Lagardère

FULL-YEAR
2016 RESULTS

Strong rise in Group recurring EBIT(1): up 13.5%(2) to €395 million

Free cash flow generation up sharply, at €416 million

2017 Group recurring EBIT growth target(1): between 5% and 8%(2)

Proposed ordinary dividend unchanged at €1.30 per share

Paris, 8 March 2017

In 2016, the Lagardère group confirmed its growth momentum, boosted by organic growth in Travel Retail of more than 7% and by a strong yearly performance from Lagardère Publishing.

Robust growth in Lagardère's businesses

> The Lagardère group recorded revenue of €7,391 million, up 2.5% on a like-for-like basis. This sustained performance was primarily driven by growth at Travel Retail (up 7.1%) and Lagardère Publishing (up 2.5%), confirming the relevance of the Group's strategy and allowing Lagardère to strengthen its leadership while developing its growth drivers.

Sharp rise in Group recurring EBIT

> **With growth in Group recurring EBIT coming in at 13.5%(2) versus 2015, Lagardère outperformed its initial target of slightly above 10%(2) announced in March 2016.**

> Group recurring EBIT came in at €395 million versus €378 million in 2015. This improvement reflects a sharp increase in the contribution of Travel Retail coupled with a strong performance from Lagardère Publishing.

> Profit before finance costs and tax was €314 million, up from €174 million in 2015, owing mainly to the disposal of a non-operating asset.

> Profit - Group share jumped to €175 million from €74 million one year earlier. Adjusted profit(3) - Group share was stable at €238 million versus €240 million in 2015.

Increase in free cash flow generation

> Net debt was down €162 million to €1,389 million owing to 25% growth in cash flow from operations before changes in working capital and the disposal of a non-operating asset.

> The leverage ratio (net debt/recurring EBITDA(4)) came out at 2.2x at end-2016, sharply lower than the anticipated level announced at the time of the acquisition of Paradies(5), of slightly below 3.0x.

(1) Recurring operating profit of fully consolidated companies. See details at the end of the press release.
(2) At constant exchange rates and excluding the impact from disposals of Distribution activities.
(3) Excluding non-recurring and non-operating items.
(4) See details at the end of the press release.
(5) Press release of 11 August 2015 announcing the signature of the agreement to acquire Paradies.

I- REVENUE AND RECURRING EBIT[6]

REVENUE

Revenue totalled €7,391 million, up 2.5% like-for-like and up 2.7% on a consolidated basis. The difference between like-for-like and consolidated figures reflects a €95 million negative foreign exchange effect due mainly to the depreciation of the pound sterling, and a €124 million positive scope impact linked to external growth transactions, partly offset by the impact of disposals in the Press Distribution activities.

	Revenue (€m)		Change	
	2015	**2016**	**on a consolidated basis**	**on a like-for-like basis**
Lagardère Publishing	2,206	2,264	+2.6%	+2.5%
Lagardère Travel Retail	3,510	3,695	+5.3%	+5.0%
o/w Travel Retail	*2,546*	*3,132*	*+23.0%*	*+7.1%*
o/w Distribution	*964*	*563*	*-41.6%*	*-3.8%*
Lagardère Active	962	915	-4.9%	-5.4%
Lagardère Sports and Entertainment	515	517	+0.3%	+1.5%
LAGARDÈRE	**7,193**	**7,391**	**+2.7%**	**+2.5%**

GROUP RECURRING EBIT

Group recurring EBIT advanced 4.6% on a consolidated basis to €395 million.

The disposal of Distribution activities (in Spain, Switzerland, the US, Canada and Belgium) represented a €25 million negative scope impact. Changes in exchange rates had a €5 million negative impact.

Stripping out these effects, **Group recurring EBIT growth was 13.5%, ahead of the target initially announced in March 2016** (*"growth slightly above 10% compared to 2015, at constant exchange rates and excluding any impact from any disposal of Distribution activities"*).

