



## PRESS RELEASE

### Third-quarter 2015 financial information Buoyant growth of sales, at €1,846 million, up 2.6% like-for-like<sup>(1)</sup>

#### 2015 Group recurring EBIT<sup>(2)</sup> target confirmed

Paris, 10 November 2015

The **third quarter of 2015** saw another buoyant performance from Travel Retail and the return to growth (on a like-for-like basis) of Lagardère Publishing.

The Lagardère group sales totalled €1,846 million in Q3 2015, up 2.6% on a like-for-like basis. On a reported basis, however, sales were down 3.0%, mainly owing to negative scope effect (-€144 million), notably due to the disposal of Press Distribution and the deconsolidation of a proportion of sales. Foreign exchange effect was positive (+€43 million).

#### By division (like-for-like basis):

- **Lagardère Publishing:** sales went up (+2.0%), driven by the Education segment in Spain, and to a lesser extent, by General Literature in France and Partworks.
- **Lagardère Travel Retail:** the pace of growth increased for this division (+6.7%), driven by strong airport sales, particularly in Europe.
- **Lagardère Active:** sales decreased (-10.2%), mainly because of an unfavourable comparison basis for Lagardère Studios<sup>(3)</sup>.
- **Lagardère Sports and Entertainment<sup>(4)</sup>:** sales down 4.1%, mainly owing to seasonal factors.

#### At 30 September 2015:

For the first nine months of 2015, sales totalled €5,150 million, down 2.2% on a reported basis, but up 2.8% on a like-for-like basis. The difference between the two figures is explained by negative scope effect (-€421 million), which were only partly offset by positive foreign exchange effect (+€173 million). The scope effect was mainly related to the disposal of Distribution assets by Lagardère Travel Retail, and to the deconsolidation of Relay activities in train stations in France from the beginning of September 2014, following the creation of a joint venture with SNCF.

Over the first nine months of the year, growth in sales was chiefly driven by good performances from Travel Retail and Lagardère Sports and Entertainment.

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

<sup>(2)</sup>Recurring operating profit of fully consolidated companies (four operating divisions and other activities). See details at the end of the press release.

<sup>(3)</sup>New name of Lagardère Entertainment.

<sup>(4)</sup>New name of Lagardère Unlimited.

## I- GROUP CONSOLIDATED SALES AND ACTIVITY

	Sales (in €m)		Change	
	At 30 September 2014	At 30 September 2015	reported basis	like-for-like
Lagardère Publishing	1,467	1,575	+7.4%	-1.0%
Lagardère Travel Retail	2,888	2,572	-10.9%	+4.7%
Lagardère Active	643	644	+0.2%	-3.3%
Lagardère Sports and Entertainment	269	359	+33.3%	+21.1%
<b>LAGARDÈRE</b>	<b>5,267</b>	<b>5,150</b>	<b>-2.2%</b>	<b>+2.8%</b>

	Sales (in €m)		Change	
	Q3 2014	Q3 2015	reported basis	like-for-like
Lagardère Publishing	564	607	+7.8%	+2.0%
Lagardère Travel Retail	1,036	933	-10.0%	+6.7%
Lagardère Active	208	206	-0.9%	-10.2%
Lagardère Sports and Entertainment	95	100	+5.5%	-4.1%
<b>LAGARDÈRE</b>	<b>1,903</b>	<b>1,846</b>	<b>-3.0%</b>	<b>+2.6%</b>

### ● Lagardère Publishing

Sales for the first nine months of 2015 totalled €1,575 million, up 7.4% on a reported basis and down 1.0% on a like-for-like basis, with the difference due to favourable scope effect (+€21 million), relating to acquisitions in the United Kingdom, and a positive foreign exchange effect (+€102 million), attributable to the US dollar and pound sterling.

There were good sales performances in France (+2.1%) in General Literature and in Spain (+5.4%) in Education. However, these positive effects did not entirely offset the decline in the United States (-6.6%), which benefitted from an expanded publishing schedule in 2014.

#### Third-quarter 2015:

At €607 million, growth resumed on a like-for-like basis as sales were up 2.0% (+7.8% on a reported basis). The difference was chiefly due to a positive foreign exchange effect (+€32 million). Figures below are presented on a like-for-like basis.

