
Lagardère Active	19	0
Lagardère Sports and Entertainment	12	0
Other Activities	0	0
Group total 2015	584	4
Group total 2014	586	4

Frequency and severity rate of work accidents⁽¹⁾

Division	Frequency rate and change		Severity rate and change	
Lagardère Publishing	11.50	↗	0.37	↗
Lagardère Travel Retail	18.86	↘	0.52	↘
Lagardère Active	3.39	↗	0.06	→
Lagardère Sports and Entertainment	5.09	↘	0.05	↘

Days' absence and lost time⁽²⁾ rate due to work accidents and sick leave

Division	Lost time due to sick leave and change		Lost time due to work accidents and change	
Lagardère Publishing	3.04%	↑	0.28%	↗
Lagardère Travel Retail	4.06%	↑	0.39%	↘
Lagardère Active	3.32%	↑	0.05%	→
Lagardère Sports and Entertainment	2.01%	↑	0.10%	→
Other Activities	1.07%	↓	NA	
Group total 2015	3.56%	↑	0.30%	→

(1) Frequency rate = (number of work accidents resulting in lost time x 1,000,000)/number of hours worked. Severity rate = (number of days of lost time x 1,000)/number of hours worked.

(2) Lost time = (number of days absence x average number of hours worked per day)/(number of permanent FTEs over the year x average number of hours worked per year).

5.3.3.2 ENVIRONMENTAL INFORMATION

The information relating to the identification of environmental risks and pollution, along with any provisions or guarantees is provided in section 3.5.1 of this Reference Document.

A) WATER CONSUMPTION AND SUPPLY IN ACCORDANCE WITH LOCAL CONSTRAINTS

Lagardère Publishing and Lagardère Active fully understand that paper production by definition uses large amounts of water. As such, they carefully monitor how their paper suppliers and printers optimise water consumption and the return of unpolluted water to the environment.

Several initiatives (closed loop recycling, isolation transformers) have been taken by the main paper suppliers, resulting in marked progress over the past ten years. The total amount of water used in

the paper manufacturing process has been substantially reduced, now standing at nearly half the amount recorded 15 years ago. By continuously improving their paper manufacturing processes, paper suppliers also recycle most of their wastewater and release clean water back into their natural environment.

Printers have also taken an active approach to limiting water consumption and use all the advanced technology available to them (especially in closed loop rinse water systems) to reduce their consumption and return clean water to the environment.

To maintain transparency, the Lagardère group monitors its tertiary water consumption along with that of certain partners. This refers to the amount of water used at all types of physical sites where employees from the different divisions work (offices, warehouses, retail outlets, etc.). The table below shows the amount of water used at each division worldwide in 2015.

Division	Year	Water (m ³)
Lagardère Publishing	2015	55,865
Lagardère Travel Retail	2015	304,240
Lagardère Active	2015	30,486
Lagardère Sports and Entertainment	2015	87,340
Group total	2015	477,931

B) MEASURES TAKEN TO PREVENT, RECYCLE AND ELIMINATE WASTE

Measures to improve the management of office waste are taken independently and often locally at each Group division worldwide. For example, in 2015 Lagardère Active Radio International in Poland introduced its Eurozet Ecooffice sustainability programme. But the Group also gives top priority to dealing with book and magazine returns, which is Lagardère's main environmental priority related to waste prevention and recycling.

Lagardère Active's Magazine Publishing business takes action upstream to reduce the rate of returns by optimising the number of copies of each title sent to sales outlets. Returns are an inevitable part of newsstand sales, but to manage them as effectively as possible, the business unit regularly adjusts quantities printed and delivered via specialised software used by the sales managers of each title. Over the past twelve years, these actions have reduced its rates of returns to levels well below the average national rate.

