Lagardère

GENERAL MEETING DOCUMENT

ANNUAL ORDINARY GENERAL MEETING 3 MAY 2012

Lagardère SCA
A French partnership limited by shares with capital of €799,913,044.60
divided into 131,133,286 shares of €6.10 par value each
Head office: 4 rue de Presbourg - Paris 16th (75) - France
Telephone: + 33 (1) 40 69 16 00
Commercial Register 320 366 446 RCS Paris
Website: www.lagardere.com

Annual Ordinary General Meeting Document

Year 2011

3 May 2012

This English version has been prepared for the convenience of English language readers.
It is a translation of the original French Document d'Assemblée Générale prepared for the Annual Ordinary General Meeting.
It is intended for general information only and in case of doubt the French original shall prevail.

YEAR
2011

General Meeting Document

CONTENTS

CHAPTER 1

Agenda

1. AGENDA

- Report of the Managing Partners (report on the operations of the Company and the Group, and on the Parent Company financial statements for the year ended 31 December 2011).
- Special report of the Managing Partners on share subscription and purchase options.
- Special report by the Managing Partners on free share allocations.
- Report of the Supervisory Board.
- Report of the Chairman of the Supervisory Board on the Board's organisation and internal control and risk management.
- Reports of the Statutory Auditors on the Parent Company financial statements, the consolidated financial statements and the agreements governed by Article L. 226-10 of the French Commercial Code.
- Report of the Statutory Auditors on the Chairman's report on internal control and risk management.
- Approval of the Parent Company financial statements for the year ended 31 December 2011.
- Approval of the consolidated financial statements for the year ended 31 December 2011.
- Allocation of the Parent Company's net profit and dividend distribution.
- Authorisation sought by the Managing Partners to purchase and sell shares of the Company.
- Re-appointment of Messrs. Georges Chaudron de Courcel, François Roussely and Mrs. Amélie Oudéa-Castéra as members of the Supervisory Board for a further term of four years.
- Appointment of Mmes. Nathalie Andrieux, Hélène Molinari and Mr. Antoine Arnault as new members of the Supervisory Board for a term of four years to replace Messrs. Bernard Arnault, Raymond H. Lévy and Christian Marbach, whose terms of office have expired.
- Powers for formalities.

CHAPTER 2

Message from the Managing Partners

2. MESSAGE FROM THE MANAGING PARTNERS

The global economic climate was particularly tense during 2011. Our Group's businesses nonetheless proved resilient. Net sales were stable, mainly thanks to strong growth momentum in our new areas of development such as Digital, TV Production and Travel Retail.

Recurring operating profit fell by 11.4% to €414 million, due mainly to the expected end of the Stephenie Meyer's Twilight effect at Lagardère Publishing and also to some disappointing performances at Lagardère Unlimited.

Our portfolio of businesses continued to evolve with the disposal of our International Magazine Publishing business and our Radio activities in Russia. In addition, there was a management reshuffle in three of our business divisions – Lagardère Active, Lagardère Services and Lagardère Unlimited – with renewed strategic objectives.

We also took a €895 million asset impairment loss in 2011, mainly attributable to Lagardère Unlimited for €550 million and our interest in Canal+ France for €310 million.

Our priority in 2012 will be to turn Lagardère Unlimited around and in time restore it to satisfactory performance levels.

Despite these difficulties, we remain confident. Our Group has a robust financial position, with a significant reduction in its net debt and excellent liquidity, which will enable us to prepare for the future and propose a stable dividend, in keeping with our dynamic shareholder return policy.

I have asked all our teams to devote their full attention to expanding our business activities in France and the international markets. I would like to extend my thanks to everyone in the Group for their continued commitment and professionalism.

I am more than ever convinced that our future expansion will be driven by the talent of the people working on a day-to-day basis to make our Group a success, a goal to which I am personally fully committed.

Dear shareholders, I would like to thank you especially for your loyalty and support.

Arnaud Lagardère

General and Managing Partner of Lagardère SCA

CHAPTER 3

Reports of the Managing Partners

3.1 MANAGEMENT REPORT

Dear Shareholders,

We have convened this Annual Ordinary General Meeting primarily to:

- report to you on the operations, position and outlook of the Company and of the Lagardère group as a whole;
- submit for your approval the Parent Company's annual financial statements and the consolidated financial statements for the year ended 31 December 2011, allocate the Parent Company's net profit for the year, propose the distribution of a dividend of €1.30 per share, and re-appoint or replace some of the Supervisory Board members.

***

Pursuant to the provisions of the French Commercial Code and stock market regulations, we hereby present the following two documents, which contain all the reports and information we are required to provide for your Annual General Meeting:

- the General Meeting Document, sent with the invitation to the meeting and posted online on the Company's website;
- the Reference Document, also posted online on the Company's website and made available to you at the same time.

In addition to the Message from the Managing Partners, the **General Meeting Document** also includes:

- the agenda;
- this report of the Managing Partners, which contains:
  - a brief review of the position, operations and results of the Lagardère group in 2011;
  - a presentation of the resolutions put to you for approval;
- the two special reports prepared by the Managing Partners;
- the reports of the Supervisory Board and its Chairman;
- information on candidates for appointment and re-appointment to the Supervisory Board;
- the reports of the Statutory Auditors;
- the proposed resolutions.

The **Reference Document** contains the Annual Financial Report within the meaning of the stock market regulations and includes all the components of the management report required under the French Commercial Code, as well as all the other information required under the stock market regulations.

The Reference Document is structured on the basis required by European regulations for a prospectus. Apart from providing information to the markets, it is also an integral component of the Management Report prepared by the Managing Partners, in as much as it contains information on:

the operations and position of the Company and the Group:	chapter 5 chapter 8.3 chapter 9
the financial statements, results and financial position:	chapter 6
key risks:	chapter 3
organization of the Company and the Group and corporate governance:	chapter 7
information about the share capital, shareholders and main provisions of the Articles of Association:	chapter 8

We shall therefore confine ourselves below to a brief review of the Lagardère group's results and operations in 2011 and a presentation of the resolutions put to you for approval. Please refer to the Reference Document for fuller information.

3.1.1 STATEMENT OF RESULTS AND ACTIVITIES FOR 2011

3.1.1.1 PRESENTATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2011 FULL-YEAR RESULTS

Activity showed firm resilience in a difficult economic and financial environment

- **Stable net sales: €7,657M**, up 0.2% on a like-for-like basis
- **Recurring EBIT[1] from Media activities in line with objectives: €414M**, down 11.1% at constant exchange rates
- **Adjusted net income - Group share[2]: €226M** (down €58M)
- **Net income impacted by write-downs amounting to €895M**

Sound financial position

- **Net cash from operating and investment activities up sharply: €766M** (€320M in 2010)
- **Significant reduction in net indebtedness: €1,269M** (down €503M)
- **Excellent liquid asset position (available cash[3]: €2,014M)**

Proposal to maintain dividend at €1.30 per share

(1) Recurring EBIT before contribution from associates: see definition on page 16.
(2) Excluding contribution from EADS and non-recurring and non-operating items.
(3) Cash and short-term investments reported on the balance sheet and undrawn authorized credit lines.

2011 BUSINESS YEAR HIGHLIGHTS

- **Firm resilience** despite a difficult economic and financial environment. The Group's new areas of development (Digital, TV Production and Travel Retail) continued their growth trend. Net sales came out at €7,657M, stable on a like-for-like basis (up 0.2%) and lower by 3.9% on a reported basis. The difference is due mainly to a negative scope effect associated with the sale of International Magazine Publishing (PMI).
- **Recurring EBIT from Media activities** was down 11.1% at constant exchange rates, in line with the guidance announced on November 8, 2011, due mainly to:
  - **Lagardère Publishing**, the expected end to the Stephenie Meyer effect and deteriorated market conditions in English-speaking countries;
  - **Lagardère Unlimited**, non-recurring items, non-renewal of contracts and weaker than expected sales performance.
- Negative **net income - Group share** of -€707M, in large part associated with impairment losses of €895M (mainly on Lagardère Unlimited and Canal+ France), as announced on February 7. Excluding non-recurring/non-operating items and excluding EADS, adjusted net income stands at €226M compared to €284M in 2010, i.e. a drop of €58M, mainly due to the decline in recurring EBIT.
- **Total cash flows from operating and investment activities rose sharply to €766M** (€320M in 2010), thanks to disposals during the year (PMI and Russian radio).
- **Significant reduction in net indebtedness**: €1,269M at the end of 2011 (down 28%), due to disposals. Gearing[1] improved by two percentage points to 42%, as did the net debt/EBITDA[2] ratio, which fell from 2.8x to 2x.

(1) Net debt-to-equity ratio.
(2) See definition on page 16.

GROUP CONSOLIDATED NET SALES

For the 2011 business year, net sales for Lagardère SCA were €7,657M, down on a reported basis (-3.9%) but stable on a like-for-like basis (+0.2%).

	Sales (in €M)		Reported change 2011/2010	Like-for-like change 2011/2010
	2010	**2011**		
LAGARDÈRE	**7,966**	**7,657**	**(3.9%)**	**0.2%**
Lagardère Publishing	2,165	**2,038**	(5.9%)	(4.4%)
Lagardère Active	1,826	**1,441**	(21.0%)	1.3%
Lagardère Services	3,579	**3,724**	4.0%	2.0%
Lagardère Unlimited	396	**454**	14.5%	6.2%

The difference between the reported and like-for-like performance is due mainly to a negative scope effect of €344M (primarily associated with the sale of International Magazine Publishing, PMI). These changes in scope are slightly offset by a positive foreign exchange effect (€16M).

- **Lagardère Publishing – Net sales of €2,038M for 2011, down 5.9% on a reported basis and down 4.4% on a like-for-like basis.** The unfavourable base effect of Stephanie Meyer sales tailed off at the end of the third quarter 2011 and had vanished completely by year end. This had a negative impact on sales in the United States, the United Kingdom and on Illustrated Books in France. Excluding this effect, the drop in the division's net sales was only 0.3% on a like-for-like basis.

  The year was marked by the problems encountered by some distributors in English-speaking countries (bankruptcy of Borders in the United States and REDgroup in Australia).

  Good performance in France in Education (up 2.4%, driven by the reform of the country's high schools) and in General Literature (up 2.4%). Sales were up in Spain as well (+1.1%), thanks to Education, driven by educational system reforms.

  Continuing strong growth in e-Book revenues, mainly in English-speaking countries: in the United States and the United Kingdom, this revenue represented respectively 20% and 10% of Adult trade[1] sales at the end of December 2011. In France, new digital readers were launched in the autumn but have not yet caused the market to take off in any significant way. Across 2011, e-Books accounted for 6% of Lagardère Publishing's total revenue.

- **Lagardère Active – Net sales of €1,441M for 2011, up 1.3% on a like-for-like basis,** but down 21% on a reported basis. The difference between reported and like-for-like performance is due primarily to the sale of PMI. The foreign exchange effect was immaterial.

  Excluding PMI sold, net sales at December 31, 2011 were stable at €1,075M (i.e. down 0.5% on a like-for-like basis).

  2011 saw a sound improvement in the TV Production business (up 8.3%, with, of particular note, the series *Borgia*) and in television channels (up 7%), while the performance of Magazines (down 2.2%) and French Radio (down 5.5%) were muted. Also of note was a slowdown in business at the end of the year due to the weak macroeconomic environment, especially on the advertising market (down 1.2% for 2011 as a whole).

- **Lagardère Services – Net sales of €3,724M for 2011, up 4% on a like-for-like basis and up 2% on a reported basis.** The difference between reported and like-for-like performance is due primarily to a positive scope effect (€26M), mainly associated with the acquisition and inclusion of Singapore, China and Bulgaria activities in the scope of consolidation, offset in part by the transfer to equity method scope of Relay business in Aéroports de Paris (ADP) in Q4 2011 (consequence of the new partnership with ADP). The foreign exchange effect was positive, at €49M.

  On the whole, despite a troubled environment in 2011 (economic cycle, events in Arab countries, natural disasters and bad weather in North America and in the Pacific), the Retail business posted performance that was up 4.1%, driven by good performance in transportation areas, thanks to the growth of the network, innovation and sales initiatives. The Distribution business continues to slide (down 3.2%) due to the negative trend in the press market.

- **Lagardère Unlimited – Net sales of €454M for 2011 as a whole, up 14.5% on a reported basis and up 6.2% on a like-for-like basis.** The difference between like-for-like and reported performance is mainly due to a positive scope effect, mainly resulting from the integration of the Lagardère Paris Racing business on January 1, 2011, and Best (a US company specialised in representing athletes and celebrities) in April 2010.

  There was a busy sports calendar in 2011, due in particular to the Asian Football Cup (World Sport Group) and qualifying matches for the UEFA Euro 2012™, slightly offset by the absence of revenue from the IPL (Indian Premier League, Cricket) and no Africa Cup of Nations on the schedule.

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

INCOME STATEMENT DATA

RECURRING EBIT BEFORE ASSOCIATES [1]

Recurring EBIT before associates (Media) came in at €414M, down 11.4% on a reported basis and down 11.1% at constant exchange rates, in line with the guidance announced on November 8, 2011.

	Recurring EBIT (in €M)		Reported change 2011/2010
	2010	**2011**	
LAGARDÈRE	**467.5**	**414.2**	**(11,4%)**
Lagardère Publishing	250.4	**220.8**	(11,8%)
Lagardère Active	84.4	**94.9**	12,4%
Lagardère Services	104.5	**104.6**	0,1%
Lagardère Unlimited	28.2	**(6.1)**	-

- **Lagardère Publishing: end of the unfavourable comparison effect related to Stephenie Meyer sales, with a very good level of profitability, close to 11%.**

  2011 marked the return to a normal degree of profitability after three years of momentum due to the success of Stephenie Meyer. The end of this effect in 2011 dragged down profitability notably in the United States, the United Kingdom and Illustrated Books in France.

  In English-speaking countries, the difficulties encountered by retailers (bankruptcy of Borders in the United States and REDgroup in Australia) also had an impact on profitability. Good performance was reported in France (in Education, Distribution and Larousse)as well as in Spain, which are maintaining a high level of profitability.

  For the division overall in 2011 the profitability level was very good, close to 11%.

- **Lagardère Active: increase in profitability thanks to efficient cost control, the disposal of Virgin 17 and the positive impact of Digital.**

  At €95M, recurring EBIT before associates was higher by €10M, despite the disposal of PMI in the course of 2011.

  Excluding PMI, recurring EBIT before associates was €56M, compared to €35M in 2010, up 60%, due mainly to:

  – good cost control, notably in Magazines in France;
  – the sale of Virgin 17, entity which had generated €9M in losses in 2010;
  – improvement in the profitability of the Digital market.

  These positive elements fully offset the unfavourable effects of the drop in income from advertising and circulation.

- **Lagardère Services: recurring EBIT remains stable, in a year marked by investments in Asia and a troubled environment.**

  Profitability stable in 2011, with recurring EBIT before associates coming out at €105M: net sales growth, in particular in Retail activities, offset the effects of a troubled economic and geopolitical climate and the cost of investments in Asia.