	Group recurring EBIT (€m)		Change (€m)
	2015	**2016**	
Lagardère Publishing	198	208	+10
Lagardère Travel Retail	102	108	+6
o/w Travel Retail	*68*	*95*	*+27*
o/w Distribution	*34*	*13*	*-21*
Lagardère Active	79	78	-1
Lagardère Sports and Entertainment	20	20	-
Other Activities	(21)	(19)	+2
Group recurring EBIT	**378**	**395**	**+17**

- **Lagardère Publishing**

Revenue

Revenue totalled €2,264 million in 2016, up 2.5% like-for-like and up 2.6% on a consolidated basis.

Business growth in 2016 was driven by the United Kingdom (up 11.0%), lifted by the success of *Harry Potter and the Cursed Child* in English worldwide (excluding the US and Canada) and *Fantastic Beasts*, and by the good performance of Partworks (up 5.7%), especially in Japan and Spain.

In France (up 1.5%), the good performance of Education driven by curricular reform was partly offset by an unfavourable comparison effect linked to the success of Astérix in 2015, and by a less intensive release schedule in General Literature.

In the United States, business was down 4.2% due to a less eventful publishing programme than in 2015.

The Spain/Latin America region was stable (down 0.4%) despite the unfavourable comparison effect (publication of Astérix in 2015), thanks to ongoing curricular reform in Spain and a one-off export transaction in Latin America.

In 2016, the contribution of e-books to Lagardère Publishing's overall revenue was 8.0% (9.0% in 2015).

Recurring EBIT

At 9.2%, the operating margin improved by 0.2 points, while recurring EBIT increased by €10 million year-on-year to €208 million. The increase results from three factors: profitability gains in the US underpinned by strict cost discipline; a good performance from Partworks in Japan and Spain; and the one-off impact of new titles such as *Harry Potter and the Cursed Child* and *Fantastic Beasts* in the UK, which offset the full-year impact of a return to the agency agreement for e-books.

In France, the positive impact of curricular reform helped offset a more subdued performance from Illustrated Books and General Literature over the year.

[6] The Group's consolidated financial statements have been audited. The audit report will be signed off once the specific verifications have been completed.

Lagardère Travel Retail

Revenue

2016 revenue for the division totalled €3,695 million, up 5.0% like-for-like and up 5.3% on a consolidated basis.
Despite an unstable geopolitical environment, Lagardère Travel Retail's growth strategy continued to bear fruit, with organic growth in **Travel Retail (up 7.1% like-for-like)** led by strong performances in North America and Asia-Pacific.

Business in France held firm (up 0.5%), thanks to a good performance in the Travel Essentials and Foodservice segments following the extension and modernisation of the network and to the upturn in the Duty Free segment towards the end of the year. Duty Free benefited from a favourable comparison effect after a weak fourth-quarter 2015 shaped by the Paris terrorist attacks.
EMEA (excluding France) enjoyed strong 10.9% growth, spurred by network development, modernisation of concepts and a dynamic sales policy which helped limit the impact of the terrorist attacks.
Business was up 9.7% in North America thanks to network expansion and sales synergies arising from the integration of Paradies.
In the Asia-Pacific region, revenue rose 8.0% thanks to the good performance of fashion stores in China and of Duty Free activities in New Zealand, which offset the contraction in the network.

Distribution operations were down 3.8%.

Recurring EBIT

The division's operating margin was 2.9%, with recurring EBIT up to €108 million. The operating margin for Travel Retail edged up 0.3 points to 3.0%.
Travel Retail was up €27 million, buoyed by the integration of new activities (including Paradies) and by robust momentum of the legacy business in North America.
The EMEA region contracted, hit by the terrorist attacks (estimated negative impact of €7 million for the year), partly offset by gains in Italy, Romania, the Czech Republic and Iceland.

Recurring EBIT for the Distribution business fell €21 million to €13 million, due primarily to the disposal of activities in Switzerland, Spain, the US, Canada and Belgium.