In France (+0.8%), sales were mainly driven by good performances in General Literature, with a number of bestsellers, notably *Grey*, the fourth volume in the Fifty Shades of Grey saga, *La septième fonction du langage*, by Laurent Binet, *Eva*, by Simon Liberati, *D'après une histoire vraie*, by Delphine de Vigan. The awarding of the Renaudot Prize for Delphine de Vigan and the Femina Prize for Christophe Boltanski (*La Cache*) should have a positive impact on sales in the fourth quarter. Education (in a year preceding curricular reform) posted mixed performance in the third quarter.

In the United States, the decline in sales (-4.2%) was mainly due to an unfavourable comparison with the third quarter 2014 publications calendar, and to the decrease in sales of e-books. The fourth quarter should conversely return to a significant growth.

In the United Kingdom, the growth in sales (+1.2%) was driven by Education and Illustrated Books (colouring books for adults).

The Spain/Latin America region posted an excellent performance (+13.3%), mainly in Education (catch-up in sales from the second quarter of 2015 and curricular reform effect).

Partworks have shown a very positive dynamic (+8.6%).

E-books: the weighting of e-books in Lagardère Publishing total sales fell in the third quarter of 2015, to 7.9%, from 8.9% in the same period of 2014.

In the first nine months of the year, e-books represented 9.6% of total sales, compared with 10.4% in the same period of 2014. This digital transition remains limited to English-speaking countries and to the General Literature segment, where similar market trends were seen:

- in the United States, where the e-book market is declining (confirming the slowdown seen since 2014), e-books accounted for 24% of Trade<sup>(5)</sup> sales, versus 28% at the end of September 2014;
- in the United Kingdom, where the e-book market has been broadly flat since the start of the year, e-books represented 30% of Adult Trade<sup>(6)</sup> sales versus 34% at end-September 2014, reflecting primarily the rise in VAT.

<sup>(5)</sup>Trade titles.

<sup>(6)</sup>Adult Trade titles.

## ● Lagardère Travel Retail

**With €2,572 million sales at 30 September 2015, revenues posted buoyed growth up 4.7% on a like-for-like basis (down 10.9% on a reported basis),** with a favourable foreign exchange effect of €50 million (notably rise of the US dollar and Swiss franc). As expected, scope effect was negative at -€475 million, comprising:

- The effects of the deconsolidation of a proportion of sales (€534 million), essentially relating to:
  - the deconsolidation of sales from Relay in train stations in France (following the creation of a joint venture with SNCF in September 2014, now consolidated using the equity method), for €218 million, and of high-street retail sales in Poland (consolidated using the equity method following the sale of 51% of Inmedio in December 2014), for €84 million;
  - the disposal of Press Distribution assets in Switzerland in February 2015, with an impact of €185 million, and of the Payot bookshops in July 2014, with an impact of €28 million.
- Acquisitions, chiefly relating to the Airst Group (which mainly operates at Venice airport) from April 2014 for €59 million.

**The strategic change in the division sales mix continued, with Travel Retail representing 71% of the total,** versus 29% for Distribution (Press Distribution and Integrated Retail).

Figures below are presented on a like-for-like basis.

### **Third-quarter 2015:**

**Sales for this division totalled €933 million, up 6.7% on a like-for-like basis, outpacing the first-half growth figure (+3.5%).** However, on a reported basis, sales were down 10.0%, mainly due to negative scope effect (-€170 million), although the foreign exchange effect was moderately positive (+€8 million).

In the third quarter, sales for **Travel Retail** went up by 9.9%, outpacing the first-half growth figure of 7.3%. This increase was driven by the growth in passenger traffic, the good performance from acquisitions, network expansion and the roll-out of new concepts.

In France, sales rose strongly over the period (+7.2%), as all segments (Duty Free & Fashion, Travel Essentials and Foodservice) benefited from network expansion and good levels of passenger traffic through airports (increase in traffic and spending per passenger).

Europe (excluding France) posted an excellent performance (+10.5%): growth in passenger traffic and network expansion provided a substantial boost to growth in Poland (+17.6%), Italy (+8.0%), with the ramping-up of activities at the Rome airport, Romania (+19.9%) and Spain (+6.8%).