Faced with the important economic, environmental and social priorities of the recovery and recycling of press titles that are sold or distributed free of charge, a group of professional bodies

from the press industry in France (including SEPM, the French Union of Magazine Publishers) have agreed on the wording of a "Voluntary Agreement to Raise Awareness on Sorting, Recovering and Recycling Paper in the Press Industry", jointly with the French Ministry of Ecology, Sustainable Development and Energy, the Ministry of Culture and Communication and Ecofolio (an organisation accredited by the French government that promotes the recycling of graphic paper).

The objective of the agreement – which was signed in July 2013 and includes Lagardère Active as a member of the SEPM – is to provide a three-year framework on how press publishers can contribute to raising the public's awareness by providing free advertising space and including in their publications information related to the campaign to promote waste sorting. The first campaigns were launched in 2013 and continued in 2014 and 2015. In 2015, 42 pages of advertising were donated to Ecofolio in Lagardère Active magazines.

At Lagardère Publishing, the rate of returns for books relates to operations managed by Hachette Livre Distribution, i.e., all activities in France, Belgium, Switzerland and Canada as well as global export. Returns that are not pulped for recycling are added back to inventories.

Comparison of rates of magazine return in France



Indicator	Unit	2015	2014	2013
Rate of returns for Lagardère Publishing	%	22	24.71	23.91
Percentage of returns pulped and recycled	%	76	57	60
Percentage of returns added back to inventories	%	24	43	40
Rate of returns for Lagardère Active	%	32.3	31.8	33.1
Percentage of returns recycled	%	94	92	93
Percentage of returns re-released on the market	%	6	8	7

C) SUSTAINABLE USE OF RESOURCES

To reduce the use of paper, Lagardère Publishing and Lagardère Active have adopted a number of initiatives to limit wastage in their production process. The wastage rate refers to the percentage of paper wasted during the book and magazine manufacturing process (printing and after-press). It is calculated by comparing the amount of paper used in the printing process with the amount of paper delivered in the form of books or magazines. This rate varies greatly depending on the printing technology used (type of machine, colours) and the number of books and magazines produced (print-run).

As part of the policy for reducing the paper wastage rate, the teams concerned at Lagardère Publishing and Lagardère Active determine the best technical parameters and carry out detailed calculations of the amount of paper to be allocated to the printer. Improving wastage rates is a key factor in negotiations with printers.

Paper consumption and wastage rates are regularly monitored in France and abroad. This monitoring makes it possible to:

- ▶ validate the choices of printers, optimal printing techniques and paper (optimisation of reel width and paper size);
- ▶ calculate the number of copies of magazines and newspapers to print according to sales statistics;
- ▶ identify new technologies that could be used (rotating rapid-calibration tools, automatic setting of ink devices);

- ▶ implement rigorous printing press control procedures and optimised machine calibration (inking, size of paper cuts, etc.);
- ▶ inform editorial managers of the most economical formats to help them best meet market requirements;
- ▶ define and validate the best paper allocation schedules in conjunction with each supplier;
- ▶ identify areas for continuous improvement in conjunction with suppliers.

Adjusting the format of publications is another way of optimising book and magazine production. Lagardère Publishing offers a large number of single-format textbooks by title that are optimised to reduce the paper wastage rate in production. Compact textbooks have proved popular with teachers, buyers and pupils, who saw a reduction in the weight of their school bags. Lagardère Active proposes optimised formats to editorial managers. These new formats not only meet market demand but also reduce the weight of paper consumed and transported.

D) MEASURES TAKEN TO PRESERVE AND DEVELOP BIODIVERSITY

The Lagardère group's activities do not have a significant impact on biodiversity. The only aspects of its operations for which the protection of biodiversity could potentially be relevant are the use of wood and paper and responsible forestry management.

5.3.3.3 SOCIAL INFORMATION

A) TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF OPERATIONS

Wherever they are located, the divisions take account of the local impact of their activities on jobs and regional development.

Lagardère Publishing employs a large number of people outside major cities and pays close attention to the local characteristics of each region. Most of the business line's distribution centres are also located outside capital cities, such as the Maurepas site (Yvelines, France), Bookpoint (Oxfordshire, England), LBS (West Sussex, England) and HBG Distribution Services (Indiana, United States).