Lagardère Active

Revenue

2016 revenue totalled €915 million, down 5.4% like-for-like and down 4.9% on a consolidated basis. The downturn in business is chiefly related to the 7.4% decline in Magazine Publishing in line with market trends, and to an unfavourable comparison effect for Lagardère Studios (down 7.6%) owing to strong rights sales in 2015.
Music radio enjoyed good momentum both in France and internationally, with advertising revenue up 5.5%.
Pure-play digital and B2B revenue rose 9.7% (excluding LeGuide.com), driven by growth in the e-health segment (especially at MonDocteur) and a good performance from BilletRéduc ticketing services.
Full-year Advertising revenue fell back 4.0% compared to 2015 across the entire division.

Recurring EBIT

Lagardère Active improved its operating margin by 0.3 points to 8.5%, with recurring EBIT at €78 million. The consolidation of Grupo Boomerang TV and the impact of the cost cutting plans put in place helped offset the downturn in Magazine Publishing revenue and the unfavourable comparison effect for Lagardère Studios, as well as financing organic growth in the e-health segment.

Lagardère Sports and Entertainment

Revenue

In 2016, revenue totalled €517 million, up 1.5% on a like-for like basis and up 0.3% on a consolidated basis. The firm full-year revenue performance is attributable to the favourable sporting calendar over the second half of the year, namely the Asian and African qualifiers for the 2018 FIFA World Cup, and the ASEAN Football Federation (AFF) Suzuki Cup.

Recurring EBIT

Lagardère Sports and Entertainment confirmed its profitability: recurring EBIT was stable at €20 million, reflecting the focus on improving the portfolio of activities, offset by a slightly less favourable mix of football events.

Other Activities

Recurring EBIT from **Other Activities** was a negative €19 million, a slight €2 million improvement on 2015. This reflects a decline in property income following the disposals carried out in the year which was more than offset by a reduction in overhead costs.

II- MAIN INCOME STATEMENT DATA

€m	2015	2016
Revenue	7,193	7,391
Group recurring EBIT	**378**	**395**
Income from equity-accounted companies*	11	10
Non-recurring/non-operating items	(215)	(91)
Profit before finance costs and tax	**174**	**314**
Net interest expense	(66)	(49)
Profit before tax	**108**	**265**
Income tax expense	(37)	(69)
Profit for the period	71	196
Minority interests	3	(21)
Profit - Group share	**74**	**175**

** Before impairment losses.*

- **Income from equity-accounted companies**

Income from equity-accounted companies (excluding impairment losses) amounted to €10 million versus €11 million in 2015, primarily reflecting the decrease in profit at SDA (Lagardère Travel Retail), hit by the impact of the terrorist attacks on tourism.

- **Non-recurring/non-operating items**

Non-recurring/non-operating items represented a negative amount of €91 million, compared with a negative amount of €215 million in 2015, and mainly included:

- **€113 million in restructuring costs,** including €55 million for Lagardère Active essentially relating to voluntary redundancy plans rolled out in early 2016, and €29 million for Lagardère Travel Retail corresponding mainly to the costs linked to the disposal of the Distribution subsidiaries in Belgium, Canada and Hungary as well as the integration costs attributable to Paradies' North American operations. The remaining balance concerns Lagardère Sports and Entertainment (€11 million) in relation, mainly to the implementation of productivity plans in Germany, Scandinavia and the US, Lagardère Publishing (€10 million), chiefly due to the integration of Perseus in the US, and Other Activities (€8 million) as a result of winding up a non-operating entity and employee-related costs.

- **€82 million in amortisation of intangible assets and other acquisition-related expenses**, including €72 million at Lagardère Travel Retail, €6 million at Lagardère Publishing and €4 million at Lagardère Sports and Entertainment.

- **€72 million in impairment losses on property, plant and equipment and intangible assets**, including €40 million for Lagardère Active, mainly relating to impairment charged against LeGuide group goodwill, and €31 million for Lagardère Travel Retail, mainly concerning the write-down of Distribution assets in Hungary to their recoverable amount (assets sold on 7 February 2017). The remaining balance concerns impairment losses charged against property, plant and equipment.

