



PRESS RELEASE

Lagardère

Third-quarter 2014 net sales: €1,903 million, up +1.4%

2014 Recurring Media EBIT<sup>(1)</sup> target confirmed

Paris, 13 November 2014

### Third-quarter 2014

Net sales totalled €1,903 million, up 1.4% on a reported basis (vs. -1.2% at end June 2014) and down 1.2% on a like-for-like basis<sup>(2)</sup> (vs. -2.6% at end June 2014). The difference between reported and like-for-like sales is mainly due to a positive scope effect (+€46 million), while the foreign exchange effect was negligible.

This quarter was marked by an **accelerated growth of Travel Retail** (+13.2% on a reported basis, +5.8% on a like-for-like basis) and by the **improvement in trends for Lagardère Active** that offset the unfavourable comparison effect with 2013 for the other activities.

#### By division:

- **Lagardère Publishing:** Performance (-1.2%) was affected by an unfavourable comparison effect in General Literature in France and the United States, as well as the significant impact of the lack of renewals for Textbook programmes in France. Momentum for Partworks was insufficient to offset these trends.
- **Lagardère Services:** Accelerated growth in Travel Retail compared to the first half, carried by Duty Free and Food Services.
- **Lagardère Active:** Significant improvement in trends (-1.6% like-for-like) thanks to good performances by Radio internationally (+12.2%), the catching-up on deliveries in TV Production (+ 6.6 %) and the lesser decline in Magazine Publishing (-3.5%).
- **Lagardère Unlimited:** Activity (-5.8% like-for-like) is affected by the gradual termination of media rights contracts with European soccer federations, due to rights centralisation decided by the UEFA.

### At 30 September 2014

At 30 September 2014, net sales totalled €5,267 million, down 0.3% on a reported basis and 2.1% on a like-for-like basis. The difference between data on a comparable basis and like-for-like is explained by a positive scope effect of €139 million (primarily due to acquisitions made in Travel Retail and, to a lesser extent, by Lagardère Publishing and in TV Production), partially offset by a negative exchange effect of -€44 million (due to depreciation of the US, Australian and Canadian dollars, partially compensated by the appreciation of the Pound Sterling).

In the first nine months of the year, the trend in sales was due essentially to an unfavourable comparison effect, with an especially strong first half of 2013 at Lagardère Publishing (the publication of several best-sellers) and in Audiovisual Production (an atypical delivery schedule in 2013), as well as a negative calendar effect at Lagardère Unlimited.

In addition, the good momentum in Travel Retail activities (+9.9% on a reported basis, +4.8% like-for-like), driven by the favourable trend in passenger traffic, development of Duty Free and Food Services, as well as the roll-out of new concepts, offset the decline in press and the difficult advertising environment.

Excluding the impact of the end of tobacco sales in Hungary, already known, the Group's activity declined just -1.2% on a like-for-like basis over the first nine months of the year.

<sup>(1)</sup> Current operating income of consolidated companies in the four operating divisions: see definition at end of press release.

<sup>(2)</sup> At constant exchange rates and consolidation scope.

## I- GROUP CONSOLIDATED NET SALES AND ACTIVITY

	Net sales at 30 September (in €m)		Change	
	At 30 September 2013	At 30 September 2014	Change (reported)	Change (like-for-like)
<b>LAGARDÈRE</b>	<b>5,282</b>	<b>5,267</b>	<b>-0.3%</b>	<b>-2.1%*</b>
Lagardère Publishing	1,497	1,467	-2.0%	-2.9%
Lagardère Services	2,796	2,888	+3.3%	+0.7%**
Lagardère Active	687	643	-6.5%	-7.5%
Lagardère Unlimited	302	269	-10.8%	-11.9%

\*-1.2%, excluding the end of tobacco sales in Hungary.

\*\*+2.4%, excluding the end of tobacco sales in Hungary.

	Net sales in Q3 (in €m)		Change	
	Q3 2013	Q3 2014	Change (reported)	Change (like-for-like)
<b>LAGARDÈRE</b>	<b>1,877</b>	<b>1,903</b>	<b>+1.4%</b>	<b>-1.2%*</b>
Lagardère Publishing	580	564	-2.9%	-5.9%
Lagardère Services	983	1,036	+5.5%	+2.3%**
Lagardère Active	216	208	-3.7%	-1.6%
Lagardère Unlimited	98	95	-2.9%	-5.8%

\*-1.1%, excluding the end of tobacco sales in Hungary.

\*\*+2.5%, excluding the end of tobacco sales in Hungary.

### > Lagardère Publishing

**Net sales at 30 September 2014 stood at €1,467 million, down 2% on a reported basis and down 2.9% like-for-like**, with the difference explained by a positive scope effect (+€19 million) offset by a negative exchange effect (-€6 million).

As expected, activity was marked by an unfavourable comparison effect due to the very good performances recorded in 2013, with many best-sellers in General Literature, especially in France. Also note the significant decline in activity in Education, due to the lack of renewal for Textbook programmes in particular in France. English-speaking countries were down slightly (-2% in the UK, -3.5% in the US), due to an unfavourable comparison effect with 2013, and the situation in e-books in the United States. Partworks continued their strong incline (+5.7%), thanks to successful launches of collections in late 2013.