Lagardère Travel Retail's dense network of more than 4,600 stores is highly integrated into the transport infrastructures used by numerous people on a daily basis and also plays an important role in the development of the surrounding areas.

The supply chain is another important factor in social responsibility. About 90% of the fine foods sold at Lagardère Travel Retail's French sales outlets are made in France to limit transportation and promote employment in the country.

Outside France, more than 90% of the Group's executives were hired locally in 2015.

B) RELATIONS WITH PEOPLE OR ORGANISATIONS WITH AN INTEREST IN THE COMPANY'S ACTIVITIES

In addition to the Lagardère group's sponsorship programmes, the work of its foundations, and its support for employee engagement at the community level, each Group division is involved in community partnerships with a variety of organisations.

There are several examples of these initiatives.

Lagardère Travel Retail set up a partnership in 2011 with the organisation Action Against Hunger (*Action Contre la Faim*), which continued in 2015 in both the Duty Free & Luxury sales networks and at the Duty Free Global headquarters. In 2015, a total of €239,322 was raised, i.e., 15% more than in 2014, mainly through mini-donations for the NGO from travellers and employees.

Lagardère Active was involved in a number of community initiatives and partnerships developed by the Elle Foundation along with the Version Femina Community Involvement award. Europe 1 named three winners in 2015 and provided work space for organisations free of charge.

The Asian subsidiary of Lagardère Sports and Entertainment took different initiatives to support social inclusion in local communities and teach its surrounding society about what it does. These actions include donating tickets to sporting events, organising charity events for community causes (women's rights, education and medical research) and donating equipment to disadvantaged youths so that they can practise their sport.

C) FAIR BUSINESS PRACTICES AND ACTION UNDERTAKEN TO PREVENT CORRUPTION

In 2015, the four divisions continued to roll out the anti-corruption programme implemented by the Compliance Department (see section 7.4.1.6 D). The divisions have also developed an awareness plan to target and train a growing number of employees. The Group plans to continue these efforts in 2016.

This rollout is overseen by division heads of compliance who draw on the network of correspondents formed within the division's operating units. The anti-corruption programme was developed

further in 2015 with a programme on compliance with international economic sanctions.

D) MEASURES TAKEN TO ENSURE CONSUMER HEALTH AND SAFETY

To achieve this success, all Lagardère group employees must constantly strive for excellence and be completely dedicated to customers to build solid relationships based on trust. Lagardère works to inspect, assess and improve its products, services and manufacturing processes continuously to ensure their quality, safety and innovation at every stage of development, production and distribution.

At the Lagardère group, consumer health and safety cover a number of issues that vary depending on the business sector, including physical products (box sets, plus products), foodservice products (food hygiene), content and responsibility in advertising.

At **Lagardère Publishing**, suppliers that produce box sets and accessories go through a listing procedure, and all production is checked to ensure that products comply with new product safety regulatory requirements or standards (toys, items in contact with food, etc.).

Since the end of 2012, Hachette Livre has provided compliance certificates on both a systematic and intermittent basis on a dedicated portal to French retailers and booksellers for products requiring certification.

Hachette Livre is a member of the French committee in charge of defining toy safety standards and has implemented new incident and crisis management procedures concerning product safety to better handle all incidents. These procedures went into effect in early 2015.

Lagardère Travel Retail now offers foodservice at more than 450 sales outlets in nine countries. As a result, hygiene and food safety have become a key priority in the division's social responsibility. Meanwhile, Lagardère Travel Retail France has taken various measures to guarantee safe, healthy products for consumers. These include:

- ▶ Setting up an HACCP⁽¹⁾ system for controlling food safety for both foodservice operations and the sale of packaged food items.
- ▶ Performing daily food hygiene and safety checks at each sales outlet, following strict and precise criteria, from the supplier delivery phase to final sale to the consumer. External controls are also performed by independent bodies that carry out hygiene audits and microbiological analyses of finished products, raw materials, the water supply and equipment.

