

# ➤ Reception by Lagardère SCA of a binding offer for its international magazines

January 31<sup>st</sup>, 2011



*Lagardère*

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Certain 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.

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- General economic and labour conditions, including in particular economic conditions in Europe and North America;
- Legal, financial and governmental risks (including, without limitation, certain market risks) related to the businesses;
- Certain risks related to the media industry (including, without limitation, technological risks);
- The cyclical nature of some of the businesses. 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.

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# > Transaction overview

## Transaction overview

- > Lagardère announced on December 31, 2010 it entered into an agreement providing for exclusive negotiations until January 30, 2011 for the acquisition by The Hearst Corporation (“Hearst”) of Lagardère’s international magazine business (“PMI”)
- > Lagardère has received a fully binding offer (subject to customary conditions precedent) from Hearst consisting of:
  - ❑ €651M enterprise value payable in cash at closing;
  - ❑ Fully executable share purchase agreement;
  - ❑ Fully executable Master License Agreement (MLA) relating to the ELLE trademark in the 15 countries outside of France, where Lagardère has equity interests in magazine businesses.

## Rationale for Lagardère

- > In line with Lagardère Media’s strategy to focus on higher growth activities, and exit from slower growth segments;
- > Magazine business lacking scale in most countries and requiring large investments to make it a sustainable platform, in particular in light of digital technology evolutions;
- > Reduced exposure to magazines which has been a significant source of volatility in Lagardère’s revenue and earnings historically;
- > Compelling terms offered by Hearst:
  - ❑ Hearst is the right industrial partner with significant potential synergies especially on the upscale women segment;
  - ❑ Lagardère will retain ownership of the highly valuable ELLE brand.



# Overview of magazine business

## What is sold – PMI

Geography	Stake currently owned and to be sold	Magazine portfolio
<b>Fully consolidated</b>		
United States	100%	7 titles
Russia and Ukraine	51% <sup>1</sup>	11 titles
Italy	100%	4 titles
Spain	100%	17 titles
UK	100%	7 titles
China	100%	6 titles
Japan	66%	11 titles
Netherlands	100%	7 titles
Czech Republic	51%	6 titles
Hong Kong	100%	1 title
Mexico	51%	2 titles
Taiwan	100%	1 title
<b>JVs - Equity method</b>		
o.w. Marie Claire Russia JV	25%	1 title
o.w. Marie Claire China JV	49%	1 title
o.w. Marie Claire Italy JV	49%	2 titles
o.w. Publications Transcontinental JV	50%	2 titles
o.w. ELLE Verlag JV	50%	2 titles
Other licenses and JVs		14 titles
<b>Total</b>	<b>15 countries</b>	<b>102 titles</b>

<sup>1</sup> 50% sold to Hearst, 1% to local Russian partner.

Note: transaction subject to Workers' Councils consultation

## What is kept by Lagardère Active

- > Lagardère to retain full ownership of magazine business operations in France;
- > Lagardère to retain ownership of the ELLE trademark globally:
  - ❑ Hearst will become a licensee and pay Lagardère a royalty based on ELLE annual sales.
- > Lagardère will continue to manage its existing network of ELLE licensees (print and digital) and receive the associated royalties, in 25 countries, which are not included in the transaction:
  - ❑ Existing licenses, (e.g. ELLE, ELLE Deco and other titles), in 25 countries such as Brazil, Denmark, Korea.
- > Lagardère will continue to manage its licensing merchandising business (goods and services) under the ELLE brand throughout the world.



# ➤ Future cooperation between Lagardère and Hearst on ELLE will be governed by the Master License Agreement on publishing

- Lagardère remains owner of the ELLE trademark;
- Hearst is granted a perpetual license for the ELLE operations in the 15 PMI geographies (16 editions of ELLE);
- Hearst will use its publishing and upscale women expertise to develop *ELLE* alongside *Harper's Bazaar* and *Cosmopolitan*;
- Lagardère will continue to guarantee brand consistency;
- Lagardère will continue to manage syndication and coproduction of content in the network;
- Strategic decisions in PMI countries will be taken by Hearst in consultation with Lagardère;
- ELLE as a whole will continue to benefit from global network of advertisers developed by Lagardère, through Lagardère Global Advertising.



Lagardère

# > Transaction key figures

## International magazines pro forma figures<sup>1</sup> not yet audited

€M	2009pf	2010pf
<b>Consolidated revenue</b>	<b>712</b>	<b>774</b>
<b>Consolidated pre-tax Resop<sup>2</sup></b>	<b>4.9</b>	<b>49.6</b>
- Minority Interests Share of Resop	-7.2	-13.6
+ Share of pre-tax Resop of equity-consolidated JVs	-0.2	1,7
<b>Implied proportionate Resop</b>	<b>-2.5</b>	<b>37.7</b>

## Valuation metrics

- > Enterprise value of €651M;
- > Retained real estate assets (Italy and Spain) worth €30M based on market prices;
- > Long term License agreement providing annual recurring royalty on ELLE brand, equivalent to:
  - Around €8M per annum Resop<sup>2</sup> contribution from royalties (net of associated expenses) based on 2010 financials;
  - This translates to c.€70M on a net present value (post tax) basis.

## Cash impact for Lagardère

Enterprise Value  
€651M

(-/+)

Plus/less: net cash/debt at closing

(-/+)

Plus/less: working capital adjustment at closing

=

Cash proceeds payable

<sup>1</sup> Pro forma including the new royalties expenses as per the MLA agreement.  
<sup>2</sup> recurring EBIT before associates.



## Transaction next steps

### Remaining issues

- > Final perimeter depending on outcome of antitrust/governmental clearances and third-party approvals.

### Next steps

- > Lagardère will now shortly initiate, in accordance with regulatory framework, Workers' Councils consultation process in various jurisdictions (France, Italy, Group, Europe);
- > Soon after that process, Lagardère will be in a position to execute the share purchase agreement signed by Hearst;
- > Closing of the transaction is expected by Q3 2011;
- > Proceeds to be paid in Euros at closing.