  Retail: profits were stable and recurring EBIT before associates was up slightly, as strong performance in France was offset by lower profitability in Asia-Pacific (an area with strong potential), associated with the costs of business development in 2011 (opening of sales outlets, etc.), bad weather conditions and natural disasters as well as the strong Australian dollar.

  Distribution: profits were stable as the cost-cutting plans implemented in prior years paid off.

- **Lagardère Unlimited: a difficult year, despite good activity level**

  Recurring EBIT before associates was -€6M, down €34M compared to 2010.

  Despite increased sales (up 6.2% like-for-like), profits were hurt by the following:

  – non-recurring items: provisions, litigation (primarily with the Board of Control for Cricket in India in connection with cricket rights at World Sport Group) and non-collection of some debt;
  – loss-making contracts;
  – the (already-known) effects due to the non-renewal of some contracts (in particular with the French Football Federation);
  – sales performance lower than expected.

  Note that major changes in management took place in the first half of 2011, with the aim of turning the division around.

Total Non-Media recurring EBIT amounts to -€12M (compared to -€6M in 2010) and includes the costs related to the Canal+ France IPO project.

(1) Recurring EBIT before contribution from associates: see definition on page 16.

CONTRIBUTION FROM ASSOCIATES[1]

Net income from associates is €112M, up 72% compared to 2010, mainly due to the increase in EADS results. Excluding EADS, net income from associates amounts to €33M (compared to €22M last year), thanks to a better contribution from Marie Claire and Gulli.

NON-RECURRING/NON-OPERATING ITEMS

Non-recurring/non-operating items totalled -€1,003M in 2011 compared to -€184M in 2010. They are broken down as follows:

- **-€895M in impairment losses,** of which mainly €550M in the Lagardère Unlimited division, €27M relating to certain Lagardère Active digital assets and €310M arising out of the ownership interest in Canal+ France. As every year, the Group carries out impairment tests on its assets, based on the discounted cashflows method. In 2011, the weak environment in global economy and in stock markets (increase in discount rates) on the one hand, and the prospects of the Lagardère Unlimited division on the other hand, have given rise to these impairment losses;
- **-€84M in impairment losses on intangible assets recognised at the time of acquisition**, mainly in the Lagardère Unlimited division;
- **-€41M in restructuring expenses**, in the framework of cost-cutting and resource streamlining efforts in the Lagardère Active, Lagardère Services and Lagardère Unlimited divisions;
- **+€17M in gains on disposals**, mainly at Lagardère Active, primarily associated with the disposal of Le Monde Interactif. PMI and Russian radio capital gains on disposals were not significant.

EARNINGS BEFORE INTEREST AND TAX

Earnings before interest and tax came out at -€489M compared to €343M in 2010, due primarily to the impairment losses listed above.

NET INTEREST EXPENSE

Net interest expense was €95M, up €13M on 2010, mainly due to higher interest rates that more than offset the drop in indebtedness over the second half of the year.

INCOME TAX EXPENSE

Income tax expense totalled €105M, compared to €67M last year, an increase that is primarily due to the taxes payable in the various countries when PMI was sold.

Factoring in all these elements, total net income came out at -€689M, of which -€707M is attributable to the Group and €18M to minority interests.

(1) Before amortisation of intangible assets associated with acquisitions and impairment losses.

• Consolidated income statement

(in €M)	2010			2011		
	Media	Other activities(*)	Total	**Media**	**Other activities(*)**	**Total**
Net sales	7,966	-	7,966	**7,657**	**-**	**7,657**
Recurring EBIT before associates	468	(6)	462	**414**	**(12)**	**402**
Income from associates	22	43	65	**33**	**79**	**112**
Non-recurring/non-operating items	(136)	(48)	(184)	**(692)**	**(311)**	**(1,003)**
EBIT	354	(11)	343	**(245)**	**(244)**	**(489)**
Net interest expense	(46)	(36)	(82)	**(44)**	**(51)**	**(95)**
Net income before tax	308	(47)	261	**(289)**	**(295)**	**(584)**
Income tax expense	(142)	75	(67)	**(150)**	**45**	**(105)**
Consolidated net income	166	28	194	**(439)**	**(250)**	**(689)**
Attributable to minority interests	(31)	-	(31)	**(18)**	**-**	**(18)**
Net income - Group share	135	28	163	**(457)**	**(250)**	**(707)**

(*) Non-Media, Canal+ France and EADS.

ADJUSTED NET INCOME - GROUP SHARE

Adjusted net income - Group share was €226M, i.e. down €58M compared to 2010, due primarily to lower operating income.

At €1.78, adjusted earnings per share is down, compared to €2.24 in 2010. The number of shares remained unchanged.

(in €M)	2010	**2011**
Net income - Group share	163	**(707)**
Equity-accounted contribution from EADS	(43)	**(79)**
Amortisation of acquisition-related intangible assets and other acquisition-related expenses(*)	25	**71**
Impairment losses on:		
- goodwill and intangible assets(*)	*99*	***585***
- associates(*)	-	***310***
Restructuring costs(*)	84	**36**
Gains/(losses) on disposals(*)	(44)	**10**
Adjusted net income - Group share excluding EADS	284	**226**
Adjusted earnings per share excluding EADS (in €)	*2.24*	***1.78***

(*) Net of taxes.

OTHER FINANCIAL INFORMATION

• Total cash flows from operating and investing activities

(in €M)	2010	**2011**
Cash flow from operations before interest expense and taxes	591	**597**
Changes in working capital	81	**(170)**
Cash flow from operations	672	**427**
Interest paid & received, income taxes paid	(141)	**(170)**
Cash generated by (used in) operating activities	531	**257**
Investments	(286)	**(352)**
Property, plant & equipment and intangible assets	*(228)*	***(253)***
Financial assets	*(58)*	***(99)***
Asset disposals	104	**840**
Property, plant & equipment and intangible assets	*10*	***26***
Financial assets	*94*	***814***
Increase/(decrease) in short-term investments	(29)	**21**
Cash generated by (used in) investing activities	(211)	**509**
Net cash from operating & investing activities	320	**766**

Cash flow from operating activities stood at +€257M in 2011.

- **Cash flow from operations was stable at €597M**, notably thanks to the dividend payment resumed by EADS.
- After two years of strong positive variation (+€127M in 2009, +€81M in 2010), **working capital requirements (WCR)** is deteriorating in 2011(-€170M). The variation compared to 2010 is related to PMI activity (for €60M), divested in the course of the year, and the remaining part is mainly associated with the increase in products in-process in TV Production and the increase in accounts receivable for the Lagardère Publishing division.
- **Interest payments** (net of interest collected) were up slightly at €87M.
- **Taxes remitted** totalled €83M, compared to €74M in 2010.

Cash flow from investing activities was +€352M.

- **Investment in property, plant and equipment and intangible assets was up slightly on 2010 (up €25M)** and mainly relates to the Lagardère Services (continuing development by setting up sales outlets and gains of new concessions) and Lagardère Unlimited (purchase of sports rights) divisions.
- **Financial investments were also up by €41M (reaching €99M in 2011)** and mainly relate to price supplements on prior acquisitions for Lagardère Unlimited, investments by the Lagardère Services division in Retail activities (in particular, sales outlets in the Czech Republic) and to the acquisition of minority interests by the Lagardère Publishing division.
- **Total disposals of financial assets in 2011 rose sharply to €814M**, and mostly related to the disposal of PMI assets (€648M) and Russian radio (€117M).

In all, **net cash flows from operating and investing activities represented a net inflow of €766M, compared to €320M in 2010, leading to a significant improvement in the Group's financial position.**

FINANCIAL POSITION

Net debt is €1,269M, down €503M compared to the end of 2010, due to the improvement in cash flow from operating and investing activities detailed above. Gearing improved by two percentage points to 42%, as did the net debt/EBITDA ratio, which fell from 2.8x to 2x. EBITDA came out at €635M, stable compared to 2010 (€633M).

The Group's liquid asset position remains excellent, with €2,014M available cash (cash and short-term investments reported on the balance sheet of €737M and undrawn authorized credit lines of €1,277M). The debt repayment schedule is well balanced, with the first major maturity taking place in 2014 (repayment of the bond issued in late 2009, totalling €1 billion). In January 2011, the Group renewed a syndicated loan facility of €1.6 billion for 5 years.

OUTLOOK

GUIDANCE ON RECURRING EBIT BEFORE ASSOCIATES FROM MEDIA ACTIVITIES

For 2012, at constant perimeter (PMI and Russian radio excluded) and exchange rates, the recurring EBIT before associates from media activities should remain stable compared to 2011. This guidance is based on the hypothesis of a stable level of advertising sales for Lagardère Active compared to 2011.

Also, this guidance does not integrate the three following items for the Lagardère Unlimited division, still not foreseeable as of today:

- settlement of the claim with the French Football Federation;
- settlement of the litigation with the Board of Control for Cricket in India;
- negotiations related to the contract with the International Olympic Committee.

FOR THE RECORD: DEFINITIONS

Recurring Media EBIT

Recurring Media EBIT of consolidated companies is defined as the difference between result before financial charges and tax and the following items of the profit and loss 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;
  - amortization of acquisition-related intangible assets.

EBITDA

Earnings before interest and tax + Amortization + Impairment losses on goodwill, property, plant and equipment and intangible fixed assets - Positive contribution (+ negative contribution) of associates + Dividends received from associates.

3.1.1.2 PARENT COMPANY RESULTS

INCOME STATEMENT

The condensed income statement is as follows:

(in €M)	2010	**2011**
Operating revenues	8	**13**
Operating loss	(16)	**(14)**
Net financial income	299	**201**
Earnings before tax and exceptional items	283	**187**
Net exceptional income	3	**17**
Income tax gain	88	**93**
Net profit	374	**297**

BALANCE SHEET

The condensed balance sheet is as follows:

(in €M)	2010	**2011**
Assets		
Fixed assets	6,791	**6,635**
of which investments in subsidiaries and affiliates	*6,255*	***6,205***
Current assets	63	**64**
of which marketable securities and cash and cash equivalents	*13*	***10***
Total assets	6,854	**6,699**
Liabilities and shareholders' equity		
Shareholders' equity	3,557	**3,680**
of which share capital	*800*	***800***
share premiums and reserves	*1,181*	***1,173***
retained earnings	*1,202*	***1,410***
net profit for the year	*374*	***297***
Provisions for risks and liabilities	59	**37**
Liabilities	3,238	**2,982**
of which financial liabilities	*3,206*	***2,941***
Total liabilities and shareholders' equity	6,854	**6,699**

Lagardère SCA is the holding company of the Lagardère group and does not have any employees.

3.1.1.3 DIVIDENDS

The proposed dividend for 2011 is maintained at last year's level, which is €1.30 per share.

This amount is consistent with the Group's dynamic shareholders remuneration policy combining stability on ordinary share dividends since 2007, and occasional operations such as share buyback (in 2007 and 2008) and extraordinary dividends (in 2005).

3.1.1.4 PRESENTATION OF ACTIVITIES

A) LAGARDÈRE PUBLISHING

The world's second-largest trade book publisher for the general public and educational markets (number one in France and the United Kingdom, number two in Spain and number five in the United States), 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.

2011 ACTIVITIES

In a changing world market that has proved more resilient to the crisis than others, Hachette Livre, Lagardère Publishing's brand, suffered a decline in market shares, as expected, with the Stephenie Meyer's Twilight phenomenon, which had continued to boost net sales and earnings in the first half of 2011, beginning to tail off. However, sales were not far off their 2008 level, the year when the Twilight phenomenon really began to take off. The division was also among the best in the sector in terms of operating profit.

2011 OVERVIEW AND 2012 PRIORITIES

"The Twilight phenomenon started to ebb in 2010 and Hachette Livre's goal for 2011 was to achieve its pre-Twilight level of net sales and operating profit, despite the tough basis for comparison in the first half of the year. This goal was met despite the collapse of two book store chains in its English-speaking markets (Borders in the United States and RedGroup in Australia).

One of the year's main challenges was to safeguard the margins generated on digital activities to make sure that Hachette Livre's overall profitability did not suffer from the contraction in revenue caused by the price of e-books (30% cheaper on

average than their printed counterparts), with e-books rapidly eating into the market for traditional books. Net sales were successfully decoupled from digital margins during the year.

In 2012, Hachette Livre will continue to invest in its digital technology in order to maintain its leading position in supplying e-books to all market platforms."

Arnaud Nourry – Chairman and Chief Executive Officer, Hachette Livre

2011 KEY EVENTS

An excellent year in France

For the second year running, Hachette Livre in France was the main contributor to the division's global performance. In general literature, the division's publishing companies won a large number of literary prizes and also had a number of bestsellers. Le Livre de Poche consolidated on its leading position.

Le Petit Larousse Illustré equalled its 2010 performance whilst Hachette Éducation and the Hatier group both posted growth.

In July, Hachette Livre signed an agreement with Google on the scanning of its out-of-print works in French. The agreement follows on from the memorandum of understanding signed in November 2010 and not only gives publishers control over the scanning of their works but also opens up commercial opportunities and new revenue sources for both authors and publishers.

Printed books retreat, e-books take off in the United States

All book market trend observers in the United States (Nielsen Bookscan, Bookstats, Simba, VSS) agree that the market has contracted slightly but that the overall figures mask some very contrasting trends. Sales of printed books are thought to have contracted by 9.2%, whilst e-book sales have leapt by 100% to take 20% of the market in value terms.

The collapse of Borders led to 625 book stores being closed down, with only 40 or so taken over by competitors. Borders accounted for 7% of Hachette Book Group's net sales.

In 2011, 244 Hachette Book Group titles (182 printed books and 62 e-books) made the *New York Times* bestseller list, which is now a combined list of both printed books and e-books. Thirty-one of these titles took top place.

A difficult year in the Commonwealth

Hachette UK had a 13.9% share of the traditional book market in 2011. 140 of its titles made the *Sunday Times* bestseller list in 2011, including 25 in top place.

Australia had a difficult year due to the collapse of RedGroup, the leading book store chain in the country, which accounted for 16% of Hachette Australia's net sales.

The e-books market grew five-fold in the United Kingdom, where Hachette UK ranks number one in the market. The division also continued to upgrade its computer systems in response to the digital revolution and plans to upgrade its websites in the first half of 2012.

Spain holds firm

In Spain, Hachette Livre held on to its positions, and despite the very difficult market conditions caused by government austerity measures and the resulting decline in consumer spending, net sales were even slightly up on the previous year. In Mexico and Argentina, the division suffered more from the crisis and net sales slipped slightly.

Anaya launched "The Professor's E-books", which are e-versions of all its printed manuals. All e-versions are available both on and off line.

Success for partworks in Japan and Russia

Partworks are highly sensitive to changes in purchasing power and have been in decline in the mature markets since 2008. However, Hachette Livre has found new sources of growth in Russia, with the launch of "Build the *Bismarck*" in 2009 and "The Human Body" in 2010. Against all expectations, partworks also had an excellent year in Japan, with a near 50% surge in net sales despite the post-earthquake crisis.