In Italy, Airst, in partnership with the Umberto Veronesi Foundation specialised in cancer research, continued to develop the Vivibene programme. The purpose of this programme is to offer balanced meals at its airport foodservice shops to raise consumer awareness about the benefits of a healthy lifestyle.

When entering into agreements with brands – which are generally owned by large French and international corporations that are subject to the same rules and requirements – a commitment to comply with international agreements on the environment, protection, consumer health and safety, and product traceability is systematically required. Lagardère Travel Retail also pays particular attention to all forms of advertising (posters, promotional displays, etc.) practised in all the business line's sales outlets.

With the development of its foodservice activities, Lagardère Travel Retail also focuses on food wastage, implementing projects to redistribute unsold items to charitable organisations. These programmes are most active in Nice and Paris. The division

(1) HACCP: Hazard Analysis Critical Control Point.

will pay close attention to France's new law of 11 February 2016 prohibiting food waste.

At **Lagardère Active**, Lagardère Publicité has self-regulation procedures concerning the advertisements it sells. It ensures compliance with advertising regulations with the support of Lagardère Active's Legal Department, which reviewed nearly 350 advertising messages in 2015 before broadcasting them. The Legal Department answers any specific questions operational staff may have about the content of advertising messages broadcast through all media (television, radio, magazines and the Internet).

Lagardère Publicité also follows the recommendations of the French advertising self-regulatory agency (*Autorité de régulation professionnelle de la publicité* – ARPP) and regularly submits the content of advertising messages (systematically for television advertisements) for prior verification of compliance with the standards. One message was subject to regulation in 2015.

As an advertising sales brokerage, Lagardère Publicité also provides advice to agencies and advertisers to ensure that their advertising messages comply with the ARPP's recommendations.

5.3.4 CSR METHODOLOGY AND INDICATORS

In terms of environmental issues, as the majority of Lagardère's activities are carried out in the services sector, not all of the data concerned is considered relevant to the Group, particularly data relating to the primary and secondary sectors of the economy.

This notably concerns:

- ▶ data relating to land use and measures taken to prevent, reduce and clean up discharges into the air, water and soil that seriously affect the environment;
- ▶ data on the mitigation of noise and other forms of pollution related to a business activity.

5.3.4.1 SCOPE OF CONSOLIDATION

The reporting system used to collect labour, social and environmental information is deployed in all the consolidated subsidiaries⁽¹⁾ whose operations are managed by the Group, with the exception of:

- ▶ entities that were disposed of or deconsolidated during the fiscal year;
- ▶ certain joint ventures at 31 December 2015 whose operations are managed by the Group;
- ▶ entities acquired during the year (after 30 June), for which the reporting system will be implemented gradually as they are integrated into the Group (provided that the business line wants to immediately include the newly-acquired companies in the reporting system);
- ▶ certain entities with fewer than five employees for labour data and fewer than ten employees for environmental data.

Beyond these four parameters, the decision to include or not include entities in the reporting system are left, to a certain extent, to the discretion of the divisions which are better placed to assess whether it is relevant from an operating perspective to include or exclude an entity. The following exclusions were made from the reporting on 2015:

- ▶ akzio! ajoint, acquired by Lagardère Sports and Entertainment in early June 2015, from labour reporting;
- ▶ the Spanish audiovisual production group Grupo Boomerang TV, acquired by Lagardère Active at the end of May 2015, from labour reporting;
- ▶ the press distribution businesses in Spain, whose sale was finalised by Lagardère Travel Retail in early 2016, from environmental reporting.

Labour, social and environmental information presented in this document is reported using a dedicated software package, which covered a total of more than 300 Group operating companies in 2015.

As expected from the work to improve the reliability of its environmental reporting process, the Group is gradually extending its reporting scope to cover energy consumption outside France.

