



Quarterly information – Third quarter 2011

**Solid activity trends in the third quarter,
despite a highly uncertain economic environment**

Consolidated third-quarter revenues of Lagardère SCA: €1,982m, i.e., -5.8% on a reported basis and +1.3% on a like-for-like basis

Paris, November 8, 2011

The Lagardère group's revenue trends improved in the third quarter of 2011 compared with the first half, particularly in the Lagardère Active and Lagardère Services divisions.

These performances, in a highly uncertain economic and financial environment, demonstrate the validity of the Group's strategic choices, including diversification into various businesses and geographical regions, reduced exposure to the advertising market, positioning in growth sectors (Travel Retail) and successful adjustment to technological changes (the emergence of e-books).

The Lagardère group thus looks to the future with caution but also with confidence, based on its strengths, including healthy finances, strong brand names, and solid leadership in its business lines.

In the first nine months of 2011:

Consolidated revenues came to €5,706m in the first nine months of 2011, up slightly on a like-for-like basis compared to 30 September 2010 (+0.4%) and down on a reported basis (-1.9%).

The difference between reported and like-for-like figures is due mainly to a negative €156m perimeter impact (particularly the sale of the international magazine business (PMI), most of which occurred in mid-2011), which was offset slightly by a positive currency impact (+€20m).

In the third quarter of 2011:

Third-quarter net sales came to €1,982m, up 1.3% on a like-for-like basis (compared with -0.1% in the first half of 2011) and down 5.8% on a reported basis. This difference is due mainly to a perimeter impact linked to the sale of most PMI activities in May and July 2011.

- **Lagardère Publishing:** net sales of €601m (-5.2% on a reported basis, -2.5% on a like-for-like basis). Solid performances in France in Education and General Literature. Weaker sales in English-speaking countries, due to the impact of e-books (resulting in lower sales but higher margins), as well as more challenging market conditions. When stripping out the Stephenie Meyer phenomenon, net sales would have increased slightly.
- **Lagardère Active:** net sales rose to €267m (+3.9% on a like-for-like basis), thanks to a solid performance this summer in advertising and ground made up in television production deliveries. When excluding the PMI not sold off, net sales rose by 3.1% on a like-for-like basis and by 2.5% on a reported basis.
- **Lagardère Services:** sales continued to grow in the third quarter (to €1,011m, up by 7.1% on a reported basis and by 3.1% on a like-for-like basis), driven by Retail activities, particularly in France and at airports.
- **Lagardère Unlimited:** slight growth in net sales (€103m, or +12% on a reported basis and +0.7% on a like-for-like basis), on the heels of an especially robust first half.

I. GROUP NET SALES AND ACTIVITY

- **Net sales came to €5,706m in the first nine months of 2011**, up slightly on a like-for-like basis compared to 30 September 2010 (+0.4%) and down on a reported basis (-1.9%).

The difference between reported and like-for-like figures is due mainly to a negative €156m perimeter impact (particularly the sale of PMI businesses, most of which occurred in mid-2011). The currency impact was slightly positive (+€20m), due to gains by the Swiss franc and the Australian dollar, partly offset by losses in the US dollar.

- **Third-quarter net sales came to €1,982m**, up 1.3% on a like-for-like basis and down 5.8% on a reported basis.

This difference is due mainly to a negative perimeter impact (€145m) from the divestment of most PMI activities in May and in July 2011. The third-quarter currency impact was negligible.

	Net sales (€m)		2011/2010 chg. on a reported basis	2011/2010 chg. on a like- for-like basis
	September 30, 2010	September 30, 2011		
LAGARDÈRE	5,820	5,706	(1.9%)	0.4%
Lagardère Publishing	1,609	1,501	(6.7%)	(4.7%)
Lagardère Active	1,289	1,074	(16.7%)	1.7%
Lagardère Services	2,656	2,815	6.0%	2.4%
Lagardère Unlimited	266	316	19.1%	4.4%

	Net sales (€m)		2011/2010 chg. on a reported basis	2011/2010 chg. on a like- for-like basis
	Q3 2010	Q3 2011		
LAGARDÈRE	2,104	1,982	(5.8%)	1.3%
Lagardère Publishing	634	601	(5.2%)	(2.5%)
Lagardère Active	434	267	(38.5%)	3.9%
Lagardère Services	944	1,011	7.1%	3.1%
Lagardère Unlimited	92	103	12%	0.7%

➤ **Lagardère Publishing**

Net sales of €1,501m in the first nine months of 2011, down by 6.7% on a reported basis and by 4.7% on a like-for-like basis. The Stephenie Meyer unfavourable comparison effect has lessened by the end of the third quarter 2011.

In the third quarter of 2011:

Sales fell by 5.2% on a reported basis and by 2.5% on a like-for-like basis (the difference being due mainly to a negative currency impact linked with shifts in the dollar/euro exchange rate). When stripping out the Stephenie Meyer phenomenon, net sales would have increased slightly (+0.6%).