- **€18 million in impairment losses on investments in equity-accounted companies**, including €13 million charged against the investment in the Marie Claire group amid a downturn in the French and international advertising market, and €5 million charged against Lagardère Sports and Entertainment investments in Brazil.

- **€180 million in gains on asset disposals**, including €100 million relating to Other Activities, primarily the sale of an office building leased to third parties, €55 million relating to Lagardère Travel Retail further to the disposal of Distribution subsidiaries, and €21 million relating to Lagardère Publishing, including gains on the sales of the 50% stake in Harlequin and of part of the holding in the publisher Yen Press in the US. The remaining balance mainly corresponds to the capital gain booked by Lagardère Active on the disposal of its shares in SETC, the publisher of Télécâble Sat Hebdo.

- **€14 million in fair value adjustments due to changes in control,** including €8 million for Lagardère Publishing following the sale of part of its holding in Yen Press (the remaining 49% holding is now carried at fair value).

- **Net interest expense**

Net interest expense amounted to €48 million in 2016, down €17 million on 2015. The decrease primarily reflects the favourable impact of the disposal of Deutsche Telekom shares in first-half 2016, and to a lesser extent the favourable comparison effect (owing to the refinancing of the syndicated loan in 2015). The impacts of these two factors were partially offset by the rise in the Group's average debt.

- **Income tax expense**

Income tax expense booked in 2016 was €69 million, €32 million more than in 2015. This increase is mainly attributable to taxes on disposals (€26 million), in particular in relation to a property sale carried out in France, and the sale of part of Lagardère Publishing's holding in Yen Press in the US.

- **Profit**

Including all these items, profit came out at €196 million, including €175 million attributable to the Group.
Profit attributable to minority interests was €21 million for 2016, versus a loss of €3 million attributable to minority interests in 2015. The increase in this item reflects improved results at Lagardère Sports Asia following the one-off impact of cricket litigation in India, as well as the full-year consolidation in 2016 of the minority interests of Paradies at Lagardère Travel Retail.

ADJUSTED PROFIT - GROUP SHARE

Adjusted profit - Group share (excluding non-recurring/non-operating items) was **€238 million,** stable versus the same period in 2015.

(€m)	2015	2016
Profit - Group share	**74**	**175**
Amortisation of acquisition-related intangible assets and other items*	+48	+47
Impairment losses on goodwill, property, plant and equipment and intangible assets*	+62	+84
Restructuring costs*	+56	+76
Gains/losses on disposals*	-24	-149
Tax contribution on dividends paid to shareholders	+5	+5
Cricket litigation in India (WSG)	+19	-
Adjusted profit - Group share	**240**	**238**

** Net of tax.*

EARNINGS PER SHARE

Earnings per share - Group share totalled €1.36 versus €0.58 in 2015.
Adjusted earnings per share - Group share was €1.84 versus €1.87 in 2015.
The number of shares comprising the share capital was unchanged from the previous year.

III- OTHER FINANCIAL INFORMATION

NET CASH FROM (USED IN) OPERATING AND INVESTING ACTIVITIES

(€m)	2015	2016
Cash flow from operations before changes in working capital	447	557
Changes in working capital	180	26
Net interest paid and income taxes paid	(103)	(125)
Net cash from operating activities	**524**	**458**
Purchases of property, plant and equipment and intangible assets	(259)	(253)
Disposals of property, plant and equipment and intangible assets	9	211
Free cash flow	**274**	**416**
Purchases of investments	(568)	(108)
Disposals of investments	(59)	133
Net cash from (used in) operating and investing activities	**(353)**	**441**

- **Net cash from operating activities**

In 2016, **cash flow from operations before changes in working capital** was €557 million, compared to €447 million in 2015. The change reflects the impact of the €17 million rise in operating profit, the increase in depreciation and amortisation expense and the decrease in net reversals of provisions. It is also attributable to the high prior-year basis for comparison for the non-recurring expense in respect of cricket litigation in India and to the fall in restructuring cost outflows (€13 million), in particular at Lagardère Sports and Entertainment.