In 2015, the Group posted energy consumption for Western Europe as well as its entire Eastern Europe scope (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia), which accounted for 13% of employees at 31 December 2015.

By covering France, Western Europe and Eastern Europe, the information on energy consumption and greenhouse gas emissions encompasses 77.7% of the Group's workforce.

5.3.4.2 REFERENCE BASE FOR INDICATORS AND REPORTING METHODS

Labour reporting follows the Group's Human Resources policy, taking the specific needs of each business line and/or geographic area into account. After an initial update in 2006, the reference base was revised again in 2010, to redefine the reporting base for indicators. This redefinition, which was more in line with the spirit of the GRI, provided an opportunity to streamline the reference base and make it more accessible to contributors.

The reference base for labour indicators was reviewed in detail in 2012 in order to make it easier to understand for contributors and more relevant as regards the Group's divisions and activities, and to take into account the provisions of the implementing order of article 225 of France's Grenelle 2 law.

Following the modest update in 2013, the labour reporting guidelines were revised again in 2014 in order to factor in the comments formulated by contributors during the 2013 reporting campaign. Days of absence are monitored in business days or calendar days, depending on the practices of each country. The method for qualifying absence due to long-term illnesses, which is not included in the calculation of lost time, is based on local legislation. The number of days' absence and the number of training hours were partly determined based on declarations at some Group entities, but this practice is not widespread in the reporting scope.

The social reporting procedure is updated annually, and was updated in 2015. The method used to calculate lost time was revised and is now based on the theoretical total number of hours worked over the year.

Environmental reporting follows the Group's sustainable development policy, also taking the specific needs of each business line and/or geographic area into account.

In 2012, specific work was carried out on the reference base for environmental indicators in order to simplify it and make it more reliable, and most importantly to make it more relevant in view of the Group's many activities. The environmental reporting guidelines were also updated in 2013, with a particular focus on

(1) The list is provided in note 38 to the consolidated financial statements of this Reference Document.

harmonising the methods used for calculating the proportions of certified and recycled paper contained in the paper purchased by Lagardère Publishing and Lagardère Active. The update also enabled a Group-wide monitoring indicator to be added for WEEE in France. Work continued in 2014 and 2015 to enhance the reference base for environmental indicators.

Generally speaking, the updates of reporting guidelines aim to simplify and facilitate the work of contributors.

The data on energy consumption disclosed therefore concerns the energy used to produce and supply the goods and services related to the Group's activities in France as well as that used to heat and light the premises and sites where the Lagardère group's employees work in France (offices, storage warehouses and retail outlets). Data on Lagardère Active's electricity consumption also includes electricity used by the radio broadcasting sites that are directly managed by the Group.

Starting in 2015, all this information is reported on a per-building basis.

The greenhouse gas emissions data shown only concerns the above-mentioned energy consumption. The emissions are specified for each type of energy consumed (gas, oil, electricity, district heating) and then grouped together by "Scope", i.e., by category of emissions.

Scope 1 includes direct greenhouse gas emissions, and notably direct emissions from fixed sources of combustion (gas and oil). Scope 2 comprises indirect emissions related to purchases of energy, and notably consumption of electricity and district heating.

The emissions factors used by the Group in its calculations of greenhouse gas emissions and conversion into CO₂ equivalents are determined by reference to the Base Carbone, which is a French

public database of emissions factors needed to establish carbon accounting periods.

Greenhouse gas emissions are calculated directly by the Group Sustainable Development Department based on the energy data mentioned above and in accordance with the methodology set out in the environmental guidelines.

The reporting method for labour, social and environmental data follows the same process. Data is entered by a contributor for each Group subsidiary included in the reporting scope. This information is then validated/verified by the business line's Management (Human Resources Department or Finance Department) before being sent to the Group Sustainable Development Department, which checks the consistency of all the data reported.