Sales also rose in North America (+6.0%), thanks to network expansion in airports and a robust underlying sales performance.

The Asia-Pacific region also posted a substantial increase in sales (+16.6%), on the back of higher passenger traffic and the successful opening of sales outlets in Auckland and China.

In the third quarter of 2015, the **Distribution** sales trend improved, with the decline limited to -1.1%, as diversification efforts have partly offset the decline in print media.

## ● Lagardère Active

**Sales totalled €644 million, up 0.2% on a reported basis and down 3.3% on a like-for-like basis.** The difference was due to positive scope effect (+€22 million): the disposal of 10 magazines in July 2014 was more than offset by the acquisition of Boomerang TV Group on 31 May 2015 and by the consolidation of the sales of Gulli (following the acquisition of 34% of France Télévisions in November 2014).

Sales for advertising fell 3.1% for the division as a whole.

Figures below are presented on a like-for-like basis.

### **Third-quarter 2015:**

**Sales totalled €206m, down 0.9% on a reported basis and down 10.2% on a like-for-like basis.** This decline was, as expected, mainly due to an unfavourable comparison effect given the delivery of season 3 of *Borgia* by Lagardère Studios in the third quarter of 2014. Excluding Lagardère Studios, the decrease in sales on a like-for-like basis was reduced to -5.2%.

The negative performance of Magazine Publishing, at -4.9%, related to the decrease in advertising revenues (-6.8%) and circulation (despite an improvement to -4.5%). The increase in digital sales (+29%) partly offset these negative impacts.

The performance of Radio was broadly flat (-0.6%), with a smaller decrease in sales at Europe 1 than in the first half of the year, and an increase for international music radio, particularly in Poland.

Sales for TV channels were flat; the good performance of advertising for Gulli (+19%) was not yet included in the like-for-like figures, as it has only been consolidated since 1 November 2014.

TV Production recorded a fall in sales (-37.1%) due to a different seasonality from 2014 (delivery of the season 3 of *Borgia*).

The decrease recorded in Pure Digital sales (-26%) was attributable to LeGuide.com, which is still facing the changes Google has made to its algorithms. Stripping out LeGuide.com, digital sales were up by 4.6%.

## ● Lagardère Sports and Entertainment

**Sales totalled €359 million for the first nine months of the year, up 33.3% on a reported basis and up 21.1% on a like-for-like basis.** These increases were mainly related to positive scope effect (+€11 million), from the acquisition in June 2015 of UFA Sports, a marketing rights agency in Germany and of the Casino de Paris in April 2014). The currency effect was also positive (+€21 million), mainly attributable to the rise of the US dollar. The very sharp increase in activity can be explained by a favourable calendar effect, related to the good completion of contracts for two continental football competitions: the Africa Cup of Nations held in Equatorial Guinea and the AFC Asian Cup, held in Australia.

### **Third-quarter 2015:**

**Sales totalled €100 million, up 5.5% on a reported basis and down 4.1% on a like-for-like basis.** This was due to a less favourable comparison in terms of the events calendar, as the 2014 figures included both the final phase of the football World Cup in Brazil, which generated a good performance for the hospitality segment, and the Commonwealth Games.

Meanwhile, the stadium management segment performed well (notably with the start-up of operations at the Friends Arena in Stockholm), and the provision of services (ticketing, marketing and media rights) relating to the organisation of the 2015 African Games in Brazzaville delivered positive results.

## **II- KEY EVENTS SINCE 30 JUNE 2015**

### **Public buyout offer for the shares in Lagardère Active Broadcast and delisting**

On 25 August 2015, Lagardère Active, a subsidiary of Lagardère SCA, announced that it owned 99.86% of the shares in Lagardère Active Broadcast, following a public buyout offer launched on 24 July 2015. In view of the very low liquidity of its shares and the administrative costs and requirements relating to the listing, Lagardère Active Broadcast applied to have its shares delisted from Compartment B of Euronext Paris (ISIN code MC0000120790), as set out in the context of the public offer. After receiving approval from the Board of Directors of Euronext Paris, the delisting took place on 1 September 2015.