France did well in General Literature (+3.3% in the third quarter), thanks to a strong autumn book season, with several notable successes (Delphine de Vigan's *Rien ne s'oppose à la nuit*, Morgan Sportès's *Tout, tout de suite*, and Sorj Chalandon's *Retour à Killybegs*, which won the *Grand prix du roman de l'Académie française*).

In **English-speaking countries** net sales fell significantly (-8% in the US and -10% in the UK in the third quarter), due mainly to the impact of e-books (which result in lower sales but higher margins), as well as the difficulties of certain retailers (e.g., the bankruptcies of Borders in the US and REDgroup in Australia).

In the UK, the postponed releases of large print runs had a negative impact on the third quarter; these postponements will be made up in the fourth quarter.

Education did well in France (+3.8% on a like-for-like basis), thanks to the change in school curricula, as well as in Spain and Mexico.

The e-books boom continued in the third quarter, mainly in English-speaking countries: in the US and UK e-books accounted for, respectively, 21% and 9% of net sales in trade publishing⁽¹⁾ in the first nine months. The October launch of several e-readers in France should help the French market take off.

> Lagardère Active

Net sales of €1,074m in the first nine months of 2011, up by 1.7% on a like-for-like basis, down by 16.7% on a reported basis. The difference between the reported and like-for-like figures is due mainly to the sale of PMI (which was deconsolidated in 14 countries between May and July 2011). The currency impact was negligible.

In the third quarter of 2011, business was robust, with net sales up 3.9% on a like-for-like basis.

Activity excluding PMI:

When excluding PMI (including activities in China not yet sold off), net sales came to €722m in the first nine months of 2011 (or -0.8% on a like-for-like basis) and €241m in the third quarter (or +3.1% on a like-for-like basis).

Advertising sales rose slightly in the third quarter (+1.5%) with performances uneven from one business line to the next.

French magazines: activity continued along the lines of the first half, with a slight decline in third-quarter net sales (-2.2%), due mainly to a decline in advertising receipts (-3%). Circulation held up well (-1%).

Radio: Europe 1 and musical radio stations in France did well in the third quarter (net sales +4%), thus limiting the decline seen in the first nine months of 2011 (-4% in the first nine months of 2011 vs. -7% in the first six months of 2011). These solid third-quarter performances are due in part to advertisers' temporary preference for radio as a medium, a phenomenon that was seen sector-wide last summer in France.

International radio stations also did well in the third quarter (+4%), but less so than in the first half of 2011, due to a less favourable basis of comparison (sales had already turned up sharply in summer 2010).

TV production: very solid performances in the third quarter (+41%), thus making up the ground that had been lost in the first half of 2011 due to postponed deliveries.

Note that *Borgia* will not be billed until the fourth quarter, which suggests that full-year figures will be especially strong. This series has already attracted more than 8 million viewers in Europe just a few weeks after its launch.

Background:

The main items regarding the PMI disposal are as follows:

- deconsolidation, effective 31 May 2011, of businesses sold in the following 13 countries: United States, Italy, Spain, Japan, Netherlands, Hong Kong, Mexico, Taiwan, Canada, Germany, Russia, Ukraine and the Czech Republic;
- activities in the United Kingdom were sold, effective 29 July 2011;
- businesses in China (excluding the Marie Claire China joint venture) is expected to be sold in late 2011.

> Lagardère Services

Net sales of €2,815m, up by 6% in the first nine months of 2011 on a reported basis and by 2.4% on a like-for-like basis. Sales were boosted by a €52m positive currency impact, due to gains by the Swiss franc and the Australian dollar. The positive perimeter impact came to €41m, due to the consolidation of Retail activities in Singapore, Bulgaria and China (effective 1st July 2011), as well as acquisitions in New Zealand and Canada.

In the third quarter of 2011:

Activity was especially solid, with net sales up by 7.1% on a reported basis (+3.1% on a like-for-like basis). This **growth was driven by Retail activities** (72% of total net sales), which rose by 5.3%⁽²⁾. Distribution (28 % of total net sales) continued to decline (-2.2%⁽²⁾).

⁽¹⁾Books meant for the general (adult) public.

⁽²⁾On a like-for-like basis.

This **acceleration in growth throughout 2011** is due, on the one hand, to further implementation of the development policy (winning bids and acquisitions) and, on the other hand, to successful marketing initiatives (new shop concepts and diversification in the product mix).

Retail:

Retail sales rose by 5.3% (on a like-for-like basis), driven by trends in global air traffic (+5.4% at the end of July, with Europe at +9.1%).

Sales at Travel Retail France rose at a brisk pace (+9.8%) thanks on the one hand, to the good results of Relay's marketing strategy (a more favourable product mix) and on the other hand, to the significant growth in Duty free sales (+8%), despite the overhang of the recent events in North Africa.