Consistency checks aim to ensure the quality and fair presentation of the data reported and include a comparison with the data for previous periods, contributing to the reliability of the reporting system.

Although the Group seeks to make contributors' work as easy as possible, to define clear parameters for the reporting process and to effectively factor in the international nature of its operations and activities (objectives that have been made easier to achieve since the reporting guidelines were put in place), a number of difficulties, which can create uncertainty, may arise during the reporting process:

- ▶ inaccurate assessments;
- ▶ calculation errors;
- ▶ poorly understood questions;
- ▶ data entry errors;
- ▶ problems defining an indicator;
- ▶ problems responding because of legal and/or political reasons.

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5.3.4.3 CROSS-REFERENCE INDICES

A) CROSS-REFERENCE INDEX WITH THE FRENCH COMMERCIAL CODE

Cross-reference index with article R.225-105-1 of the French Commercial Code				
Information	Subject	Paragraph	Section	Pages
Labour	Employment	Total workforce and breakdown of employees	5.3.2.1	51-52
		Recruitments and redundancies/dismissals	5.3.3.1	72
		Remuneration and pay rises	5.3.3.1	72-73
	Organisation of working hours	Organisation of working hours	5.3.3.1	74
		Lost time	5.3.3.1	76
	Labour relations	Organisation of labour relations	5.3.3.1	73
		Summary of collective agreements	5.3.3.1	74
	Health and safety	Health and safety conditions at work	5.3.3.1	76
		Summary of health and safety agreements	5.3.3.1	74
		Frequency and severity of work-related accidents and sick leave	5.3.3.1	76
	Training	Policies implemented	5.3.2.1 B1 & B2	57
		Total number of training hours	5.3.2.1 B3	59
	Equal opportunities	Measures taken to promote gender balance	5.3.2.1 A	52
		Measures taken to promote the employment and integration of people with a disability	5.3.2.1 A	52
		Anti-discrimination policy	5.3.2.1 A	52
	Promotion of and compliance with the fundamental principles of the ILO	Compliance and freedom of association and right to collective bargaining	5.3.3.1	73
		Elimination of discrimination in respect of employment and occupation	5.3.2.1 A2	53
		Elimination of forced or compulsory labour	5.3.2.1 A	52
Effective abolition of child labour		5.3.2.3 B1	63	

Cross-reference index with article R.225-105-1 of the French Commercial Code					
Information	Subject	Paragraph	Section	Pages	
Environmental	General policy	Organisation of the company and assessment and certification processes	5.3.1.2 & 5.3.2.4 A2	50 65	
		Employee information and training initiatives	5.3.1.2	50	
		Measures taken to prevent environmental risks and pollution	3.5.1	16	
		Provisions and guarantees set aside for environmental risks	3.5.1	16	
	Pollution and waste management	Measures taken to prevent, reduce and clean up discharges into the air, water and soil		Not relevant	
		Measures taken to prevent, recycle and eliminate waste		5.3.3.2 B	77
		Mitigation of noise or other forms of pollution related to a business activity		Not relevant	
	Sustainable use of resources	Water consumption and supply in accordance with local constraints		5.3.3.2 A	77
		Consumption of raw materials and measures taken to improve efficiency of use		5.3.2.4 B & 5.3.3.2 C	68 & 78
		Energy consumption, measures taken to improve energy efficiency, and use of renewable energy		5.3.2.4 A	65
		Land use		Not relevant	
	Climate change	Greenhouse gas emissions		5.3.2.4 A	65
		Adaptation to the consequences of climate change		5.3.2.4 A	65
	Preservation of biodiversity	Measures taken to preserve and develop biodiversity		5.3.3.2 D	78
Social	Territorial, economic and social impact of the company's activities	Regional employment and development	5.3.3.3 A	79	
		Resident and local populations	Not relevant		
	Relations with people or organisations with an interest in the company's activities	Relations with people or organisations		5.3.1.1 C & 5.3.3.3 B	49 & 79
		Partnership or sponsorship operations		5.3.2.1 A2 & B2 5.3.2.3 & 5.3.3.3 B	53 & 57 61 79
	Subcontractors and suppliers	Recognition of social and environmental priorities in the procurement policy		5.3.2.4 B	68
		Importance of subcontracting and recognition of subcontractors' and suppliers' corporate social responsibility in relations with them		5.3.2.4 B	68
	Fair business practices	Action undertaken to prevent corruption		5.3.3.3 C	79
		Measures taken to ensure consumer health and safety		5.3.3.3 D	79
	Other action undertaken to promote human rights	-		5.3.1.1 A	49

