PRESS RELEASE

Lagardère

2011 first-half results

- **Stable consolidated net sales: €3,724m, up 0.2% on a reported basis (down 0.1% on a like-for-like basis) in a difficult global economic environment**
- **Recurring EBIT from Media activities[1]: €168m, down 7.9%, or -6.9% at constant exchange rates**
- **Adjusted net income attributable to the Group[2]: €57m**
- **Significant reduction in net debt: €1,737m, down €462m compared to end of June 2010**
- **Adjusted guidance on full-year Media recurring EBIT in order to take into account the disposal of the International Magazine Publishing activities and the non-recurring events impacting the Lagardère Unlimited division in the first half of 2011**

Paris, 31 August 2011

- **Net sales stable at €3,724m, up 0.2%** on a reported basis and down 0.1% on a like-for-like basis.
  - **Lagardère Publishing**: revenues of €900m (down 6% on a like-for-like basis). The first half of the year was impacted by the expected decline in sales of the last book in the Stephenie Meyer series, significant progress in e-books in English-speaking countries and solid performances in France by the General Literature and Education segments.
  - **Lagardère Active**: slight increase (+1% on a like-for-like basis), thanks to international businesses. Excluding International Magazine Publishing (the majority of which was sold on 31 May, 2011), revenues amounted to €482m (down 3.1% on a like-for-like basis).
  - **Lagardère Services**: solid pace in revenues, reaching €1,804m (up 2.1% on a like-for-like basis), driven by Retail activities (pick-up in growth in Q2 and increase in global air traffic).
  - **Lagardère Unlimited**: return to growth in net sales (up 6.3% on a like-for-like basis), thanks mainly to Asia.
- **Recurring EBIT from Media activities down 7.9% to €168m, due mainly:**
  - at **Lagardère Publishing** to the end of the Stephenie Meyer impact;
  - at **Lagardère Unlimited** mainly to **non-recurring events** (litigation, particularly on the IPL contract[3] and loss-making contracts).
- **Adjusted net income, Group share: down 41% to €57m,** due mainly to higher taxes, which increased from €22m to €66m. **Net income, Group share thus came to €28m (vs. €80m in the first half of 2010).**
- **Significant decline in net financial debt** from one year previously: **€1,737m as at 30 June 2011**, hence 43.8% gearing, or a 15-point improvement vs. 30 June 2010.

[1] Recurring EBIT: before contribution of associates.
[2] Excluding contribution from EADS and non-recurring/non-operating items.
[3] Indian Premier League (cricket).

I. GROUP NET SALES AND ACTIVITY

- **Net sales stable: €3,724m as at 30 June 2011**, or +0.2% on a reported basis and -0.1% on a like-for-like basis vs. 30 June 2010.

  The difference between reported and like-for-like figures is due mainly to a positive exchange rate impact (+€21.5m), due to gains by the Swiss franc and the Australian dollar. The change in consolidation scope was not significant, with the disposal of International Magazine Publishing (PMI), which was mostly completed by the end of May, offsetting newly consolidated entities at Lagardère Services and Lagardère Unlimited.

	Net sales (€m)		2011/2010 chg. on a reported basis	2011/2010 chg. on a like-for-like basis
	1st half 2010	1st half 2011		
LAGARDÈRE	**3,716**	**3,724**	**0.2%**	**(0.1%)**
Lagardère Publishing	975	900	(7.7%)	(6.0%)
Lagardère Active	855	807	(5.6%)	1.0%
Lagardère Services	1,712	1,804	5.4%	2.1%
Lagardère Unlimited	174	213	22.5%	6.3%

- **Lagardère Publishing – Net sales of €900m, down by 7.7% on a reported basis and by 6% on a like-for-like basis.** When stripping out the Stephenie Meyer phenomenon, net sales were stable in the US and in the UK.

  Note the solid performances in France in General Literature and Education segments, and Larousse thanks to an effective policy of diversification.

  Sharp growth in e-books in English-speaking countries: in the US and UK e-books accounted for 20% and 8%, respectively, of net sales in the trade segment[(4)] in the first half of 2011, double the figures of one year previously. E-books now account for 5% of total net sales at Lagardère Publishing.

- **Lagardère Active – Net sales of €807m, down by 5.6% on a reported basis but up by 1% on a like-for-like basis.**

  The difference between reported and like-for-like figures is due mainly to the disposal of the International Magazines Publishing business (with activity deconsolidated in 13 countries as of 31 May 2011).

  Activity excluding International Magazine Publishing (PMI):

  Net sales excluding PMI (i.e., 15 countries, including 13 sold off as of the end of May) came to €482m, down -4.6% on a reported basis and -3.1% on a like-for-like basis.

  This decline is due mainly to:

  – the second-quarter slowdown in the ad market (net ad revenue excluding PMI declined slightly during the first half, by 0.4%);

  – magazine circulation, which slipped by 1.6% in France, despite solid performances by *Paris Match* and *Elle*;

  – delayed deliveries in the first-half in TV Production activities.

  Revenue from Radio in Eastern Europe continued to rise briskly. Theme channel revenues were up slightly.

(4) Books meant for the general public.