LEADING POSITIONS

- No. 1 supplier of e-books to the United Kingdom market
- First publisher in the world to sign an agreement with Google protecting authors' and publishers' rights
- First French publisher to introduce a greenhouse gas reduction plan
- First US publisher to sell more than five million e-books by the same author (James Patterson)

KEY DATES

16 March 2011: Hachette Livre becomes 100% shareholder of Éditions Albert René (Astérix).

7 July 2011: acquisition of a blocking minority interest in Azbooka-Atticus, fourth largest Russian publisher.

28 July 2011: Hachette Livre signs an agreement with Google for the scanning of its out-of-print works in French.

September 2011: Hachette UK, subsidiary of Lagardère Publishing, opens an office in Dubai to sell English language books in the Middle-East.

October 2011: publication of Walter Isaacson›s biography of Steve Jobs by Éditions JC Lattès in France and by Little, Brown in the United Kingdom.

1 December 2011: disposal by Hachette Livre in France of BSSL (specialist in children's educational materials and games).

December 2011: James Patterson sells a record-breaking five million e-books.

25 January 2012: *Pure*, by Andrew Miller (Sceptre) named "2011 Costa Book of the Year" in the United Kingdom.

2011 KEY FIGURES

- Number of new titles published in 2011: 14,878
- Floor space of Hachette Livre's future head office in Vanves in 2014: 20,000 sq.m
- Number of copies of *Rien ne s'oppose à la nuit*, by Delphine de Vigan, sold in 2011: 380,000
- 7,326 employees worldwide
- Increase in the number of e-books sold in the United Kingdom in 2011: 500%
- Total number of James Patterson e-books sold by the end of 2011: 5,072,000

B) LAGARDÈRE ACTIVE

Lagardère Active is a major French player in the media industry. It has a number of premium brands – including Elle, Paris Match, Europe 1, Gulli and Doctissimo – along with 126 press titles, 26 radio stations, 11 TV channels, 25 websites, 19 production houses, and a unique and powerful advertising sales brokerage.

It has 25 million readers per year and 40 million radio listeners per day, while 80 million households receive its TV channels. Its websites boast 16 million unique visitors per month, and its mobile sites have 6 million unique visitors per month.

2011 ACTIVITIES

In 2011, after selling most of its International Magazine Publishing business, Lagardère Active focused chiefly on the French market and organised its activities into broad business segments: Press, Radio/TV, Audiovisual Production, Digital and Advertising Sales Brokerage.

By focusing on its strengths in news, women's and youth content and its premium brands, Lagardere Active intends to continue its development and increase its audience across all media.

2011 OVERVIEW AND 2012 PRIORITIES

"In 2011, Lagardère Active confirmed its position as a major player in the press, audiovisual and digital media sectors. It bolstered its position as France's leading press publisher, and it achieved closer integration between its websites and its print titles. In the Radio business, Europe 1 carried out a major overhaul of its schedule and enhanced its digital offering. The Group's music radio stations also carried out strategic repositioning work. In the Television business, Gulli continued to attract a large family audience. In audiovisual production, Lagardère Entertainment leads the French market in terms of programme archives, and took its production activities to a new level with the international series Borgia. In June 2011, Lagardère Active became France's number one media group on the Internet and a leading mobile Internet player.

From this strong position, Lagardère Active now plans to consolidate its existing base and speed up its development. In 2012, Lagardère Active intends to strengthen its leading brands, increase their presence in the digital market, diversify their revenues and move into new growth areas."

Denis Olivennes – Chairman and Chief Executive Officer, Lagardère Active

2011 KEY EVENTS

France's leading magazine publisher

With the sale of its International Magazine Publishing business, Lagardère Active is now focused on France, where it leads the market, particularly in key segments such as women's, lifestyle and major weekly magazines. In 2011, *Elle* won an OJD award for its 2010 circulation, which rose for the fourth consecutive year. On 6 March, the *Journal du Dimanche* adopted a new format and a new formula featuring a broader editorial offering. *Paris Match* achieved sales of over one million for each of its two editions covering the royal weddings in the UK and Monaco. *Télé 7 Jours* and *Public* magazines launched iPad editions in 2011, while outside France, *Elle* announced the launch of its 44th national edition in Australia in the spring of 2012.

A major player in the French audiovisual industry

With its radio stations, TV channels and production companies, Lagardère Active is a major player in the French audiovisual industry.

Radio: in September 2011, Europe 1 launched its new schedule, with Bruce Toussaint taking over the breakfast show. Europe 1 has a presence across all media, and confirmed its position as France's number one station in terms of podcast downloads in

November. In music radio, RFM celebrated its 30th anniversary by adjusting its programming strategy, while Virgin Radio also changed its programming with the arrival of a new slogan and a new breakfast show hosted by Cyril Hanouna.

Television: in 2011, Gulli's prime-time audience exceeded one million on five occasions. In the autumn, the channel launched its family magazine series Portrait de Familles. Gulli's diversification policy continued with the opening of the first Gulli Parc in the Paris area. Another example of Lagardère Active's innovation in the Television business was the temporary Father Christmas channel on CanalSat, the first of its kind, showcasing the division's expertise in youth programming.

Audiovisual production: in 2011, Lagardère Entertainment confirmed its position as France's leading producer of drama, and the country's number-two producer of programmes for immediate broadcast. In 2011, Lagardère Entertainment strengthened its position by acquiring 909 Productions. It also showed its international reach by successfully developing major international series like *Borgia*, which was sold to more than 40 countries and achieved the best first-showing viewing figures for a series in Canal+'s history.

Digital brands

Lagardère Active is pro-actively developing its digital business, including applications for smartphones and tablets and 25 websites (pure-play and branded). In October 2011, Lagardère Active was France's leading media group on the Internet with 16 million unique visitors, and France's leading mobile Internet player with more than six million unique visitors.

Lagardère Publicité: excellent service in advertising sales

Every week, nine out of ten French people use at least one of Lagardère Publicité's media formats [1]. Lagardère Publicité markets 150 brands across six media: radio, press, Television, Internet, mobile and tablets. Lagardère Publicité is France's third-largest advertising sales brokerage. It also has 23 offices worldwide and covers more than 40 countries through Lagardère Global Advertising.

LEADING POSITIONS

- No. 1 magazine publisher in France (in terms of paid distribution in France in 2010-11)
- No. 1 television offering in the youth and family segments
- No. 1 media group on the Internet and mobile Internet in France
- No. 1 audiovisual production group in France (drama, programmes for immediate broadcast and animation)
- No. 1 radio group in the Czech Republic
- No. 3 advertising sales brokerage in France in terms of gross sales, with almost 150 media brands

KEY DATES

February 2011: *Be* celebrates its first anniversary and launches a pocket format.

March 2011: *Elle* launches its 11th regional edition in Alsace. New format and formula for the *Journal du Dimanche*.

May 2011: launch of the Télé 7 iPad application.

June 2011: Lagardère Active becomes France's leading media group on the Internet. RFM celebrates its 30th anniversary.

July 2011: multimedia success for Paris Match's coverage of royal weddings: more than one million copies sold for each edition, fourfold increase in Parismatch.com's audience. Acquisition of a majority stake in 909 Productions by Lagardère Entertainment.

September 2011: launch of the Elle clothing collection by Sears Mexico. Lagardère Publicité launches its social media operations (Twitter, Facebook, YouTube).

October 2011: record audience for Gulli, with almost 1.4 million prime-time viewers for the film *Garfield 2*. Record audience for the *Borgia* series (produced by Atlantique Productions, a subsidiary of Lagardère Entertainment) in France, Germany, Italy and Spain, with the series sold to more than 40 countries. Launch of the first Gulli Parc in the Paris area.

November 2011: Europe 1 is confirmed as France's most popular radio station in terms of podcast downloads.

2011 KEY FIGURES

- 66.3% of net sales generated by Magazine Publishing
- 51.4% of net sales generated by Advertising
- 35.1% of net sales generated outside France
- Almost 16 million unique website visitors per month in France
- 40 million listeners per day, with 26 radio stations in 8 countries
- 39 press titles published in France and 87 worldwide
- 11 special-interest television channels worldwide
- 860 hours of audiovisual programming produced

(1) Source: Cross-Médias 2011 study by Affimetrie, Audipresse and Médiamétrie.

C) LAGARDÈRE SERVICES

Lagardère Services is a global leader in Press Distribution and Travel Retail, with operations in 21 countries across Europe, North America and Asia-Pacific. It has 2,000 sales outlets in 130 airports and more than 700 train stations selling cultural and leisure products, local services, luxury and duty free goods, specialised concepts and fast food.

2011 ACTIVITIES

Lagardère Services is known for its sectoral leadership, operational excellence, high-quality teams, innovative spirit and entrepreneurial attitude. It is proud of its global brands such as Relay, Virgin and Aelia which operate in airports and train stations. During 2011, Lagardère Services continued to expand in its two main segments: Travel Retail and Distribution to local sales outlets.

2011 OVERVIEW AND 2012 PRIORITIES

"In 2011, Lagardère Services expanded its network of upscale duty-free shops by winning new airport concessions, making acquisitions in the Czech Republic and New Zealand, extending Société de Distribution Aéroportuaire's contracts on a long-term basis and acquiring 50% of Duty Free Paris, a fashion concession operator. Both these companies are joint ventures with Aéroports de Paris.

In 2012, Lagardère Services will continue its expansion strategy in Europe, the Middle East and Africa (EMEA), Asia-Pacific and North America in all segments of this promising market, in both airports and train stations, with a view to increasing its market shares in News & Convenience, Duty Free & Luxury and Food & Beverage.

In 2012, like last year, the division's distribution companies will continue to implement a diversification strategy in Europe and North America by seeking to forge commercial and industrial partnerships in new product and service lines, while maintaining and strengthening their leading positions in their traditional markets."

Dag Ragmussen – Chairman and Chief Executive Officer, Lagardère Services

2011 KEY EVENTS

A sustained international presence in Travel Retail

The subsidiaries of LS travel retail continue to test new marketing concepts by opening new retail outlets and renewing various concession contracts in travel hubs.

Relay is the leading international newsagents chain, offering travellers an extensive range of leisure products and services to make their travel experience more enjoyable.

LS travel retail has operations in 130 airports worldwide and runs duty-free shops (fashion, perfume, food, alcohol, tobacco, etc.) in Europe, North America and Asia-Pacific under the Aelia brand. In addition to its own brands (Buy Paris Duty Free in partnership with Aéroports de Paris, Beauty Unlimited, Pure and Rare, Gourmand, Sunny Days, Men's Lounge, The Fashion Gallery, etc.) and its franchises (Virgin, Fnac, Hermès, Hédiard, etc.), LS travel retail also operates an in-flight sales service for upscale brands on behalf of various airlines.

It also operates new retail outlets in the fast food segment in partnership with international groups (Costa Coffee, Paul) and local groups (Panos, Mr. Baker, Empik Café), or under its own banners (Trib's, Hubiz).

With Travel Retail accounting for 53% of its net sales, Lagardère Services is a major player in this industry and intends to strengthen its positions rapidly.

Distribution and local outlets

A world leader in national press distribution, Lagardère Services is number one in the United States, Belgium, French-speaking Switzerland, Spain and Hungary. Companies in the LS distribution division serve convenience store chains and some provide an additional range of products and services: Lapker in Hungary with almost 12,000 retail outlets, SGEL in Spain (21,000 retail outlets), AMP in Belgium (6,000 retail outlets) and Naville in Switzerland. In addition, LS Distribution is also developing its own convenience stores under various brand names, providing consumers with press products and and other services: Inmedio in Hungary, Poland, Czech Republic and Romania, BDP in Spain, Press Shop in Belgium and Naville in Switzerland.

Curtis Circulation Company, the leading national magazine distributor in North America with a 33% market share, operates a chain of independent wholesalers and manages sales of the magazines it represents for the largest retail chains. In Spain, SGEL is the top national press distributor with a 47% market share.

Lagardère Services is a leading importer and exporter of international publications, with operations in nine countries (Belgium, Bulgaria, Canada, Spain, the United States, Hungary, the Czech Republic, Romania, and French-speaking Switzerland).

LEADING POSITIONS

- No. 2 Travel Retail operator in the world, no. 1 in France and Poland
- No. 1 national press distributor in Belgium (AMP), French-speaking Switzerland (Naville), Spain (SGEL), Hungary (Lapker) and the United States (Curtis Circulation Company)

- No. 1 international press distributor in Belgium, Spain, Hungary, French-speaking Switzerland, Czech Republic and Canada
- Leading international chain of newsagents and convenience stores

KEY DATES

January 2011: LS travel retail ASPAC opens up in Nouméa (New Caledonia).

February 2011: Lagardère Services and Aéroports de Paris strengthen their retail partnership in Paris airports.

April 2011: LS travel retail Pacific acquires Whitcoulls book stores operating in New Zealand airports.

May 2011: LS travel retail UK opens two shops at London City airport.

June 2011: LS distribution North America acquires Euro-Excellence, an importer and retailer of confectionery and fine foods in Canada.

August 2011: LS travel retail North America joins forces with ZoomSystems to open automated retail outlets for consumer electronics (iStores) in North American airports.

October 2011: LS travel retail acquires The Nuance Group's interest in Duty Free Paris.

December 2011: LS travel retail North America opens the sixth iStore at Edmonton international airport, Canada. Lagardère Services acquires Unimex in the Czech Republic.

2011 KEY FIGURES

- Travel Retail's contribution to Lagardère Services' net sales: 53%
- 4,000 stores in 19 countries worldwide
- 1,465 Relay stores in 14 countries serving one million customers a day
- 50,000 newsagents in Europe and 180,000 in North America supplied daily by LS distribution
- Number of international airports where LS travel retail operates: 130
- Number of downloads from HDS Digital's Relay.com platform: 2.9 million

D) *LAGARDÈRE UNLIMITED*

A leading player in Sport Industry and Entertainment, Lagardère Unlimited has international expertise in six complementary business activities: broadcast rights, marketing rights and associated products, event management, talent representation, venue consulting, and management of sports academies.

2011 ACTIVITIES

Lagardère Unlimited is now organised into three geographic segments: Europe and Africa, Asia-Pacific and Middle East, and United States and South America. It aims to leverage the synergies between its various businesses in order to step up its growth.

Lagardère Unlimited has strengthened its position in the Sport Industry and Entertainment market with the creation of Lagardère Unlimited Live Entertainment, bringing together all the Group's live entertainment activities, and the acquisition of Stadia Consulting Group's business.

2011 OVERVIEW AND 2012 PRIORITIES

"Lagardère Unlimited's policy of diversification both geographically and across the entire value chain, coupled with its recognised expertise in football, the world's most popular sport, gives it strong roots in an attractive market. The strategic priority for 2012 is to focus on leveraging the synergies between geographies and businesses, strengthening its portfolio of rights and digital innovation, coupled with specific priorities for each area:

Europe and Africa: bolstering the portfolio of rights (especially media), broadening the marketing offers for sponsors, expanding the comprehensive marketing business in Europe, developing activities related to event management and venue consulting.