B) GRI G4 INDEX

GRI G4 General Standard Disclosures		ISO 26000 Clauses
General Standard Disclosures	Pages	
Strategy and analysis		
G4-1	48-50	4.7 – 6.2 – 7.2 – 7.4.2
Organisational profile		
G4-3	20	6.3.10 – 6.4.1 – 6.4.2 – 6.4.3 – 6.4.4 – 6.4.5 – 6.8.5 – 7.8
G4-4	27; 32; 37; 44	
G4-5	20	
G4-6	52	
G4-7	20	
G4-8	27	
G4-9	8; 51	
G4-10	51; 74; 75	
G4-11	74	
G4-12	68	
G4-13	21; 24	
G4-14	49	
G4-15	48-49	
G4-16	50; 79	
Identified material aspects and scope		
G4-17	80; 162	5.2 – 7.3.2 – 7.3.3 – 7.3.4
G4-18	50	
G4-19	80	
G4-20	80	
G4-21	80	
G4-22	80	
G4-23	80	
Stakeholder engagement		
G4-24	49	5.3
G4-25	49	
G4-26	49	
G4-27	49	
Report profile		
G4-28	80	7.5.3 – 7.6.2
G4-29	80	
G4-30	80	
G4-31	281	
G4-32	84	
G4-33	87	
Governance		
G4-34	196	6.2 – 7.4.3 – 7.7.5
Ethics and integrity		
G4-56	79	4.4 – 6.6.3

GRI G4 Specific Standard Disclosures		ISO 26000 Clauses
DMA and Indicators	Pages	
Category: Economic		
Aspect: Market presence		
G4-DMA	79	6.4.3 – 6.8.1 – 6.8.2 – 6.8.5 – 6.8.7
G4-EC6	79	
Category: Environment		
Aspect: Materials		
G4-DMA	68	6.5.1 – 6.5.2 – 6.5.4
G4-EN1	70	
G4-EN2	70	
Aspect: Energy		
G4-DMA	65	6.5.1 – 6.5.2 – 6.5.4
G4-EN3	66	
Aspect: Water		
G4-DMA	77	6.5.1 – 6.5.2 – 6.5.4
G4-EN8	77	
Aspect: Emissions		
G4-DMA	65	6.5.1 – 6.5.2 – 6.5.5
G4-EN15	67-68	
G4-EN16	67-68	
Aspect: Effluents and waste		
G4-DMA	77	6.5.1 – 6.5.2 – 6.5.3
G4-EN23	78	
Aspect: Products and services		
G4-DMA	65-66	6.5.1 – 6.5.2 – 6.5.3 – 6.5.4 – 6.5.5 – 6.7.5
G4-EN27	65-66	
Aspect: Supplier environmental assessment		
G4-DMA	68	6.6.1 – 6.6.2 – 6.6.3 – 6.6.6
G4-EN32	71	
Category: Labour		
Aspect: Employment		
G4-DMA	71	6.4.1 – 6.4.2 – 6.4.3
G4-LA1	71	
Aspect: Labour/management relations		
G4-DMA	73	6.4.1 – 6.4.2 – 6.4.3 – 6.4.5
Aspect: Health and safety at work		
G4-DMA	76	6.4.1 – 6.4.2 – 6.4.6
G4-LA6	76	
Aspect: Training and education		
G4-DMA	57	6.4.1 – 6.4.2 – 6.4.7 – 6.8.5
G4-LA9	59	
G4-LA10	57-58	