#### Third-quarter 2014:

**Activity totalled €564 million, down 2.9% on a reported basis and down 5.9% on a like-for-like basis.** The scope (€12 million) and exchange (€6 million) effects were positive.

In France (-6.6%), activity was down from the third quarter of 2013, which benefited from the continued success of volumes 2 and 3 of the *Fifty Shades* series, and the summer sales of Dan Brown's *Inferno*. Education activity was down significantly due to the lack of renewal for Textbook programmes.

In the United States, the change in sales (-18.5%) was strongly influenced by an unfavourable comparison effect with the third quarter of 2013 (with +11% growth) – which had an unusually high number of best-sellers (specifically *The Longest Ride*, by Nicholas Sparks). In addition, the difficult situation with Amazon, as well as the postponement of some publications, impacted the level of activity.

The United Kingdom was also down (-7.4%) due to a less-promising publishing schedule in General Literature.

In Spain / Latin America, activity was up, with good performance posted in Latin America.

Partworks (+2.9%) continued their good performances with the launch of successful collections at end-2013.

**Digital:** The proportion of sales accounted for by e-books at Lagardère Publishing was down very slightly at 30 September 2014 (10.4% vs. 10.6% at 30 September 2013). This transition is still confined to the General Literature segment, and essentially in English-speaking countries. However, we are seeing divergent market trends:

- In the United States, in a digital market that is at a standstill (slowdown seen since 2013), net sales of e-books were down (28% of net sales for Trade<sup>(3)</sup> vs. 31% at the end of September 2013), due notably to Amazon's punitive measures;
- In the United Kingdom, e-books still showed sustained growth, with 34% of net sales in Adult Trade<sup>(4)</sup> vs. 31% at the end of September 2013.

## > Lagardère Services

**Net sales of €2,888 million at 30 September 2014, up on a reported basis (+3.3%) and on a like-for-like basis (+0.7%).** The difference between these two changes is attributable to a positive scope effect (+€107 million): +€149m resulting from the strategic acquisitions carried out in Travel Retail in airports (mainly Gerzon in Amsterdam and Airst in Italy). These positive effects were partially offset by €42m of sales deconsolidated, resulting mainly from the July 2014 disposal of Payot bookstore operations in Switzerland (-€11 million impact) and from the deconsolidation of Relay operations (-€26 million impact) as from early September 2014 in the majority of railway stations in France, following the creation of a joint-venture with SNCF. The impact on sales figures of the switch to equity method for this joint-venture should come close to €320 million for a full year. Finally, the foreign exchange effect for the division was negative (-€34 million).

**On a like-for-like basis, and excluding the impact of the end of tobacco sales in Hungary, the division grew by +2.4% at 30 September 2014.**

Over the first nine months of the year, driven by a sustained development strategy, **LS travel retail** sales were up substantially, by +9.9% on a reported basis, and +4.8% like-for-like. This strong momentum was supported by growth in passenger traffic, consolidation of acquisitions, and development of networks through the modernization of shops and the roll-out of new concepts. This growth benefits to Duty Free and Food services segments in particular. On a like-for-like basis, activity was up significantly in Italy (+20.1%), Asia-Pacific (+10.1%), North America (+8.8%), the United Kingdom (+6.1%), Czech Republic (+4.6%) and Bulgaria (+23%).

Global passenger traffic at end-July 2014 (the latest available data) posted solid growth of +4.6%: +5.1% in Europe, +2.8% in North America, and +4.7% in Asia-Pacific.

**LS distribution** activities were down -5.4% like-for-like over the first nine months but only -1.2% excluding the effect of the end of tobacco sales in Hungary (in July 2013). Diversification efforts and the market's consolidation reduced the effect of the press market's decline.

### Third-quarter 2014:

**Net sales for the division were up 5.5% on a reported basis and up 2.3% on a like-for-like basis.** The difference between reported and like-for-like sales is mainly due to a positive scope effect (+€36 million), while the foreign exchange effect was slightly negative (-€4 million).

### LS travel retail:

**In the third quarter, growth in Travel Retail accelerated: + 13.2% on a reported basis (+5.8% like-for-like).**

In France, despite the impact of the Air France strikes in September, activity posted good performance, with the Travel Essentials segment up 4.3% (impact of the change in product mix, thanks to concepts' modernisation and diversification efforts) while the Duty Free segment is up 6.9%.

In Europe (excluding France), Italy posted good performances (+12.4%), in line with forecasts, with the ramping-up of activities in the Rome airports. The United Kingdom was up +8.8% thanks to the recovery in passenger traffic.

In Central Europe, sales were still rising significantly (+8.8% in Romania, +30.6% in Bulgaria, +3.9% in Czech Republic), driven by growth in Food Services and Duty Free.

Activity was up sharply in North America (+7.1%), thanks to networks' development especially in Food Services (Los Angeles airport).

In Asia-Pacific, progress was solid (+8.9%), in China (thanks to sustained growth in fashion operations) as well as New Zealand (Duty Free).