Asia-Pacific and Middle East: supporting growth in Asian football through competitions and leveraging other rights, developing new sources of growth in cricket and golf, and by supplying sport and culture content to the Singapore Sports Hub.

United States and South America: broadening the talent representation roster, particularly in golf and baseball following the acquisition of Gaylord Sports Management in early 2012."

Alain Lemarchand – Chief Operating Officer, Europe and Africa
Seamus O'Brien – Chief Operating Officer, Asia-Pacific and Middle East
Kevin O'Connor – Chief Operating Officer, United States and South America

2011 KEY EVENTS

Leader in football media rights

Sportfive has strengthened its leading position in the distribution of European and African football media rights thanks to the acquisition of rights to several 2014 World Cup and UEFA Euro 2012™ qualifiers, and additional rights in Africa to qualifying matches for the 2014 World Cup and the 2013 and 2015 Africa Cup of Nations.

IEC in Sports has signed a partnership with Perform to sell international broadcasting rights (outside North America) to 22 WTA Premier tournaments in women's tennis. It has also won new rights including the Russian basketball league and several ATP Challengers events in men's tennis.

For the World Sport Group, the highlight of 2011 was winning media distribution rights from the Chinese Football Association and for the Arab Nations Cup and the Arab Union Cup for Clubs.

Exclusive marketing rights to the UEFA Euro 2012™

In 2011, Sportfive consolidated its leading position in marketing rights management, obtaining exclusive distribution rights to the UEFA Euro 2012™ hospitality programme in France and Germany, broadening its portfolio of exclusive clubs in Germany, and expanding its horizons to sailing events with the negotiation of an exclusive marketing partnership with the French Americas Cup team.

World Sport Group has extended its reach to new territories, winning marketing rights contracts for competitions organised by the Chinese Football Association, the Arab Football Federation and the South Asian Football Federation.

The events business is expanding its scope in live entertainment

Lagardère Unlimited Live Entertainment co-produced Kamel Ouali's new show, *Dracula*, which was launched in September in Paris and then toured France. It also strengthened its portfolio of venues with the acquisition of 90% of the Folies Bergère theatre's business.

In July 2011, Lagardère Unlimited took over the WTA Citi Open, a women's tennis tournament held near Washington.

A stronger position in stadium consulting

The acquisition of Stadia Consulting Group's activities has enabled Lagardère Unlimited Stadium Solutions to strengthen its business and become a major player in venue consulting.

The Singapore Sports Hub, of which World Sport Group is a consortium member and is responsible for events marketing and selling, was chosen by the Southeast Asian Games Federation as the venue for the 2015 Southeast Asian Games.

A high-class talent representation roster

Many of the more than 500 sportsmen and women represented achieved excellent performances. In rugby, five players were in the World Cup final. In tennis, Caroline Wozniacki kept her number one ranking, Victoria Azarenka moved up to third place, whilst Mardy Fish, Andy Roddick and Gaël Monfils made it into the Top 10. In basketball, Dwight Howard, Shawn Marion, Jason Terry and J.J. Barea won the NBA Championship with the Dallas Mavericks. In American football, Reggie Bush reached the 1,000 yard mark in a season for the first time.

The year also saw the arrival of Australian golfer David Gleeson and American footballers Michael Vick and Chris Johnson.

LEADING POSITIONS

- Lagardère Unlimited is partner to the main international sports federations (CIO, FIFA, AFC, CAF and IAAF)
- Sportfive is the market leader in football, with a portfolio of 30 European football federations
- World Sport Group is a key player in sports rights in Asia, with over 1,000 hours of programming and 600 days of sports events in 30 countries
- IEC in Sports covers more than 250 sports events with 3,500 hours of programming a year

KEY DATES

January 2011: signature of an exclusive marketing representation contract with rugby player Thierry Dusautoir, captain of the French XV since 2009 and voted best player in the world by the International Rugby Board in 2011.

April 2011: creation of Lagardère Unlimited Live Entertainment, bringing together the Group's activities in live entertainment (production of live shows, venue management and talent representation).

June 2011: reorganisation and appointment of three chief operating officers: Alain Lemarchand for Europe and Africa, Seamus O'Brien for Asia-Pacific and the Middle-East and Kevin O'Connor for the United States and South America.

July 2011: contract for the Citi Open women's professional tennis tournament, which ranks among the top three WTA International tournaments on the US circuit.

September 2011: première of *Dracula,* Kamel Ouali's new show co-produced by Lagardère Unlimited Live Entertainment.

October 2011: Lagardère Unlimited Stadium Solutions strengthens its expertise by acquiring the Stadia Consulting Group's businesses.

January 2012: IEC in Sports and Perform sign an exclusive partnership to distribute the broadcasting rights to 22 of the most prestigious WTA Premier tournaments (women's tennis) from 2013.

2011 KEY FIGURES

- Over 500 sports and entertainment personalities managed
- Over 30 disciplines represented
- Net sales generated by football: 74%
- Net sales generated in Europe: 61%
- Net sales represented by TV rights and production: 47%
- More than 1,000 employees working in 17 countries across 4 continents

3.1.2 PRESENTATION OF THE RESOLUTIONS

1ST RESOLUTION: APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

The first resolution concerns the approval of the Parent Company's financial statements for the year ending 31 December 2011, showing a net profit of €297 million compared with €374 million in 2010.

2ND RESOLUTION: APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

The second resolution concerns the approval of the consolidated financial statements for the year ended 31 December 2011, showing a net loss attributable to owners of the parent of €707 million compared with a net profit of €163 million in 2010.

3RD RESOLUTION: ALLOCATION OF NET PROFIT: DISTRIBUTION OF DIVIDENDS

The Parent Company's net profit for year ended 31 December 2011 amounted to	€297,253,373.95
which, in addition to retained earnings of	€1,408,962,815.84
makes a distributable net profit of	€1,706,216,189.79

In view of the consolidated net loss, the general partners are not entitled to any remuneration under the provisions of the Articles of Association.

In agreement with the Supervisory Board, we are proposing to pay an annual dividend of €1.30 per share, unchanged from the 2010 dividend paid in 2011, and to allocate the balance to retained earnings, i.e. a total amount of approximately €165.6 million taking account of the treasury shares held by the Company on 28 February 2012.

The ex-dividend date is Tuesday, 8 May 2012 and the dividend will be paid as of Friday, 11 May 2012 to holders of registered shares or their duly appointed representatives, by cheque or by bank transfer.

The dividend is eligible for the 40% tax relief available to individual shareholders who are liable to income tax in France, pursuant to Article 158.3.2 of the French General Tax Code.

Treasury shares held on the ex-dividend date are not entitled to the dividend payment.

Dividends distributed over the past three financial years were as follows:

(in €)	2008	2009	2010
Dividends paid to shareholders			
Dividend per share	1.30	1.30	1.30
Total dividend payout	164,856,039.40	165,141,355.60	165,096,539.40
Dividends paid to general partners	5,933,060.00	1,368,020.00	1,632,250.00
Total	**170,789,099.40**	**166,509,375.60**	**166,728,789.40**

4TH RESOLUTION: AUTHORISATION SOUGHT BY THE MANAGING PARTNERS TO PURCHASE AND SELL SHARES OF THE COMPANY FOR A PERIOD OF EIGHTEEN MONTHS

During 2011, the Company purchased and sold the following shares pursuant to the authorisations given by the shareholders:

- 1,360,078 shares representing 1.04% of the share capital were purchased on the market under a liquidity contract intended to promote liquidity and make a market in the shares;

- 1,283,078 shares were sold on the market under the liquidity contract;
- 403,250 shares were cancelled on 2 October 2011.

Accordingly, on 31 December 2011 the Company held 3,772,698 treasury shares representing 2.88% of the share capital, including 1,599,250 held for future allocation to employees, 2,073,448 held for tendering in exchange or as consideration for future acquisitions, and 100,000 held for market making activities.

Please refer to section 8.1.2.2 of the Reference Document for a breakdown of all purchases and sales made during 2011 and those made pursuant to the current authorisation given at the shareholders' meeting of 10 May 2011.

Under the fourth resolution submitted for your approval, we are seeking renewal of our authorisation to purchase and sell shares of the Company in accordance with the law.

This authorisation will be implemented on the terms and conditions set out in the European regulations and transposed by the *Autorité des marchés financiers* in its general regulations. Accordingly:

- the number of shares purchased may not exceed 10% of the current share capital which, based on the current share capital and taking account of shares and calls held directly on that date, would authorise the purchase of 5,051,478 shares representing 3.85% of the current share capital, assuming that the Company does not cancel, transfer or sell any of the shares and/or calls currently held;
- the purchase price may not exceed €40 per share, making a total aggregate sum of €400 million;
- the shares may be purchased, sold or otherwise transferred for the purposes set out in the European Regulations and in accordance with the market practices accepted by the *Autorité des marchés financiers*, namely: to reduce the share capital, to allocate shares to employees, to tender in exchange or as consideration for future external growth transactions, to make a market and promote liquidity in the shares under liquidity contracts entered into with independent investment services providers authorising them to purchase a certain number of shares on an arm's length basis over a certain period, in accordance with the AMF's regulations. The Company may not buy or sell shares during a public offer other than through these liquidity contracts;
- shares may be purchased by using derivatives, but such use is restricted to the purchase of calls intended to cover commitments made under a new stock purchase option plan, which may be sold if the options are not exercised.

5TH TO 10TH RESOLUTIONS: CHANGE IN THE SUPERVISORY BOARD MEMBERSHIP

The terms of office of Messrs. Bernard Arnault, Georges Chodron de Courcel, Raymond H. Lévy, Christian Marbach, Mrs. Amélie Oudéa-Castéra and Mr. François Roussely as members of the Supervisory Board are due to expire at the end of this general meeting. The Supervisory Board is therefore proposing the following:

- to re-appoint the following members for a further term of four years:
  - Mr. Georges Chodron de Courcel;
  - Mrs. Amélie Oudéa-Castéra;
  - Mr. François Roussely.
- to appoint the following as new members of the Supervisory Board for a term of four years:
  - Mrs. Nathalie Andrieux;
  - Mr. Antoine Arnault;
  - Mrs. Hélène Molinari.

The General Meeting Document contains information about each of the six candidates. If you pass the resolutions proposed by the Supervisory Board, the percentage of women on the Board will rise from 20% to 33.3%.

11TH RESOLUTION: POWERS FOR FORMALITIES

***

The Managing Partners' special reports will now be presented to you, followed by the reports of the Supervisory Board and its Chairman and the various reports of the Statutory Auditors.

We consider that the information contained in these reports and in the Managing Partners' reports, including the Reference Document, should be sufficient for you to form a full opinion on the position and operations of your Company and the Lagardère group over the past year, and on the resolutions you are being asked to approve.

The resolutions to be put to the vote accurately reflect the content of these various reports. We believe that they are in the interests of the Company and that they will foster the Group's business development.

We therefore invite you to vote in favour of these resolutions, and we would like to thank you once again for your valuable support, particularly at each key stage of the Group's development.

The Managing Partners

APPENDIX I
to the Management Report of the Managing Partners
(Articles R.225-83 and R.225-102 of the French Commercial Code [Code de commerce])

• Five-year financial summary

Type of indication	2007	2008	2009	2010	**2011**
I Financial position (in €)					
a) Share capital	818,213,044	799,913,045	799,913,045	799,913,045	**799,913,045**
b) Number of ordinary shares outstanding	134,133,286	131,133,286	131,133,286	131,133,286	**131,133,286**
c) Maximum number of shares to be issued upon exercise of stock options	-	-	-	-	**-**
d) Maximum number of shares to be issued upon conversion of bonds	-	-	-	-	**-**
e) Maximum number of shares to be issued upon exercise of subscription warrants	-	-	-	-	**-**
II Results of operations (in thousands of euros)					
a) Net sales	12,711	1,551	9,846	8,457	**12,535**
b) Earnings before tax, depreciation, amortization and provisions	767,000	449,149	156,294	272,386	**257,302**
c) Income tax	89,271 (1)	76,004 (1)	87,203 (1)	88,017 (1)	**93,037 (1)**
d) Earnings after tax, depreciation, amortization and provisions	832,655	491,335	298,529	373,527	**297,253**
e) Total dividends	169,167	164,856	165,142	165,097	**- (2)**
III Earnings per share (in €)					
a) Earnings per share after tax but before depreciation, amortization and provisions	6.38	4.00	1.86	2.75	**2.67**
b) Earnings per share after tax, depreciation, amortization and provisions	6.21	3.75	2.28	2.85	**2.27**
c) Dividend per share	1.30	1.30	1.30	1.30	**- (2)**
IV Staff					
a) Average number of employees	-	-	-	-	**-**
b) Total wages and salaries	-	-	-	-	**-**
c) Total employee benefit expense					

(1) Mainly the tax gain resulting from the tax consolidation.
(2) The Annual General Meeting will be asked to approve the distribution of a dividend of €1.30 per share.

APPENDIX II

to the Management Report of the Managing Partners

• Summary table of delegations of authorities and powers to increase the share capital given to the Managing Partners

Description of authorization	Delegations of authorites							
Date of meeting	**Combined Ordinary and Extraordinary General Meeting of 10 May 2011**						**Combined Ordinary and Extraordinary Meeting of 28 April 2009**	
Purpose of authorization	Issue of all securities giving access to the share capital (shares, convertible bonds, bonds with share warrants, bonds redeemable for shares, etc.)			Issue of securities in consideration for contributions in kind or public exchange offers		Allocation of free shares to shareholders by capitalizing reserves, profits or share premiums	Allocation of free shares to Group employees and members of the managing bodies	Allocation of share subscription options to Group employees and members of the managing bodies
Sub-limits authorized (par value)	With pre-emptive rights €265 million (~33% of the share capital)	Without pre-emptive rights €160 million (~20% of the share capital)	Without priority right €120 million (~15% of the share capital)	In the event of a public exchange offer €120 million (~15% of the share capital)	In the event of a capital contribution in kind €80 million (~10% of the share capital)	€300 million (~37.5% of the share capital)	~€4 million (0.5% of the share capital per year)	~€12 million (1.5% of the share capital per year)
Maximum aggregate par value authorized	-	€160 million (~20% of the share capital)					€24 million (3% of the share capital)	
	€300 million (~37.5% of the share capital)							
Used in 2011	None					None	(1)	None
Term of authorizations	26 months						38 months	

(1) Free share allocation plans were established by the Managing Partners on 15 July and 29 December 2011 covering 650,000 shares representing 0.496% of the capital stock, with 428 beneficiaries.

Description of authorization	Delegation of powers
Purpose of authorization	None

3.2 SPECIAL REPORT OF THE MANAGING PARTNERS ON SHARE SUBSCRIPTION AND PURCHASE OPTIONS

Dear Shareholders,

Pursuant to the provisions of Article L. 225-184 of the French Commercial Code (Code de commerce), you will find below the required information related to transactions carried out in the fiscal year 2011 which concerned share subscription and purchase options.