GRI G4 Specific Standard Disclosures		ISO 26000 Clauses
DMA and Indicators	Pages	
Aspect: Diversity and equal opportunity		
G4-DMA	52	6.2.3 – 6.3.7 – 6.3.10 – 6.4.3
G4-LA12	54; 71	
Aspect: Non-discrimination		
G4-DMA	52	6.3.6 – 6.3.7 – 6.3.10 – 6.4.3
G4-HR3	57	
G4-HR12	64	
Aspect: Anti-corruption		
G4-DMA	79	6.6.1 – 6.6.2 – 6.6.3 – 6.6.6
G4-SO4	79	
Aspect: Consumer health and safety		
G4-DMA	79	4.6 – 6.7.1 – 6.7.2 – 6.7.3 – 6.7.4 – 6.7.5 – 6.7.9 – 6.8.8
Aspect: Product and service labelling		
G4-DMA	65	6.7.1 – 6.7.2 – 6.7.3 – 6.7.4 – 6.7.5 – 6.7.9
G4-PR3	65	

Sector information: media	
DMA and Indicators	Page
G4-M2	62-64
G4-M3	
G4-M4	
G4-M7	

5.3.5 REPORT OF THE INDEPENDENT THIRD-PARTY**Independent third-party report on consolidated social, environmental and societal information published in the management report****Year ended December 31, 2015****To the Shareholders,**

In our capacity as independent third-party, members of Mazars' network, statutory auditor of Lagardère SCA, whose accreditation was accepted by COFRAC under the number 3-1058⁽¹⁾, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

COMPANY'S RESPONSIBILITY

The Managing Partners of Lagardère SCA are responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the protocol used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

INDEPENDENT THIRD PARTY'S RESPONSIBILITY

On the basis of our work, our responsibility is to:

- ▶ attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- ▶ express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 7 persons and was conducted between December 2015 and March 2016 during a 7 week period.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

I. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in section "5.3.4 CSR methodology and indicators" of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

II. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION**Nature and scope of our work**

We conducted about 20 interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- ▶ assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- ▶ verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

(1) Whose scope is available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Regarding the CSR Information that we considered to be the most significant⁽¹⁾:

- ▶ at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- ▶ at the level of a representative sample of entities⁽²⁾ selected by us based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents 21% of headcount and between 38% and 72% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient

to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

CONCLUSION

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

French language original signed at Paris La Défense, on 30 March 2016

The independent third party entity

MAZARS SAS

Thierry BLANCHETIER

Partner

Emmanuelle RIGAUDIAS

CSR & Sustainable
Development Partner

(1) Permanent staff as of December 31st, permanent staff as of December 31st broken down by gender, age group, and geographical area, recruitments and departures of permanent staff by type and by gender, measures to promote equality of treatment between women and men, number of disabled employees as of December 31, anti-discrimination policy, training and skills development policies, total number of training hours and breakdown by type and gender, organisation of the company to take into account environment and, when appropriate, environmental evaluation or certification, overall weight of paper purchased by the Group and breakdown between certified and recycled paper, overall weight of paper purchased by printers and breakdown between certified and recycled paper, tertiary energy consumption of the Group in France and in Europe: electricity, gas, fuel and district heating, greenhouse gas emissions related to the energy consumption, conditions for dialogue with third people or organizations interested in company's activities, partnerships and sponsorship, actions in favour of health and safety of consumers.

(2) Social and societal information: Hachette Livre SA (France); Anaya (Spain); pôle Presse (France); Europe 1 (France); Relay (France); LTR Polska and Aelia Polska (Poland); Sportfive (France); Environmental information: Hachette Livre SA (France); Anaya (Spain); HFA (France); Relay (France); LTR Polska et Aelia Polska (Poland) for energy consumptions.