Sales at Travel Retail Europe (excluding France) did well (net sales up by 11%), particularly in Central and Eastern Europe, thanks to the expansion in the network and in Duty free businesses.

Net sales declined slightly (-0.9%) in the Asia-Pacific region, due to more challenging market conditions in Australia (e.g., an unfavourable Australian dollar exchange rate and the REDgroup bankruptcy), as well as expansion in the network of sales outlets (construction and end of concessions) had a negative impact on business.

North America also declined slightly (-0.5% in the third quarter), due to the streamlining of the network and an economic environment that remains unfavourable.

Distribution:

Net sales declined in the third quarter (-2.2% on a like-for-like basis), particularly in the United States, where business suffered from an even faster decline in press activities since June (fewer titles from publishers and decline in consumer purchasing power).

> Lagardère Unlimited

Net sales of €316m in the first nine months of 2011, up 19.1% on a reported basis and by 4.4% on a like-for-like basis. The difference between these two figures is due mainly to a perimeter impact resulting from the consolidation of Best (a US company specialising in sports and celebrity agents) in April 2010, as well as activities of Lagardère Paris Racing at 1st January 2011. The currency impact is insignificant.

In the third quarter of 2011:

Net sales continued to grow (+12% on a reported basis and +0.7% on a like-for-like basis), driven by a sports agenda including UEFA Euro 2012™ qualification matches and competitions organised by AFC⁽³⁾.

Business remained strong in Asia with World Sport Group (with the third-quarter agenda including the 2012 Olympic football qualifying matches and pre-qualification matches for the 2014 World Cup).

However, in Europe, sales of Media and Marketing rights declined, as competitions that occurred during the quarter were less attractive and as the performance of IEC in Sports (the Swedish subsidiary) was weaker than expected.

Given the structure of the contracts (acquisition of rights or agent commissions) and the calendar of sporting events, it is worth pointing out that Lagardère Unlimited sales are highly volatile from one quarter to the next, and figures for an entire half or year are more meaningful.

The gross margin (i.e., net sales minus amortisation of acquired sports rights) came to €75m (-7% on a like-for-like basis).

⁽³⁾Asian Football Confederation.

II. HIGHLIGHTS SINCE 30 JUNE 2011

- **July 29, 2011: sale of international magazines businesses.**
Transaction closed in the United Kingdom.
- **October 20, 2011: acquisition by Lagardère Unlimited of businesses from Stadia Consulting Group.**
Lagardère Unlimited thus expands its expertise in managing stadiums and multi-purpose arenas, an expanding business in France and worldwide.
- **October 25, 2011: closing by Lagardère Services of the buyout of shares in Société de Distribution Aéroportuaire held by the Nuance Group.** This is part of the partnership agreed with Aéroports de Paris to run until October 2019.
- **November 4, 2011: sale of the 34% stake in Le Monde Interactif.**

III. FINANCIAL SITUATION

The Group's financial situation remains solid. Net debt is expected to be significantly lower at yearend, following the sale of PMI.

Remember that WCR (Working Capital Requirement) enjoys a favourable seasonal variation in the second half of the year, Lagardère Publishing in particular.

In a highly uncertain market environment, the Group is sticking to a conservative financial policy and enjoys excellent liquidity, thanks to the syndicated credit renewed in January 2011.

IV. OUTLOOK

The Group is taking a cautious outlook looking forward to the end of 2011, given the highly volatile overall environment. The outlook for each division is as follows:

- **Lagardère Publishing and Lagardère Services:** third quarter trends are likely to continue until yearend;
- **Lagardère Active:** still on track to meet the guidance provided when releasing first-half results (i.e., stable advertising revenue in the second half and strong sales at Lagardère Entertainment);
- **Lagardère Unlimited:** as noted, 2011 will be a low-margin, restructuring year.

The risks identified during the second half at Lagardère Unlimited, as well as the strategic shift by the new management team may have a greater impact than had been assumed in the guidance announced on 31 August 2011. Accordingly, the objective announced last 31 August for Media EBIT in 2011 ("a decline of about 5 to 7% on a constant exchange rate basis, vs. 2010") is now adjusted to a decline of between 5% and 12% on a constant forex basis vs. 2010, including the second-half impact of the PMI deconsolidation.

Next on the agenda:

- **Release of 2011 net sales:**
Full-year net sales will be released on February 7, 2012 at 8 a.m. (CET). A conference call will be held the same day at 11 a.m.
- **Release of 2011 results:**
Full-year results will be released on March 8, 2012 at 5:35 p.m. (CET). They will be presented at a meeting on the same day at 5:45 p.m.

*Lagardère is a pure media group (books, press, broadcast, digital, travel retail and press distribution, sport industry and entertainment), and is among the world leaders in the sector.
Lagardère shares are listed on Euronext Paris (Compartment A).*

Important notice:

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

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

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

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