3.2.1 GENERAL INFORMATION

1 LAGARDÈRE SCA

In the course of 2011, no new options to subscribe for or purchase Lagardère SCA shares were granted.

The main characteristics of the share subscription and purchase plans in force as of the end of the fiscal year 2011 are summarised in the table below.

Plan	Date of AGM	Number of options originally granted (*)	Exercise price (in euros)	Number of beneficiaries	Options exercised in 2011	Options forfeited at end of 2011	Options outstanding at end of 2011	Period of exercise
Subscription options								
None								
Purchase options								
Plans in force:								
18 Dec. 2003	23 May 2000	1,437,250	€51.45	445	-	209,744	1,201,185	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	€51.92	481	-	244,061	1,331,798	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	€56.97	495	-	202,605	1,481,239	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	€55.84	451	-	155,600	1,689,100	14 Dec. 2008 to 14 Dec. 2016
Total							**5,703,322**	

(*) Before the adjustments of 6 July 2005 for the 2003 and 2004 plans.

It should be noted that no options were exercised during the fiscal year 2011 due to market price levels.

2 SUBSIDIARIES

In the course of 2011, no new options to subscribe for or purchase shares were granted by companies under the majority control of Lagardère SCA.

There are no longer any plans in force, or which expired in the fiscal year 2011, within the Company's subsidiaries.

3.2.2 SPECIAL INFORMATION ON LAGARDÈRE GROUP OFFICERS AND EMPLOYEES

In the fiscal year 2011, Lagardère SCA's officers and their legal representatives did not exercise any purchase options and consequently did not acquire any Lagardère SCA shares under the share purchase options granted to them in fiscal years 2003 to 2006.

The Managing Partners

3.3 SPECIAL REPORT OF THE MANAGING PARTNERS ON FREE SHARE ALLOCATIONS

Dear Shareholders,

Pursuant to Article L. 225-197-4 of the French Commercial Code, you will find below the required information on transactions carried out during the fiscal year 2011 which concern the allocation of free shares.

***

The policy on the allocation of free shares, like that which governed the allocation of purchase options, is intended primarily to give the Lagardère group's executives worldwide a stake in the Group's growth and consequent rise in value.

It also offers a means of singling out executives who have made a notable contribution to the Group's results through their positive action.

In addition, it instils loyalty among those whom the Company wishes to retain for many years, specifically young executives with strong potential for professional growth, through whose efforts the Group will secure its continued growth as part of an established long-term strategy.

1° - The first free share plan, implemented on 28 December 2007 and involving 594,350 shares granted to 387 individuals, included a so-called market performance condition applicable on 29 December 2009, stipulating that the average of the 20 most recent opening prices for Lagardère SCA shares preceding 29 December 2009 must be at least €51.14.

In view of the financial crisis that has arisen since the allocation date, this condition was not met; accordingly the plan lapsed on 29 December 2009.

Two plans were put in place at the end of 2009 and 2010 (see special reports of the Managing Partners to the Annual General Meetings of 27 April 2010 and 10 May 2011). Under the 2009 plan, 403,250 shares vested on 2 October 2011 for employees residing in France. These shares were created through a capital increase and a capitalisation of reserves. No shares have vested under the 2010 plan.

2° - Based on the authorisation granted by the Annual General Meeting of 28 April 2009 (14th Resolution), Mr. Arnaud Lagardère, in his capacity as Managing Partner of the Company, proceeded in 2011 with the allocation of 650,000 free Lagardère SCA shares (representing 0.496% of the total number of shares comprising the share capital) to 428 employees and senior managers of Lagardère SCA and its related companies as defined by law.

a. The main allocation of 29 December 2011 was defined as follows:

- **Number of beneficiaries**: 423 persons.
- **Number of shares granted**: 526,000 shares (representing 0.4% of the total number of shares comprising the share capital).
- **Vesting period**: two years; the shares allocated will not fully vest until 30 December 2013, on the condition that at that date the beneficiaries have neither resigned nor been terminated or dismissed for serious or gross negligence.
- **Holding period**: two years; once fully vested, the shares must be kept in a registered account until 30 December 2015 inclusive, at which time they will become transferable and may be traded under the terms and conditions established by applicable law.

For beneficiaries who reside overseas for tax purposes, the vesting period has been set at four years, i.e., until 30 December 2015; in exchange, pursuant to a decision by the Annual General Meeting, these beneficiaries are not subject to any holding period.

The value of the shares allocated was €19.71 per share at the opening of trading on the Paris Bourse on 29 December 2011. In accordance with IFRS accounting standards, this same value was €16.24 per share for the shares vesting at the end of 2013, and €13.60 per share for the shares vesting at the end of 2015.

b. On 15 July 2011, a beneficiary was awarded rights to 20,000 free shares. The vesting and holding periods were both set at two years and are subject to the same conditions as the aforementioned attributions.

c. On 29 December 2011, Mr. Arnaud Lagardère, in his capacity as Managing Partner, awarded to Messrs. Philippe Camus, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, employees of Lagardère Capital & Management and Co-Managing Partners, the right to receive 26,000 free shares each (representing 0.0198% of the number of shares comprising the share capital). The award followed a decision taken by the Supervisory Board in accordance with the provisions of the AFEP-MEDEF Code governing such allocations, and was subject to the condition that the value of the share rights awarded would not exceed, for each individual concerned, one third of his total annual remuneration.

The characteristics of this allocation and the conditions to which it is subject are as follows:

- **Vesting period**: the shares granted will not fully vest until 1 April 2014 with regard to Messrs. Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, and 1 April 2016 with regard to Mr. Philippe Camus, a United States resident for tax purposes, subject to their fulfilment by 1 April 2014 of the conditions governing performance and presence.
- **Performance conditions**: in view of the current economic and financial environment, the limited short-term visibility available to certain companies and the diversity of the Group's activities which are developed on various markets, the objectives have been defined on a yearly and twice-yearly basis rather than a multi-year basis, as would be the case during normal operating conditions. Similarly, in view of the instability of the financial markets, the objectives were defined on the basis of internal corporate criteria rather than in part on the basis of market performance conditions, since Lagardère SCA no longer has any suitably comparable competitors. Consequently, three objectives were adopted: the first based on the change in recurring EBIT before associates for Lagardère Media companies in 2012 and 2013 by comparison with the target 2012 and 2013 recurring EBIT before associates communicated in the form of market guidance at the start of the year; the second based on the change in Net cash provided by operating activities in 2012 and 2013 compared with the figures defined in the Consolidated Annual Budgets prepared at the start of the year. If each of these four target objectives is met, the free shares assigned to each objective (i.e., one quarter of the total quantity per target objective) will be granted in full; if between 0% and 100% of the objective is met, the free shares will be granted in proportion to the percentage of the objective that is fulfilled, in linear fashion.

  Lastly, the third objective is based on achievement in 2013 by Lagardère SCA of a recurring EBIT before associates for Lagardère Media companies at least equal to the average recurring EBIT achieved in 2011 and in 2012. If this objective is not achieved, then the number of shares resulting from application of the four target objectives described above will be reduced proportionately.
- **Presence conditions**: in order to claim the definitive allocation of the shares, Messrs. Philippe Camus, Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, must still be serving as executives of Lagardère SCA on 1 April 2014; this condition will be deemed met in the event of their removal from their executive position or the non-renewal of their appointment for reasons other than negligence.
- **Holding of shares**:

  With regard to Messrs. Pierre Leroy, Dominique D'Hinnin and Thierry Funck-Brentano, 100% of the shares actually granted must be held in a registered account for a period of no less than two years, i.e., from 1 April 2014 to 1 April 2016.

  With regard to the four beneficiaries:
  - pursuant to a decision by the Supervisory Board on 12 March 2008, 25% of the shares actually granted must be held in a registered account until the beneficiary ceases to serve as a legal representative of Lagardère SCA;
  - pursuant to a decision by the Supervisory Board on 2 December 2009, an additional 25% of the shares actually granted must be held in a registered account until the value of the Lagardère SCA shares held is at least equal to one year of the beneficiary's fixed and variable gross remuneration; this condition will be assessed at the start of each year in light of the average December share price and the fixed and variable remuneration received or payable in respect of the preceding year.

  At the close of the mandatory holding periods defined above, the corresponding shares will become transferable and may be traded under the terms and conditions established by law and in accordance with the trading periods established by Lagardère SCA in the "Charter on trading in Lagardère SCA shares by Group employees".

The value of the shares allocated was €19.71 at the opening of trading on the Paris Bourse on 29 December 2011. In accordance with IFRS accounting standards, this same value was €16.20 for the shares to be made available in April 2014, and €13.56 for the shares to be made available in April 2016 (overseas residents).

***

The total number of free shares granted during the 2011 fiscal year to the ten largest beneficiaries who are not Lagardère SCA officers was 131,000 free Lagardère SCA shares, representing an average of 13,100 shares per person.

The Managing Partners

This page intentionally left blank.

CHAPTER 4

Reports of the Supervisory Board and its Chairman

4.1 REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

We hereby present our report on the conduct of our permanent supervision of the Company's management, in accordance with the provisions of the Articles of Association. We express our opinion on the financial statements for the year ended 31 December 2011 and on the main resolutions to be put to the vote.

***

We place great importance on our supervisory role. To that end, we carried out the usual due diligence required by the regulations and the recommendations of the AFEP-MEDEF Code to ensure that we were able to properly assess and pass judgment on the management of the Company's affairs.

During 2011, the Supervisory Board of Lagardère SCA met five times. At each meeting, the Board was briefed by the Managing Partners and the Statutory Auditors on trends in the Group's operations and results. We also reviewed the interim and annual financial statements for 2010, based on the documents duly provided by the Managing Partners.

As regards the Board's own organization, with the assistance of the Appointments and Remuneration Committee we examined the proposal to nominate Mrs. Susan M. Tolson as a candidate for the Supervisory Board and agreed to amend the rules for allocating attendance fees. We also performed our annual self-assessment of the Board's membership, operating procedures and effectiveness.

In addition, through the investigations or specific matters referred to the Board's own Audit Committee, special attention was paid to the following technical aspects:

- review of intangible assets and amortization methods;
- assessment of recent acquisitions;
- examination of the Group's fiscal position;
- review of the main lawsuits pending;
- assessment of relations with the two external audit firms, particularly as regards the amount of fees paid to them;
- monitoring of the Group Internal Audit Department's audit plan in terms of workload, staffing and effectiveness;
- annual review of the contract between Lagardère and Lagardère Capital & Management (LC&M).

In addition to this customary due diligence, the Board also decided to deepen its work and take a more proactive approach in certain areas.
First, as regards monitoring the Company's various business operations and strategic priorities, specific presentations were made to the Board on the Group's four main business divisions and its other activities and exchanges took place between their senior executives and members of the Board. In addition, the Chairman of the Board met a number of these senior executives in order to gain a better understanding of the strategic decisions taken, and he is also briefed regularly by the Managing Partner on the Company's major projects.

Furthermore, during the disposal of the International Magazines business, various exchanges took place giving Board members the opportunity to gain an understanding of the objectives pursued and the impact of the disposal on the Lagardère Active division and, more generally, on the Group.

As regards identifying and monitoring certain risk areas and the risk control and prevention mechanisms put in place, based on work done by the Audit Committee the Board identified two areas – Sport (Lagardère Unlimited) and Digital – in which it wished to obtain a more in-depth understanding of the issues, directions taken and monitoring measures implemented. In both cases, a specific Board member was tasked with the assignment and with reporting on the work done: Mrs. Oudéa Castéra for Sport and Mr. Valroff for Digital. Other areas identified for 2012 are procedures for assessing the divisions' internal control systems, and human resources management. In line with the approach taken in 2011, Board members will be involved and will report on the work done at future meetings.

As regards corporate governance, the Board took an active role in two areas:

- first, the meeting with investors: apart from his participation in the Investor Day, the Chairman also spoke directly with those limited partners who expressed the wish to meet him and to gain a better understanding of the Board's work;
- second, the procedure for re-appointing and selecting certain members of the Board, supported by an independent external firm.

Lastly, as regards dialogue with the Statutory Auditors, contacts were frequent given the wealth of developments during the year. Working sessions were organized independently of the Financial Department in order to examine certain issues, particularly at the time of the accounting close. In addition, the Statutory Auditors explained and clarified to both the Audit Committee and the Board how the major transactions or exceptional events that took place during the year would be reflected in the financial information.

***

In a difficult economic environment and despite a slight decline in sales to €7,657 billion, the Lagardère group reported recurring EBIT of €414 million for its media business as announced, a decrease of 11% compared with 2010. A €707 million net loss attributable to owners of the parent was incurred as a result of some large provisions (€895 million), mainly for Lagardère Unlimited and the Group's interest in Canal+ France.

The Managing Partners have explained the reasons for these trends and results on a division by division basis in their Management Report. Their discussion reveals that despite the decline in performance, which was largely due to economic or exceptional factors, the divisions remain upbeat and ambitious and were able to maintain or even improve their positions in their fundamental areas.

Taking account of the decrease in debt (driven among other things by the disposal of the International Magazines business, the terms of which were reviewed by us) and the excellent liquidity position, we believe that the Group's operations are structurally robust and that its main focuses for development should enable it to resist despite the continued highly uncertain economic outlook.

In conclusion, we have no particular matters to report as regards the 2011 financial statements as presented to you and in our opinion they present a true and fair view of Lagardère's business and financial position.

***

The main resolutions to be put to the vote, which we have reviewed, are, as usual, approval of the financial statements and allocation of the net profit. They do not call for any particular comment and we invite you to approve them.

As regards the proposed dividend of €1.30 per share, we consider that this amount takes account of the financial capacity required for the Group's development while providing the shareholders with a fair return; we therefore invite you to approve this resolution.

As regards the resolution on authorising the Managing Partners to purchase shares of the Company up to a maximum amount of four hundred million euros and at a maximum price per share of forty euros, we believe that these terms are a fair reflection of current market conditions and of the Group's interest; we therefore invite you to approve this resolution.

Lastly, several resolutions involve the Supervisory Board's membership. The terms of office of Mrs. Amélie Oudéa-Castéra and Messrs. Bernard Arnault, Georges Chodron de Courcel, Raymond H. Lévy, Christian Marbach and François Roussely expire at the Annual General Meeting. Based on the work done by the Appointments and Remuneration Committee supported by a recruitment firm, we are proposing:

- the re-appointment of Mrs. Amélie Oudéa-Castéra and Messrs. Georges Chodron de Courcel and François Roussely for a further term of four years;
- the appointment of Mmes. Nathalie Andrieux and Hélène Molinari and Mr. Antoine Arnault as new members for a term of four years to replace Messrs. Raymond H. Lévy, Christian Marbach and Bernard Arnault:
  - **Nathalie Andrieux** has been Chairman of Mediapost since 2009 and Chief Executive Officer since 2005. Mediapost is a sub-group of La Poste specialising in in-home and web advertising and geomarketing. She has pursued an active strategy to expand and internationalize Mediapost, which has led to subsidiaries being opened in Romania, Portugal and Spain. She is also mentored by Michel Pébereau under the BoardWomen Partners programme.
  - **Hélène Molinari** is Chief Operating Officer of Medef, responsible for making proposals, social and community initiatives and major events. She organizes and manages the B20 (which systematically shadows the G20 meetings and brings together the employers' organizations of the G20 countries) and coordinates Medef's relations with the world of sport. She is also responsible for monitoring and overseeing developments in the AFEP-MEDEF corporate governance code.