Changes in working capital represented a favourable €26 million impact over the year, after a very positive €180 million impact in 2015. The year-on-year change in this item results from the negative comparison effect at Lagardère Active, 2015 having been favourably impacted by the deconsolidation of receivables included in the French securitisation programme, and non-recurring items at Lagardère Sports and Entertainment (mainly payment of the indemnity paid within the scope of cricket litigation in India).

Net interest and income taxes paid totalled €125 million in 2016, versus €103 million in 2015, essentially due to taxes on disposals (€22 million), in particular relating to the sale of a building in France and of part of the holding in Yen Press in the US.

- **Purchases of property, plant and equipment and intangible assets**

Investments in property, plant and equipment and intangible assets (net of disposals) **represented an outflow of €42 million compared with an outflow of €250 million in 2015**. These investments mainly concerned Lagardère Travel Retail (in relation to its Travel Retail growth strategy), Lagardère Sports and Entertainment (primarily for the acquisition of sports rights) and Lagardère Publishing (notably for logistics projects in the UK and US). These items were partially offset by the disposal in France of an office building leased to third parties and, to a lesser extent, to property disposals in Spain.

- **Free cash flow**

The Group's free cash flow increased sharply in 2016, up to €416 million from €274 million in 2015, reflecting a significant improvement in cash flow from operations before changes in working capital and the sale of an office building leased to third parties.

- **Purchases of investments**

Purchases of investments (net of disposals) represented an inflow of €25 million in 2016, compared with an outflow of €627 million in 2015.

- **Purchases of investments** represented an outflow of €108 million, and mainly related to the acquisition of North American publisher Perseus by Lagardère Publishing and, to a lesser extent, Neon Play and *Peak* publisher Brainbow Ltd, as well as to the acquisition by Lagardère Sports and Entertainment of Rooftop2 Productions.
- **Disposals of investments** represented an inflow of €133 million and primarily related to the completion of the sale of Deutsche Telekom shares, and to the sale by Lagardère Travel Retail of its Belgian and Spanish Distribution activities. Disposals of investments also include the sale by Lagardère Publishing of the holding in Harlequin, along with the sale of part of the holding in Yen Press, Lagardère Active's sale of its shares in SETC and LeGuide.com, and Lagardère Sports and Entertainment's disposal of its endurance sports activities.

- **Total cash flows from (used in) operating and investing activities**

In all, **operating and investing activities represented a net cash inflow of €441 million**, compared with a net cash outflow of €353 million in 2015.

FINANCIAL POSITION

At end-December 2016, the Group's net debt stood at €1,389 million, compared with €1,551 million at the end of the previous year. This is mainly attributable to a very good performance from the Group's businesses and to the sale of a non-operating asset.

- **The Group's liquidity position remains very solid,** with €1,762 million in available liquidity (available cash and short-term investments reported on the balance sheet totalling €481 million and an undrawn amount of the syndicated credit line of €1,250 million). The debt repayment schedule is well-balanced, with an amount of €829 million due for repayment in 2017 (including €213 million in commercial paper and €497 million in bonds maturing at the end of October), €501 million in 2019 (mainly relating to 5-year bonds issued in 2014) and €494 million in 2023 (7-year bonds issued in April 2016).
- The Group continues to enjoy a **healthy financial position**, with a leverage ratio (net debt/recurring EBITDA[(7)]) of 2.2x, reflecting strong cash flow generation and a tight rein on debt.

IV- KEY EVENTS SINCE 9 FEBRUARY 2017

- **Acquisition by Lagardère Publishing of Bookouture**
  On 6 March 2017, Lagardère Publishing's subsidiary Hachette UK acquired Bookouture, Britain's leading independent e-book publisher.

V- OUTLOOK/DIVIDEND

2017 RECURRING EBIT GUIDANCE

Group Recurring EBIT growth in 2017 is expected to be between 5% and 8% versus 2016, at constant exchange rates and excluding the impact from disposals of Distribution activities.

DIVIDEND

As in 2015, shareholders at the Annual General Meeting will be asked to approve a €1.30 per share dividend for the 2016 fiscal year.