### LS distribution:

The good performances in Hungary (+3.7%), with the diversification strategy and growth in export activities, as well as North America (+6.1% with the gain in new contracts), were offset by the continued decline in print products. In all, activity was down, at -3% on a like-for-like basis.

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<sup>(3)</sup> Trade works.

<sup>(4)</sup> Adult trade works.

On 10 November, Lagardère Services announced the signature of an agreement in order to sell its press distribution and integrated retail businesses in Switzerland. The transaction is expected to be concluded once authorisation is received from the Swiss competition authorities.

## > Lagardère Active

**Net sales totalled €643 million at 30 September 2014, down 6.5% on a reported basis and down 7.5% on a like-for-like basis.** The difference between reported and like-for-like sales was mainly due to a positive scope effect (€7 million), associated with the acquisition of Groupe Réservoir (Audiovisual Production in France), partially offset by the divestment of ten magazine titles in July 2014.

However, the change in net sales was still affected by an unfavourable comparison effect with 2013, which had an atypical delivery schedule in Audiovisual Production (more deliveries at the start of the year). Net sales for advertising fell -4.9% for the division as a whole, and circulation dropped by -2.4%. Note the very good performances by Radio internationally (+8.7%).

### Third-quarter 2014:

**An improvement in trends was seen in the third quarter, with a limited decline of -3.7% on a reported basis and -1.6% like-for-like.** Advertising sales for the whole division were down -2.3%.

Magazine Publishing France stemmed the erosion of its net sales at -3.5% (advertising at -5.8% and circulation resilient at -2.7%). The deconsolidation of the ten magazine titles highlights better performances on the titles that were retained.

Radio posted mixed performances (-3.2%), with strong growth internationally (+12.2%), while Radio in France suffered mainly from a negative comparison effect in diversification activities.

Audiovisual Production was up 6.6%, with, as expected, the beginning of the catching-up on deliveries over the second part of 2014 (specifically season 3 of *The Borgias*).

In Digital: The LeGuide Group was still facing competition from Google, while BilletReduc maintained its operations' good health.

## > Lagardère Unlimited

**Net sales totalled €269 million over the first nine months of the year, down 10.8% on a reported basis and down 11.9% on a like-for-like basis.** The difference between these two changes is due to a positive scope effect (+€6 million), partially offset by a negative exchange effect.

**The activity's growth is explained by an unfavourable calendar effect in the phasing of football events within the division's portfolio** (already known), due essentially to the non-occurrence of the ACN <sup>(5)</sup> in 2014 and of qualifying matches for the Football World Cup. These elements were partially offset by good performances on Hospitality activities, driven by the final phase of the Football World Cup in Brazil.

Note, too, the gradual reduction of activities managed by Sportfive International (tied to media rights contracts with European football federations).

### Third-quarter 2014:

Activity was down 5.8%, on a like-for-like basis, mainly impacted this quarter by the termination of media contracts with football federations in Europe, due to rights centralisation decided by the UEFA. This anticipated effect is partially offset by good performances in Hospitality (final phase of the World Cup in Brazil), the organisation of friendly football matches in Asia and marketing activities linked to the Commonwealth Games in Glasgow.

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<sup>(5)</sup> Africa Cup of Nations.

## **II- OUTLOOK – GUIDANCE – FINANCIAL POSITION**

### **GUIDANCE ON RECURRING EBIT BEFORE ASSOCIATES FROM MEDIA ACTIVITIES CONFIRMED**

With the performance as of the end of September in line with expectations, as well as the outlook for the full year, we are maintaining our Recurring Media EBIT target for 2014 as conveyed last March.

Thus in 2014, recurring EBIT from Media activities is expected to grow another 0% to 5% compared to 2013, at constant exchange rates and excluding the effect of the potential disposal of Distribution activities.

### **FINANCIAL POSITION**

**The Group's liquidity position is still solid**, with good liquidity and a well-balanced repayment schedule. Note the success in September 2014 of a bond issue totalling €500 million with five-year maturity (September 2019) and a 2% annual coupon.

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### **INVESTOR CALENDAR**

- **Announcement of 2014 sales** on 10 February 2015 at 8:00 a.m.
- **Announcement of 2014 results** on 11 March 2015 at 5:35 p.m.

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### **DEFINITION OF RECURRING MEDIA EBIT**

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

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

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**The teleconference presenting the revenues will be available today on demand on our website:**

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

*Lagardère is a world-class diversified media group (Books and e-Publishing; Travel Retail and Distribution; Press, Audiovisual, Digital and Advertising Sales Brokerage; Sports and Entertainment) Lagardère shares are listed on Euronext Paris.*

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

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### **Press Contacts**

Thierry Funck-Brentano

Tel: +33 1 40 69 16 34

[tfb@lagardere.fr](mailto:tfb@lagardere.fr)

Ramzi Khiroun

Tel. +33 1 40 69 16 33

[rk@lagardere.fr](mailto:rk@lagardere.fr)

### **Investor Relations Contact**

Anthony Mellor

Tel: +33 1 40 69 18 02

[amellor@lagardere.fr](mailto:amellor@lagardere.fr)