  Before joining Medef in 2005, she was responsible for institutional sales with two international asset managers (Axa and Robecco) and therefore has a solid financial grounding and a good understanding of stock market operations and market analysis.
  - **Antoine Arnault** is a graduate of HEC Montréal and INSEAD. In 2000 he set up a dot.com company called Domainoo.com. In 2002, he sold his interest in Domainoo.com and joined Louis Vuitton Malletier as head of marketing, an area in which he took some major initiatives particularly in advertising, later becoming head of Louis Vuitton France's regional network. In 2007, he became head of Communications for Louis Vuitton. In 2010, he was appointed Chief Executive Officer of Maison Berluti. Antoine Arnault is also a member of the Supervisory Board of Les Echos SA.

Apart from the skills they bring, all three candidates are totally independent from the Group and their election will help the Board move towards the proportions recommended by law.

None of these resolutions call for any particular comment on our part and we therefore invite you to approve them.

The Supervisory Board

4.2 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The purpose of this report is to provide the information required under article L. 226-10-1 of the French Commercial Code principally concerning the membership and operation of the Supervisory Board, and the internal control and risk management procedures applied by the Company.

All preparatory work for this report (including interviews with Management) was presented at an Audit Committee meeting. The Supervisory Board approved the terms of the report at its meeting of 8 March 2012.

MEMBERSHIP OF THE SUPERVISORY BOARD

In accordance with the Company's Articles of Association, the Supervisory Board is composed of a maximum of fifteen members, appointed for a maximum term of four years. One half of the Board is renewed every two years.

The Board currently comprises the following fifteen members:

		Date of first appointment or renewal	End of current term of office
Chairman of the Board Chairman of the Audit Committee	**Xavier de Sarrau** Lawyer Former Managing Partner of Arthur Andersen Group for Europe/Middle East/India/Africa	10 March 2010	2014 OGM*
Member and Honorary Chairman of the Board Member of the Audit Committee	**Raymond H. Lévy** Honorary Chairman of Renault SA	27 April 2010	2012 OGM*
Member of the Board	**Bernard Arnault** Chairman and Chief Executive Officer of LVMH	27 April 2010	2012 OGM*
Member of the Board	**Martine Chêne** Former archivist at Hachette Filipacchi Associés Former CFDT union representative on the Group Employees' Committee	29 April 2008	2014 OGM*
Member of the Board Member of the Appointments and Remuneration Committee	**Georges Chodron de Courcel** Chief Operating Officer of BNP Paribas	02 May 2006	2012 OGM*
Member of the Board Member of the Audit Committee Chairman of the Appointments and Remuneration Committee	**François David** Chairman of the Board of Directors of Coface SA	29 April 2008	2014 OGM*
Member of the Board Member of the Appointments and Remuneration Committee	**Pierre Lescure** Former Chairman and Chief Executive Officer of Canal+ SA	29 April 2008	2014 OGM*
Member of the Board	**Jean-Claude Magendie** Former First President of the Paris Court of Appeal	27 April 2010	2014 OGM*
Member of the Board Member of the Audit Committee	**Christian Marbach** Former Chairman of the French innovation agency ANVAR	02 May 2006	2012 OGM*
Member of the Board	**Javier Monzón** Chairman of the Spanish company Indra Sistemas	29 April 2008	2014 OGM*
Member of the Board Member of the Audit Committee	**Amélie Oudéa-Castéra** Brand Director, Research Department, Axa France	27 April 2010	2012 OGM*
Member of the Board Member of the Audit Committee	**Didier Pineau-Valencienne** Former Chairman and Chief Executive Officer of Schneider SA	29 April 2008	2014 OGM*
Member of the Board	**François Roussely** Chairman of Crédit Suisse-France	27 April 2010	2012 OGM*
Member of the Board	**Susan M. Tolson** Former Senior Vice President of The Capital Group Companies	10 May 2011	2015 OGM*
Member of the Board Member of the Audit Committee	**Patrick Valroff** Former Chief Executive Officer of Crédit Agricole CIB	27 April 2010	2014 OGM*

(*) Ordinary General Meeting to be held in the year indicated to approve the financial statements for the previous year.

These members form a competent, independent and attentive Supervisory Board, fully able to represent shareholders' interests.

A review of each member of the Supervisory Board's position by the Appointments and Remuneration Committee has concluded that twelve Supervisory Board members – or four fifths of the Board – currently qualify as "independent" directors as defined by the AFEP-MEDEF report on corporate governance for listed companies, as applied by Lagardère (see below). The twelve members concerned are:

- Mr. Bernard Arnault;
- Mrs. Martine Chêne;
- Mr. François David;
- Mr. Xavier de Sarrau;
- Mr. Pierre Lescure;
- Mr. Jean-Claude Magendie;
- Mr. Christian Marbach;
- Mr. Javier Monzón;
- Mr. Didier Pineau-Valencienne;
- Mr. François Roussely;
- Mrs. Susan Tolson;
- Mr. Patrick Valroff.

However, as regards the independence criteria defined by the Supervisory Board, the following members are considered "non-independent" for the following reasons:

- Mr. Georges Chodron de Courcel, Chief Operating Officer of BNP Paribas, a significant bank of the Group;
- Mr. Raymond H. Lévy, a former employee of the Group;
- Mrs. Amélie Oudéa-Castéra, wife of the Chairman of Société Générale. Due to uncertainty surrounding the application of the relevant texts to Mrs. Oudéa-Castéra, the Supervisory Board, via the Appointments and Remuneration Committee, decided upon a strict interpretation of the AFEP-MEDEF Code, notwithstanding the rigorous independence that the Supervisory Board attributes to Mrs. Oudéa-Castéra.

INTERNAL RULES AND OPERATION OF THE SUPERVISORY BOARD

The terms and conditions of the Supervisory Board's organisation and operations are set forth in a set of internal rules (updated on 9 March 2011) which also define the duties incumbent on each member, and the code of professional ethics each individual member is bound to respect.

These rules concern the following:

1. **the independence of Board members**: the minimum quota for independent members is fixed at half of the total serving members. Independent members must have no direct or indirect relations of any kind with the Company, Group or Management that could compromise their freedom of judgement or participation in the work of the Board;
2. **the annual number of meetings**: a schedule for the coming year is fixed annually, based on a proposal by the Chairman;
3. **the duties of each member**: apart from the fundamental duties of loyalty, confidentiality and diligence, members' obligations also concern knowledge of the law, regulations and Articles of Association, ownership of a significant number of shares, declaration to the Board of any conflict of interest and regular attendance at meetings;
4. **trading in shares of the Company and its subsidiaries**: as Board members have access to inside information and in-depth knowledge on certain aspects of the life of the Company and Group, they are expected to refrain from trading in Company shares, except within the following constraints contained in the Board's internal rules:
   - no trading in shares may take place during certain defined periods;
   - it is recommended that acquisitions should take place once a year, at the end of the Annual General Meeting, in the form of a block purchase carried out through the Company by each Board member;
   - shares must be retained for at least six months after expiry of a Board member's term of office;
   - the Chairman, Managing Partners and the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) must be informed of any transactions in shares within five days of their completion.
5. **the existence of an Audit Committee**: in addition to the tasks described below, this Committee is also responsible for preparing the Board meetings for subjects within its remit;
6. **the existence of an Appointments and Remuneration Committee**: in addition to the tasks described below, this Committee is also responsible for preparing the Board meetings for subjects within its remit.

The Supervisory Board meets regularly to review the financial situation and operations of the Company and its subsidiaries, the annual and interim financial statements, the outlook for each of the business activities and the Group's strategy. It also defines an annual schedule for its meetings: four meetings are planned for 2012. During 2011, the Supervisory Board met five times:

- on 9 March, with an attendance rate of 73%, mainly to examine the parent company and consolidated financial statements and the general business position and outlook, undertake preparatory work for the Annual General Meeting, approve the report of the Chairman of the Supervisory Board, finalise his report to the shareholders and amend the internal rules of the Supervisory Board;
- on 23 March, with an attendance rate of 80%, to examine the final financial statements for 2010 and issue its opinion on the dividend to be proposed at the Annual General Meeting as well as to propose the appointment of a new member of the Supervisory Board;
- on 8 June, with an attendance rate of 80%, mainly to examine the position of the Group's Book Publishing and Press activities, in particular as regards the move from paper to digital formats (presentations given by Arnaud Nourry and Didier Quillot respectively) and to appoint a new member of the Audit Committee;
- on 7 September, with an attendance rate of 93%, mainly to examine the interim parent company and consolidated financial statements and the general business position and outlook, as well as the results of the Supervisory Board's self-assessment;
- on 7 December, with an attendance rate of 93%, mainly to meet the two new heads of divisions, understand their business view, key issues and projects (presentations given by Dag Inge Rasmussen for Lagardère Services and Denis Olivennes and his team for Lagardère Active), as well as to examine the Group's approach to sustainable development (presentation by Isabelle Juppé).

AUDIT COMMITTEE

In application of its internal rules, the Audit Committee meets at least four times a year and its tasks include the following:

- to review the accounts and the continuity of the accounting methods used for the Lagardère SCA parent company and consolidated financial statements, and to monitor the process for preparing financial information;
- to monitor the audit of the parent company and consolidated financial statements by the Statutory Auditors;
- to monitor the Statutory Auditors' independence;
- to issue a recommendation on the Statutory Auditors nominated for appointment at the Annual General Meeting;
- to ensure that the Company has internal control and risk management procedures, particularly procedures for (i) preparation and processing of accounting and financial information used to prepare the accounts, (ii) risk assessment and management, (iii) compliance by Lagardère SCA and its subsidiaries with the main regulations applicable to them; the Audit Committee is informed of any observations and/or suggestions from the Statutory Auditors regarding these internal control procedures and examines the report of the Chairman of the Supervisory Board on internal control and risk management procedures;
- to monitor the efficiency of internal control and risk management systems;
- more specifically to review, as regards the internal auditing of the Company, its business activities, audit programme, organisation, operation and achievements;
- to review the agreements directly or indirectly binding the Group and the senior managers of Lagardère SCA: the Managing Partners' salaries are paid by Lagardère Capital & Management, which is bound to the Group by a service agreement. Application of this agreement, which has been approved by the Board and the shareholders as a related-party agreement, is monitored regularly as required by law. The Board has delegated the Audit Committee for this task, which among other points concerns the amount of expenses reinvoiced under the contract, essentially comprising the Managing Partners' remuneration;
- to prepare an annual summary of business over the past year for release to the shareholders (through the report of the Supervisory Board and the report of the Chairman of the Supervisory Board).

Audit Committee members are appointed for their financial and/or accounting skills, assessed with particular regard to their past career (posts held in general or financial management or in an audit firm), academic background or specific knowledge of the Company's business.

The members of the Audit Committee interview the Group's main senior managers when necessary, and the Statutory Auditors also present a report on their work.

The Chairman of the Audit Committee reports to the members of the Board on the work conducted by the Audit Committee.

The Audit Committee met six times in 2011, in February, March, June, August, October and November.

All meetings were attended by all Committee members, except for the meetings of June and October when the attendance rate was 75% and 71.4% respectively.

The February meeting involved a review of intangible assets and impairment methods as regards the financial statements for the year ended 31 December 2010, the accounting treatment of the deconsolidation of the International Magazine Publishing business and the related intangible assets, as well as a review of recent acquisitions.

The March meeting was held to examine the consolidated financial statements for 2010, and for the presentation and examination of the Chairman's draft report on internal control and risk management.

In June, the Committee focused on the internal audit activity and reviewed remuneration of the Statutory Auditors. It heard a presentation of the risks of Lagardère Unlimited, given by a member of the Audit Committee in liaison with the Director of Risk and Internal Control and the Chief Financial Officer of Lagardère Unlimited. Finally, it examined the state of relations with Lagardère Capital & Management (LC&M).

The purpose of the August Audit Committee meeting was to examine the consolidated financial statements for the first half of 2011.

In October, the Committee heard a presentation on the Group's litigation and tax situation.

At the last meeting of the year in November, the agenda concerned a review of internal audit activities during the second half of 2011 and the audit plan for 2012. It also heard a presentation on Digital Risks given by one of the members of the Audit Committee in liaison with the Director of Risk and Internal Control.

These meetings took place in the presence of the Chief Financial Officer, the Director of Internal Audit and the Statutory Auditors. They were also attended by the senior executives concerned by the issues on the agenda, particularly the Deputy Chief Financial Officer, the Central Accountancy Director, the Chief Financial Officer of Lagardère Unlimited, the Director of Risk and Internal Control, the Group's Legal Director, and the Group's Tax Director.

When the Audit Committee reviewed the financial statements, the Chief Financial Officer gave a presentation of the Group's risk exposure and significant off-balance sheet commitments.

Audit Committee members reserve the right to interview the Statutory Auditors without Management in attendance.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee was formed on 27 April 2010 by the Supervisory Board and its main tasks, in application of its internal rules, include the following:

Regarding Board and Committee membership:

- to select and nominate Supervisory Board and Committee members for proposal to the Supervisory Board;
- to regularly review the independence of Supervisory Board members in the light of independence criteria defined by the Supervisory Board;
- to carry out advance assessments of potential risks of conflicts of interest between Supervisory Board members and the Lagardère group.

Regarding remuneration:

- to monitor, where relevant, any components of remuneration that are not paid under the agreement with Lagardère Capital & Management (which, being a related-party agreement is monitored by the Audit Committee – see above) and may be received by Lagardère's senior executives directly from Group companies. Under current laws, this concerns share subscription or purchase options and free shares awarded;
- to propose the overall amount of attendance fees to be paid to members of the Supervisory Board and Committees as submitted to the Annual General Meeting, and the rules for determining and distributing the amount of attendance fees, in particular based on members' attendance record at meetings.

The members of the Appointments and Remuneration Committee interview the Chairman of the Supervisory Board, the Managing Partners or any other person they may choose when necessary.

The Chairman of the Appointments and Remuneration Committee reports to the Board on the work done by the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee met once during 2011 in March, with an attendance rate of 100%, to examine the distribution of attendance fees and propose a new method of distribution to the Supervisory Board. It also examined the independence of each of the members of the Board.

This meeting took place in the presence of the Group Secretary General.

The Appointment and Remuneration Committee had been scheduled to meet in December 2011, but the meeting was postponed to January 2012.