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[(7)] See details at the end of the press release.

VI- Investor calendar

- **2016 General Meeting**
  The General Meeting of Shareholders will be held on 4 May 2017 at 10:00 a.m. at the Carrousel du Louvre in Paris.

- **Ordinary dividend**
  The ex-dividend date for the ordinary dividend (proposed at €1.30 per share) for 2016 will be 8 May 2017, with the payment date set for 10 May 2017.

- **First-quarter 2017 revenue**
  Quarterly results will be released on 11 May 2017 at 8:00 a.m. A conference call will be held at 10:00 a.m.

- **First-half 2017 results**
  The first-half results will be released on 27 July 2017 at 5:35 p.m. A conference call will be held at 6:00 p.m.

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VII- APPENDICES

CHANGES IN CONSOLIDATION SCOPE AND EXCHANGE RATES

Full-year 2016
The difference between consolidated and like-for-like data results from a €95 million negative foreign exchange effect, offset by a €124 million positive scope impact, breaking down as:

- A €433 million negative impact resulting from disposals, relating mainly to (i) the divestment of Press Distribution activities in Spain for €269 million, in Switzerland for €54 million, in Canada for €12 million and in Belgium for €35 million with respect to the Lagardère Travel Retail scope; (ii) the disposal of *Parents* magazine for €7 million and of LeGuide.com for €6 million at Lagardère Active; and (iii) the disposal of endurance sport and merchandising activities for €26 million at Lagardère Sports and Entertainment.

- A €557 million positive impact resulting from acquisitions, concerning in particular Lagardère Travel Retail (consolidation of Paradies' operations for €436 million and stores at JFK airport in New York for €4 million), Lagardère Publishing (consolidation of Perseus in the US for €62 million), Lagardère Active (consolidation of Grupo Boomerang TV's Audiovisual Production activities in Spain for €27 million), and Lagardère Sports and Entertainment (consolidation of UFA Sports for €7 million, Sponsorship 360 for €5 million, EKS for €4 million, akzio! ajoint for €4 million, and Rooftop2 Productions for €5 million).

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DEFINITIONS

Recurring EBIT
Recurring EBIT of fully consolidated companies is defined as earnings before interest and tax excluding the following income statement items:
- income (loss) from equity-accounted companies;
- gains (losses) on disposals of assets;
- impairment losses on goodwill, property, plant and equipment and intangible assets;
- restructuring costs;
- items related to business combinations:
  - acquisition-related expenses,
  - gains and losses resulting from acquisition price adjustments and fair value adjustments due to changes in control,
  - amortisation of acquisition-related intangible assets.

Recurring EBITDA
Recurring EBITDA is defined as recurring EBIT of fully consolidated companies added with:
- depreciation and amortisation of intangible assets and property, plant and equipment;
- dividends received from equity-accounted companies.

Free cash flow
Free cash flow is defined as the sum of cash generated by operating activities and net purchases/disposals of property, plant and equipment and intangible assets.

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The Lagardère group is a global leader in content publishing, production, broadcasting and distribution, whose powerful brands leverage its virtual and physical networks to attract and enjoy qualified audiences.
It is structured around four business lines: Books and e-Books; Travel Retail; Press, Audiovisual, Digital and Advertising Sales Brokerage; Sports and Entertainment.
Lagardère shares are listed on Euronext Paris.
www.lagardere.com

Important Notice:
Some of the statements contained in this document are not historical facts but rather are statements of future expectations and other forward-looking statements that are based on management's beliefs. These statements reflect such views and assumptions prevailing as of the date of the statements and involve known and unknown risks and uncertainties that could cause future results, performance or future events to differ materially from those expressed or implied in such statements.
*Please refer to the most recent Reference Document (*Document de référence*) filed by Lagardère SCA with the French* Autorité des marchés financiers *for additional information in relation to such factors, risks and uncertainties.*
Lagardère SCA has no intention and is under no obligation to update or review the forward-looking statements referred to above. Consequently Lagardère SCA accepts no liability for any consequences arising from the use of any of the above statements.

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