Lagardère Active has extended a liquidity tender period until 30 November 2015, enabling shareholders of Lagardère Active Broadcast who did not previously take up the buyout offer to sell their shares at the offer price, i.e. €355 per share.

This transaction will simplify Lagardère Active Broadcast's legal processes, as well as providing cost savings (especially on listing fees).

Lagardère Active Broadcast is a public limited company under Monegasque law, which represents the audiovisual division of Lagardère Active: radio stations in France (Europe 1, music stations) and internationally (Eastern Europe, French-speaking Africa), audiovisual production and distribution (Lagardère Studios) and speciality TV channels (particularly Gulli).

The maximum cost of purchasing the additional shares (excluding miscellaneous expenses and fees) is estimated at €2.9 million.

### **Public buyout offer for the shares in LeGuide.com followed by a mandatory squeeze-out process**

On 1 September 2015, the French Financial Markets Authority (AMF) approved a draft public buyout offer followed by a mandatory squeeze-out process filed on 31 July 2015 by Lagardère Active, a subsidiary of Lagardère SCA, in respect of the shares of the company LeGuide.com, at the price of €32.50 per share.

On 17 September 2015, the AMF published a notice stating that Lagardère Active owned 98.29% of the shares of LeGuide.com, following implementation of the public buyout offer. In accordance with the legal and regulatory provisions, the public buyout offer was immediately followed, on 17 September 2015, by a mandatory squeeze-out process, whereby the shares in LeGuide.com not tendered in the public offer were transferred to Lagardère Active in exchange for the offer price. The shares of LeGuide.com were delisted from Alternext on 18 September 2015. The listing of the shares no longer appeared justified in view of the objectives initially pursued, in view of the gap between the share price and the actual financial position of the company.

The total cost of the transaction (excluding miscellaneous expenses and fees) is estimated at €4.6 million for all the shares tendered in the offer and squeeze-out.

### **Completion of the acquisition of Paradies, an airport travel retail leader in North America**

On 22 October 2015, after receiving all the necessary authorisations, Lagardère Travel Retail completed the acquisition of Paradies, a leader in retail and food and beverage operations in airports in North America. The acquisition value was USD 530 million, on a cash-free/debt-free basis. This value-enhancing transaction represents an important step in the strategic transformation of Lagardère Travel Retail, which will also achieve critical mass in North America, with a presence in more than 100 airports.

### **Disposal by Lagardère Travel Retail of its Spanish press distribution subsidiary**

As part of its strategy of re-focusing on growth activities, Lagardère Travel Retail continued to dispose of its press distribution assets, and announced on 27 October 2015 that it had signed an agreement to sell its Spanish subsidiary SGEL to Springwater Capital, a private investment firm.

## **III-OUTLOOK – FINANCIAL POSITION**

### **GUIDANCE ON GROUP RECURRING EBIT CONFIRMED**

In view of the Group performance as of the end of September and the outlook for the full year, the Group recurring EBIT target for 2015, that was announced last July, is confirmed.

Accordingly, **Group recurring EBIT for 2015 should increase by approximately 7% compared with 2014** (at constant exchange rates and excluding the effect of the potential disposal of LS distribution operations).

### **FINANCIAL POSITION**

The Group financial position remains solid, with good liquidity and a balanced repayment schedule.

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### **INVESTOR CALENDAR**

- **Announcement of Full Year 2015 revenues** on 11 February 2016 at 8am (conference call at 10am).
- **Announcement of Full Year 2015 results** on 9 March 2016 at 5.35pm.

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### **DEFINITION OF GROUP RECURRING EBIT**

Group recurring EBIT of consolidated companies is defined as the difference between income before interest and tax and the following items of the income statement:

- contribution of associates;
- gains or losses on disposals of assets;
- impairment losses on goodwill, property, plant and equipment and intangible assets;
- restructuring costs;
- items related to business combinations:
  - expenses on acquisitions;
  - gains and losses resulting from acquisition price adjustments and valuation adjustments related to changes in controlling interests;
  - amortisation of acquisition-related intangible assets.

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**The conference call to present the results will be available later that day, on our website:**

**[www.lagardere.com](http://www.lagardere.com)**

*The Lagardère group is a global leader in content production 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](http://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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