EVALUATION OF THE MEMBERSHIP AND OPERATION OF THE SUPERVISORY BOARD

As recent regulations have significantly increased the workload for both the Board and its Audit Committee, leading to a progressive rise in the number of meetings, the Supervisory Board has decided to introduce a formal self-assessment procedure from 2009, with the primary aim of assessing the preparation and quality of its own work and the work of its Committees.

Consequently, the Supervisory Board carried out its second self-assessment in 2011 (concerning its operation in 2010). In 2012, in accordance with the recommendations of the AFEP-MEDEF Code, an external assessment was carried out.

COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE REGULATIONS – AFEP-MEDEF

The Company has applied the corporate governance principles brought together in the AFEP-MEDEF *Code de Gouvernement d'Entreprise des Sociétés Cotées* (Code of Corporate Governance for Listed Companies) revised in April 2010. This Code is available in the Corporate Governance section of Lagardère's website.

As stated in the Introduction to the Code, most of the recommendations it contains have been established with reference to companies with a board of directors. Companies with an executive board and supervisory board, and partnerships limited by shares, must make the necessary adjustments. By its very principle, a partnership limited by shares has a strict separation of powers between the managing partners who run the company (and thereby the general partners who have unlimited liability), and the supervisory board, which only reviews management actions after completion and does not participate in management.

Given Lagardère's specificities in terms of French law and its own Articles of Association as a partnership limited by shares, the Board has adopted an organisation structure appropriate to the nature of its work under the law and the recommendations of the AFEP-MEDEF Code for good governance.

In view of its control duties, the Board considers it necessary to have a majority of independent members (see above).

Each member's situation has therefore been examined in the light of the "criteria" for independence contained in the AFEP-MEDEF Code, which it has taken as a benchmark framework for analysis.

It has thus been decided that:

- Mrs. Chêne's former employee status does not disqualify her as an independent member, since she benefited from a protective legal status due to her functions as union representative on the Group Employees' Committee. However, this criterion has been applied for Mr. Raymond H. Lévy;
- the fact of having been a Board member for more than twelve years does not disqualify such member as an independent member; on the contrary, it is considered an asset in a control role;
- the fact of being, or having been, a member of the Board of Directors or Supervisory Board of a company consolidated by Lagardère SCA does not affect the independence of Mr. François David, who was a director of EADS from 2004 to 2007.

SPECIFIC RULES FOR ATTENDANCE OF GENERAL MEETINGS BY SHAREHOLDERS

These rules are set out in the Articles of Association (articles 19 to 22), and mostly reported in Chapter 8, section 8.2.6 - General Meetings of the Reference Document. The Company's Articles of Association can be consulted on its website (Investor relations – Corporate governance – Articles of Association).

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Information on the internal control and risk management procedures used at Lagardère SCA is presented in the Reference Document.

The Group's Risk and Internal Control Department, supported by the Audit and Legal Departments, has been given the task of defining a method for presenting internal control and risk management procedures in the Reference Document and monitoring their application.

This includes asking the head of each division of the Lagardère group to draw up a brief report on internal control and risk management procedures existing in the division, based on supporting documents and predefined specifications. I have examined the corresponding reports.

The analysis by the Risk and Internal Control Department, based on these reports, leads to the conclusion that the internal control and risk management procedures in existence in the Group correspond to the description provided in section 7.4.1 of the 2011 Reference Document.

The internal control and risk management procedures in existence at EADS N.V. are described in the EADS Registration Document, and Canal+ France is covered by Vivendi's internal control and risk management system, which is described in the Vivendi Annual Report. These procedures are not reported in the Lagardère Reference Document.

The Chairman of the Supervisory Board

4.3 INFORMATION ON CANDIDATES FOR APPOINTMENT AND RE-APPOINTMENT TO THE SUPERVISORY BOARD

NATHALIE ANDRIEUX

Date of birth: 27 July 1965

Nationality: French

Date first appointed: N/A

Position within Lagardère SCA: none

Number of Lagardère SCA shares held: none

Main position: Chairman of Mediapost Group

Professional background and education:

Nathalie Andrieux graduated from the Ecole Supérieure d'Informatique (SUPINFO) in Paris in 1988. She began her career in banking with the Banques Populaires Group, where she was involved in information systems development projects. In 1997, she joined La Poste as manager of the corporate information systems department. In late 2001, she became head of strategic marketing within the strategy division and, in 2003, was appointed head of La Poste's Innovation and e-Services department. Based on her solid background in management, strategy, innovation and organization, she was appointed Chief Executive Officer of Mediapost in 2004.

Nathalie Andrieux is responsible for Mediapost's 2010-2013 strategic plan. After a phase of European expansion as of 2008, which led to subsidiaries being opened in Portugal, Spain and Romania, she then focused on consolidating Mediapost's growth by adding new expertise either developed in-house or through acquisitions. Having created the media selling organisation Mediapost Publicité in June 2010, Mediapost acquired SOGEC, a leader in promotional marketing, in December of that year, followed by a majority interest in Mediaprism, a communications and customer knowledge agency, in March 2011. Lastly, Nathalie Andrieux created and became Chairman of the Mediapost Group in September 2011 as well as Chairman of its various entities.

Other positions and appointments currently held by Nathalie Andrieux:

France:

- Chairman of Mediapost Holding
- Chairman of Mediapost
- Chairman of Mediapost Publicité
- Chairman of Matching
- Chairman of Media Prisme

- Chairman of SMP
- Director of Maileva
- Director of Neopress

International:

- Director of Mediapost Portugal
- Director of Mediapost Spain
- Director of Mediapost Romania

ANTOINE ARNAULT

Date of birth: 4 June 1977

Nationality: French

Date first appointed: N/A

Position within Lagardère SCA: none

Number of Lagardère SCA shares held: none

Main position: Chief Executive Officer of Berluti

Professional background and education:

Antoine Arnault is a graduate of HEC Montréal and holds an MBA from INSEAD. In 2000, he set up a dot.com company involved in domain name registration.

In 2002, he sold his interest in the company and joined Louis Vuitton Malletier, where he was successively:

- Head of Marketing, an area in which he took many initiatives, particularly in advertising;
- Head of Louis Vuitton France's regional network, where he was directly in charge of the twelve Louis Vuitton stores;
- Head of Communications for Louis Vuitton as of 2007, responsible for advertising, print, digital development and media buying.

In 2011, he was appointed Chief Executive Officer of Berluti, with the mission of making it a leading player in luxury menswear and accessories. He is still special adviser on communications to Louis Vuitton.

Antoine Arnault was the inspiration behind the "Les Journées Particulières" campaign, which enabled 100,000 visitors to discover the hidden face of twenty-five LVMH Group luxury goods houses, free of charge, during October 2011.

Other positions and appointments currently held by Antoine Arnault:

France:

- Director of LVMH Moët Hennessy - Louis Vuitton SA
- Chairman of the Management Board of Berluti SA
- Member of the Supervisory Board of Les Echos SAS

HÉLÈNE MOLINARI

Date of birth: 1 March 1963

Nationality: French

Date first appointed: N/A

Position within Lagardère SCA: none

Number of Lagardère SCA shares held: none

Main position: Chief Operating Officer and member of the Executive Committee of Medef

Professional background and education:

Hélène Molinari is a graduate of the Ecole Polytechnique Féminine. She began her career in 1985 as a consultant with Cap Gemini and in 1987 joined the Robeco Group to create Robeco France, where she was responsible for developing institutional sales. In 1991, she joined the Axa Group when Axa Asset Managers was created, where she was responsible for institutional sales. In 2000, she was appointed Head of Marketing and E-business at Axa Investment Managers and in 2004 became a member of the Management Committee as Head of Communications and Brand.

In 2005, she was head hunted by Laurence Parisot, newly-appointed Chairman of Medef, to join Medef as Head of Communications. The following year, she took over responsibility for the regional network and then became deputy Chief Executive in charge of community involvement and development projects, whilst supervising a number of support functions including the Corporate Secretary's department.

In 2011, she was appointed Chief Operating Officer in charge of community involvement committees and special operations, including major events.

Hélène Molinari is also a member of the Board of Directors of *Nos Quartiers ont des Talents*.

GEORGES CHODRON DE COURCEL

Date of birth: 20 May 1950

Nationality: French

Date first appointed: 19 May 1998

Position within Lagardère SCA: Member of the Supervisory Board, member of the Appointments and Remuneration Committee

Number of Lagardère SCA shares held: 150

Main position: Chief Operating Officer of BNP Paribas

Professional background and education:

An engineering graduate of the Ecole Centrale des Arts et Manufactures in Paris, Georges Chodron de Courcel is currently Chief Operating Officer of BNP Paribas.

Other positions and appointments currently held by Georges Chodron de Courcel:

France:

- Director of Bouygues SA
- Censor of Scor SE
- Director of Nexans SA
- Director of Alstom SA
- Director of FFP SA (Société Foncière, Financière et de Participations)
- Chairman of Compagnie d'Investissement de Paris SAS
- Chairman of Financière BNP Paribas SAS
- Director of Verner Investissements SAS
- Censor of Exane SA

International:

- Chairman of BNP Paribas (Switzerland) SA
- Deputy Chairman of Fortis Bank SA/NV (Belgium)
- Director of Erbé SA (Belgium)
- Director of GBL – Groupe Brussels Lambert (Belgium)
- Director of Scor Holding (Switzerland) AG (Switzerland)
- Director of Scor Global Life Rückversichering Schweiz AG (Switzerland)
- Director of Scor Switzerland AG (Switzerland)
- Director of CNP (Compagnie Nationale à Portefeuille) (Belgium)

AMÉLIE OUDÉA-CASTÉRA

Date of birth: 9 April 1978

Nationality: French

Date first appointed: 2 December 2009

Position within Lagardère SCA: Member of the Supervisory Board, member of the Audit Committee

Number of Lagardère SCA shares held: 150

Main position: Head of Marketing, Brand and Service, Axa France

Professional background and education:

A former professional tennis player, Amélie Oudéa-Castéra is a graduate of Sciences-Po Paris (*Institut d'Études Politiques*), ESSEC (*Ecole Supérieure des Sciences Économiques Commerciales*) and ENA (*École Nationale d'Administration*). She holds a masters degree in law. Auditor at the French National Audit Office (*Cour des Comptes*), she joined the Axa Group in 2008 where she is now Head of Marketing, Brand and Service of Axa France.

FRANÇOIS ROUSSELY

Date of birth: 9 January 1945

Nationality: French

Date first appointed: 11 May 2004

Position within Lagardère SCA: Member of the Supervisory Board

Number of Lagardère SCA shares held: 150

Main position: Deputy Chairman of Crédit Suisse, Europe

Professional background and education:

François Roussely is a graduate of Sciences Po Paris (*Institut d'Études Politiques*), the Université de Droit et de Sciences Économiques in Paris and ENA (*Ecole Nationale d'Administration*). He is an honorary senior magistrate at the French Audit Court. He began his career with the French Ministry of Economy and Finance and held a number of senior positions with the French government, the Ministry of Defence and then the Ministry of the Interior from 1981 to 1997. He was Chairman and Chief Executive Officer of EDF from 1998 to 2004, then Chief Executive Officer of Crédit Suisse, France, before becoming Deputy Chairman of Crédit Suisse, Europe in 2009.

Other positions and appointments currently held by François Roussely:

- Deputy Chairman of the Collège de France Foundation
- Chairman of the Budé Committee (*Collège de France*)

This page intentionally left blank.

CHAPTER 5

Reports of the Statutory Auditors

5.1 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the financial year ended 31 December 2011, on:

- the audit of the accompanying financial statements of Lagardère SCA;
- the justification of our assessments;
- the specific verifications required by law.

These financial statements have been approved by the Managing Partners. Our role is to express an opinion on these financial statements based on our audit.

I OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting principles used, the reasonableness of accounting estimates made by management, and the presentation of the financial statements overall. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position and assets and liabilities as of 31 December 2011 and of the results of operations for the year then ended in accordance with the accounting rules and principles applicable in France.

II JUSTIFICATION OF OUR ASSESSMENTS

Accounting estimates used to prepare the financial statements have been realized in an uncertain environment, related to the public finance crisis of certain Euro-zone countries. This crisis, together with an economic and liquidity crisis make economic forecasts more difficult. In this context and in accordance with the requirements of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Accounting principles and valuation methods

The Note "Accounting policies" presented in the notes to the financial statements explains the criteria used for the valuation of long-term investments.

As part of our assessments of the accounting principles and methods used by your Company, we verified the appropriateness of the accounting methods used and the reasonableness of estimates made.

These assessments were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with the professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report by the Managing Partners and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified their consistency with the annual financial statements, or with the data used to prepare these annual financial statements and, where applicable, with the information obtained by the Company from companies controlling your Company or controlled by it. On the basis of this research, we certify the accuracy and fair presentation of this information.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding the identity of shareholders.

La Défense and Courbevoie, 28 March 2012

The Statutory Auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

5.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

To the Partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the year ended 31 December 2011, on:

- the audit of the accompanying consolidated financial statements of Lagardère S.C.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Managing Partners. Our role is to express an opinion on these consolidated financial statements based on our audit.

I OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the persons and entities that constitute the consolidated Group at 31 December 2011, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without calling into question the opinion expressed above, we draw your attention to the following matters:

- Note 10 to the consolidated financial statements related to impairment losses on goodwill and intangible fixed assets, especially with regard to Lagardère Unlimited.
- Note 19 which presents the accounting treatment used at 31 December 2011 for the investment in Canal + France

II JUSTIFICATION OF OUR ASSESSMENTS

Accounting estimates used to prepare the financial statements have been realized in an uncertain environment, related to the public finance crisis of certain Euro-zone countries. This crisis, together with an economic and liquidity crisis make economic forecasts more difficult. In this context and in accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As specified in Note 3.10 to the consolidated financial statements, at least once a year the Lagardère group performs an impairment test on intangible fixed assets and on goodwill. We have assessed the assumptions used in determining the recoverable value of these assets for the purpose of comparison with their book value. This recoverable value is assessed primarily on the basis of the discounted cash flow forecasts prepared at the end of 2011.

  Regarding the assets of the Unlimited division, the assumptions used by the Managing Partners in determining the cash flow forecasts depend on the conditions in which current contracts will be completed, the ability to renew these contracts or to win new ones as well as the related margin conditions.

  In the context described above, we have not identified any matters likely to call into question the overall reasonable nature of the assumptions made by the Managing Partners in the business plans used for the impairment tests.
- In addition, we have assessed the conditions that led the Managing Partners to impair the investment in Canal + France based on the value in use, which could be different from a transaction value, as described in Note 19 to the consolidated financial statements.
- As specified in Note 3.10 to the consolidated financial statements, these estimates rely on assumptions which are uncertain by nature, and actual results are likely to be sometimes significantly different from the forecasts data used.

  We have assessed the reasonableness of the information included in the notes to the consolidated financial statements, related notably to the discounted cash flow forecasts used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

French language original signed at Paris La Défense and Courbevoie, on 28 March 2012

By the statutory auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

5.3 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the Partners,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we were informed or which may have come to our attention during our assignment, without pronouncing on their utility and merits, or seeking the existence of other agreements and commitments. It is your responsibility, pursuant to Article R. 226-2 of the Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

We are also required to provide you with the information required under Article R. 226-2 of the Commercial Code in respect of the execution during the past year of any agreements and commitments already approved by the general meeting.

We carried out the work we deemed necessary in light of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this responsibility. These standards require that we perform procedures to verify that the information given to us is coherent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

Agreements and commitments approved during the past year

We have not been informed of any agreement or commitment authorised during the past year to be submitted to the general meeting for approval in accordance with Article L. 226-10 of the Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in previous years which were applicable during the period

In application of Article R. 226-2 of the Commercial Code, we have been informed of the following agreements and commitments, already approved by the general meeting during previous years and applicable during the period:

LAGARDÈRE CAPITAL & MANAGEMENT

Service Agreement

Under an agreement signed in 1988 by Lagardère Capital & Management with Matra and Hachette, Lagardère Capital & Management provides a range of resources and skills specific to general strategy, international development, company operations, and management of financial capacity, human potential and corporate image. All top management working at Lagardère Capital & Management are members of the management bodies of the Group and its principal subsidiaries.

Following the various reorganisations that have taken place since 1988, this agreement is now between Lagardère Capital & Management and Lagardère Ressources.

The remuneration of Lagardère Capital & Management was modified with effect from 1 July 1999 by an amendment approved in principle by the Supervisory Board on 22 September 1999 and in its final version on 22 March 2000. It was again modified with effect from 1 January 2004 by an amendment approved by the Supervisory Board on 12 March 2004.

At its meeting of 12 March 2004, the Supervisory Board approved an amendment modifying the calculation method for the remuneration payable to Lagardère Capital & Management as of 1 January 2004.

Starting from that date, the remuneration payable by Lagardère Ressources to Lagardère Capital & Management for any given year is equal to the total expenses incurred by Lagardère Capital & Management during that year in execution of the services rendered under the Service Agreement, plus a 10% margin, with an absolute upper limit of €1 million for that margin. For 2011, the amount of this margin is €1 million.

Supplementary pension plan for certain Lagardère Capital & Management employees who are members of Lagardère group's Executive Committee

At its meeting of 14 September 2005, your Supervisory Board approved the introduction of a supplementary pension plan by Lagardère Capital & Management to complement the basic pension system for certain employees who are members of the Executive Committee. The maximum benefit entitlement under this plan is a supplementary pension, upon retirement at the age of 65, equal to 35% of the benchmark remuneration, which cannot exceed 50 times the annual limit defined by the French social security system.

The employees of Lagardère Capital & Management who are members of the Executive Committee are beneficiaries of this plan.

The plan came into effect at 1 July 2005, and benefits vest at the rate of 1.75% of the benchmark remuneration per year of seniority in the Executive Committee, up to a limit of 20 years' seniority. The pension earned under this plan is payable on condition the beneficiary is still with the company at retirement age, or when he takes early retirement. It also remains payable in the event of termination after the age of 55 or invalidity.

***

For 2011, the amount billed by Lagardère Capital & Management amounted to €22.1 million including an expense of €5.9 million for the supplementary pension plan, compared to €23.3 million including an expense of €5.1 million for the supplementary pension plan in 2010.

La Défense and Courbevoie, 28 March 2012

The Statutory Auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

5.4 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 226-10-1 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF LAGARDÈRE SCA

To the Partners,

In our capacity as statutory auditors of Lagardère S.C.A. and in accordance with article L. 226-10-1 of the French Commercial Code (code de commerce), we hereby report on the report prepared by the Chairman of your company pursuant to this article for the year ended 31 December 2011.

It is the Chairman's responsibility to prepare and submit for the Supervisory Board's approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 226-10-1 of the French Commercial Code (code de commerce) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L. 226-10-1 of the French Commercial Code (code de commerce). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L.226-10-1 of the French Commercial Code (code de commerce).

OTHER INFORMATION

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other information required by article L. 226-10-1 of the French Commercial Code (code de commerce).

French language original signed at Paris La Défense and Courbevoie, on 28 March 2012

By the statutory auditors

Ernst & Young et Autres	Mazars
Jeanne Boillet	Bruno Balaire

CHAPTER 6

Proposed resolutions

PROPOSED RESOLUTIONS PRESENTED BY THE MANAGING PARTNERS

FIRST RESOLUTION

APPROVAL OF THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Voting under the conditions required to transact ordinary business and having considered the reports of the Managing Partners, the Supervisory Board and the Statutory Auditors on the Parent Company financial statements for the year ended 31 December 2011, the shareholders approve those financial statements as presented, showing a net profit of €297,253,373.95.

SECOND RESOLUTION

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Voting under the conditions required to transact ordinary business and having considered the reports of the Managing Partners, the Supervisory Board and the Statutory Auditors on the consolidated financial statements for the year ended 31 December 2011, the shareholders approve those financial statements as presented, showing a net loss of €707 million.

THIRD RESOLUTION

ALLOCATION OF NET PROFIT, SETTING OF THE ORDINARY DIVIDEND AT €1.30 PER SHARE

Voting under the conditions required to transact ordinary business, the shareholders duly acknowledge

that the company's net profit for the year amounts to	€297,253,373.95
which, in addition to retained earnings of	€1,408,962,815.84
makes a distributable net profit of	€1,706,216,189.79

The shareholders resolve to pay an annual dividend of €1.30 per share and to transfer the balance of the distributable net profit to retained earnings. Treasury shares owned by the Company itself on the ex-dividend date are not entitled to the dividend payment.

The ex-dividend date is Tuesday, 8 May 2012 and the dividend will be paid as of Friday, 11 May 2012 to holders of registered shares or their duly appointed representatives, by cheque or by bank transfer.

The dividend is eligible for the 40% tax relief available to individual shareholders who are liable to income tax in France, pursuant to Article 158.3.2 of the French General Tax Code.

Dividends distributed over the past three financial years were as follows:

(in €)	2008	2009	**2010**
Dividends paid to shareholders			
Dividend per share	1.30	1.30	1.30
Total dividend payout	164,856,039.40	165,141,355.60	165,096,539.40
Dividends paid to general partners	5,933,060.00	1,368,020.00	1,632,250.00
Total	**170,789,099.40**	**166,509,375.60**	**166,728,789.40**

FOURTH RESOLUTION

AUTHORISATION SOUGHT BY THE MANAGING PARTNERS TO PURCHASE AND SELL SHARES OF THE COMPANY FOR A PERIOD OF EIGHTEEN MONTHS

Voting under the conditions required to transact ordinary business, having considered the report of the Managing Partners and in accordance with the provisions of the law, the shareholders authorise the Managing Partners to purchase a number of Lagardère SCA shares representing up to 10% of the current share capital (i.e. a maximum number of 13,113,328 shares based on the share capital at 28 February 2012), making a maximum aggregate par value of four hundred million euros (€400,000,000), on the following terms and conditions.

The maximum purchase price is €40, adjusted where applicable to take account of any capital transactions such as a capitalisation of reserves, earnings or share premiums and free share allocation, a stock split or a reverse stock split.

The Managing Partners may use this authorisation for the following purposes:

- to allocate free shares to employees of the Company and companies related to it;
- to allocate shares upon the exercise of stock purchase options;
- to allocate shares to employees of the Company as part of its profit-sharing scheme;
- to allocate shares to employees of the Company and companies related to it for any other purpose permitted by law;
- to promote liquidity and make a market in the Company's shares through an independent investment services provider acting under the terms of a liquidity contract that complies with a code of conduct recognized by the *Autorité des marchés financiers*;
- to keep the shares for subsequent exchange or payment as consideration for acquisitions and other external growth transactions;
- to reduce the share capital by cancelling all or some of the shares purchased;
- to tender or exchange shares upon the exercise of rights attached to securities that grant an entitlement of some kind to shares in the Company;

more generally, to carry out any other transaction permitted by the regulations and, in particular, the market practices accepted by the *Autorité des marchés financiers*.

The shares may be purchased, sold or otherwise transferred by any means permitted by the regulations, including over the counter transactions, block purchases or sales and the use of derivatives (purchases of calls).

The shareholders give the Managing Partners full powers, as provided for by the law and regulations, to use this authorization, enter into all agreements, fulfil all formalities and more generally do all things they consider necessary and expedient to implement this resolution.

This authorisation is valid for a period of eighteen months as of the date of this meeting. It cancels and supersedes the authorisation given on 10 May 2011.

FIFTH RESOLUTION

RE-APPOINTMENT OF MR. GEORGES CHAUDRON DE COURCEL AS A MEMBER OF THE SUPERVISORY BOARD FOR A FURTHER TERM OF FOUR YEARS

Voting under the conditions required to transact ordinary business and having considered the report of the Supervisory Board, the shareholders re-appoint Mr. Georges Chaudron de Courcel as a member of the Supervisory Board for a further term of four years.

SIXTH RESOLUTION

RE-APPOINTMENT OF MRS. AMÉLIE OUDÉA-CASTÉRA AS A MEMBER OF THE SUPERVISORY BOARD FOR A FURTHER TERM OF FOUR YEARS

Voting on the conditions required to transact ordinary business and having considered the report of the Supervisory Board, the shareholders re-appoint Mrs. Amélie Oudéa-Castéra as a member of the Supervisory Board for a further term of four years.

SEVENTH RESOLUTION

RE-APPOINTMENT OF MR. FRANÇOIS ROUSSELY AS A MEMBER OF THE SUPERVISORY BOARD FOR A FURTHER TERM OF FOUR YEARS

Voting under the conditions required to transact ordinary business and having considered the report of the Supervisory Board, the shareholders re-appoint Mr. François Roussely as a member of the Supervisory Board for a further term of four years.

EIGHTH RESOLUTION

APPOINTMENT OF MRS. NATHALIE ANDRIEUX AS A NEW MEMBER OF THE SUPERVISORY BOARD FOR A TERM OF FOUR YEARS

Voting under the conditions required to transact ordinary business and having considered the report of the Supervisory Board and to replace Messrs. Bernard Arnault, Raymond H. Lévy and Christian Marbach, whose term of office has expired, appoint Mrs. Nathalie Andrieux as a new member of the Supervisory Board for a term of four years.

NINTH RESOLUTION

APPOINTMENT OF MR. ANTOINE ARNAULT AS A NEW MEMBER OF THE SUPERVISORY BOARD FOR A TERM OF FOUR YEARS

Voting under the conditions required to transact ordinary business and having considered the report of the Supervisory Board, the shareholders appoint Mr. Antoine Arnault as a new member of the Supervisory Board for a term of four years.

TENTH RESOLUTION

APPOINTMENT OF MRS. HÉLÈNE MOLINARI AS A NEW MEMBER OF THE SUPERVISORY BOARD FOR A TERM OF FOUR YEARS

Voting under the conditions required to transact ordinary business and having considered the report of the Supervisory Board, the shareholders appoint Mrs. Hélène Molinari as a new member of the Supervisory Board for a term of four years.

ELEVENTH RESOLUTION

POWERS FOR FORMALITIES

Voting under the conditions required to transact ordinary business, the shareholders grant full powers to the bearer of an original, a certified copy or a certified extract of the minutes of this meeting to fulfil any legal or regulatory formalities that may be required.

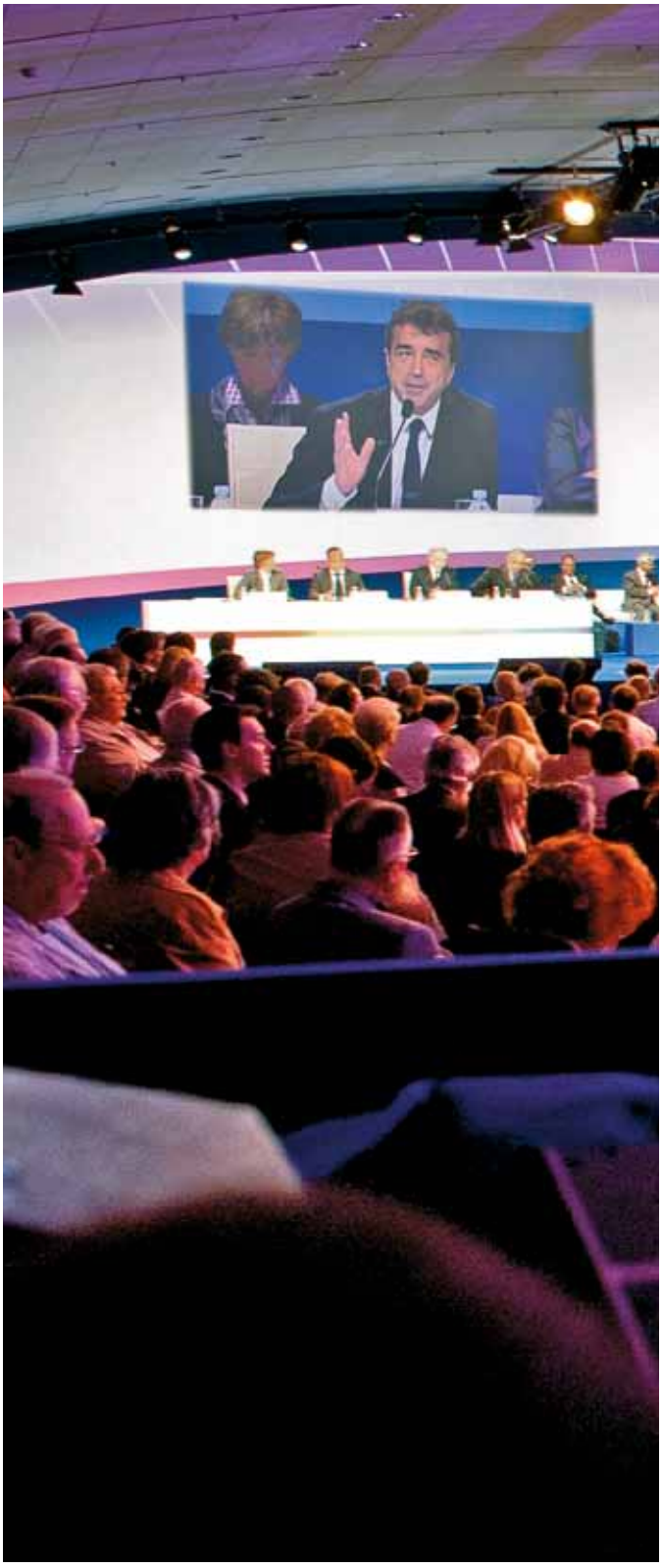
***

Document prepared by the Corporate Communications Department

Design: Sugar Pepper & Salt

Photo credit: © Gilles Bassignac/Lagardère

Production: BRIEF



more info at ***www.lagardere.com***

Document prepared by the Corporate Communications Department
This document is printed on paper from environmentally certified sustainably managed forests. It carries PEFC certification based on the physical separation model (chain of custody number 10-31-1316).

IMPRIM'VERT

PEFC™ **10-31-1316 / PEFC Certified** / pefc-france.org