Background:

The main items regarding the PMI disposal are as follows:

- deconsolidation, effective 31 May 2011, of activities divested in the 13 following countries: US, Italy, Spain, Japan, Netherlands, Hong Kong, Mexico, Taiwan, Canada, Germany, Russia, Ukraine and the Czech Republic. These divestment represent an amount of €471m, €57m of which results from the deconsolidation of the debt associated with the divested assets;
- UK-located businesses were sold on 29 July 2011;
- businesses in China are set to be sold by the end of 2011.

Lagardère Services – Net sales of €1,804m, up 5.4% on a reported basis and 2.1% on a like-for-like basis.

Growth was driven by Retail activities (72% of total net sales), which rose by 4.4%[(5)]. Distribution (28% of total net sales) continued to decline (-3.4%[(5)]).

Note the **acceleration in second-quarter growth**, due to both a favourable basis of comparison (impact of the Icelandic volcano in the second quarter of 2010) and to progress in the development policy (tenders won and acquisitions) and successful marketing initiatives (new concepts, product mix diversification).

In addition to the substantial increase in per-passenger sales, growth in retail activities was driven by **an increase in global air traffic** (+5.8% as of the end of May 2011; source: ACI), despite an unfavourable international context (bad weather in North America and Australia, the events in Arab countries and the Ivory Coast, the Japanese nuclear accident, and the natural disasters in New Zealand and Australia). Growth was very strong in France.

There was also a positive impact from change in consolidation scope, with the consolidation of Retail activities in Singapore and Bulgaria, and acquisitions in New Zealand and the Czech Republic in the first half.

Lagardère Unlimited – Net sales of €213m, up 22.5% on a reported basis and 6.3% on a like-for-like basis.

This growth is due mainly to the **strong performances of World Sport Group**, owing, in turn, to the holding of the Asian Football Cup early in the year 2011.

These performances were partially offset by:

- the non-recognition by World Sport Group (WSG) of revenues from the 2011 Indian Premier League (cricket), following the litigation between WSG and the Board of Control for Cricket in India (BCCI). All revenues have been placed in an escrow account by an Indian court, pending a resolution of the litigation;
- the non-occurrence of the African Cup of Nations (which created a negative comparison basis for Sportfive vs. 2010);
- weaker-than-expected sales performances by IEC in Sports.

[(5)] On a like-for-like basis.

II. MAIN INCOME STATEMENT ITEMS

- **RECURRING EBIT OF CONSOLIDATED COMPANIES: €160m in the first-half of 2011, down 10.6% vs. the first half of 2010.**

Recurring EBIT from Media activities fell by 7,9% to €168m.

	EBIT (€ m)		2011/2010 chg. in reported figures (€ m)
	1st half 2010	1st half 2011	
LAGARDÈRE MEDIA	**183**	**168**	**(15)**
Lagardère Publishing	101	71	(30)
Lagardère Active	36	52	16
Lagardère Services	37	41	4
Lagardère Unlimited	9	4	(5)

- **Lagardère Publishing's recurring EBIT fell by 29.6% to €71m.** The operating margin thus shrank by 2.4 points.

  This decline is due to the foreseeable slackening of the **Stephenie Meyer** phenomenon, which made a solid contribution to the first half of 2010, and affects mainly Hachette Book Group in the US, as well as publishing in the UK. Remember that 11 million copies had been sold in the first half of 2010, in addition to sales of international rights.

- **Lagardère Active's recurring EBIT rose sharply by 46.4% to €52m,** thanks to solid international advertising revenue.

  When stripping out International Magazine Publishing (PMI), recurring EBIT came to €20m, or €2m higher than on 30 June 2010, due mainly to good performances of international radio stations (Eastern Europe). As such, the operating margin rose by 0.8 point.

  French radio stations posted a decline, mainly Europe 1, due to a decline in net sales after in-season changes in programming. Profitability also dipped temporarily in TV Production activities, due to a shift in the delivery calendar: the impact will no longer be apparent for full-year 2011.

- **Lagardère Services' recurring EBIT rose by 9.2% to €41m,** with a slight increase in operating margin, thanks to **further improvement in the Travel Retail profitability.**

- **Lagardère Unlimited's recurring EBIT fell from €9m to €4m**, due mainly to the following **non-recurring items during the first-half of 2011:**

  - **litigation involving World Sport Group**: contractual disputes with the Board of Control for Cricket in India (BCCI) for cricket rights;
  - **loss-making contracts and the failure to collect certain receivables.**

  These items come on top of the previously announced non-renewal of certain contracts (French Football Federation, English and Italian football leagues), as well as weaker-than-expected operating and commercial performances by IEC in Sports (marketing of media rights contracts fell below expectations).

  The **solid performance of WSG**, driven mainly by marketing of Asian Football Cup rights, was not enough to offset these negative items.

Note – **Changes in management at Lagardère Unlimited** in the first-half: Alain Lemarchand, Seamus O'Brien and Kevin O'Connor were appointed Chief Operating Officers of Lagardère Unlimited, respectively for the Europe/Africa, Asia-Pacific/Middle East and US/South America regions.

Recurring EBIT in non-Media activities came to -€8m, vs. -€4m as at 30 June 2010, due to Canal+ France IPO planning costs.

NON-RECURRING/NON-OPERATING ITEMS

Non-recurring/non-operating items accounted for a **net €27m charge, down by €16m from 30 June 2010**. This mainly covers goodwill on acquisition of intangibles at Lagardère Unlimited, and restructuring costs.

CONTRIBUTION OF ASSOCIATES

The contribution of associates (excluding EADS) came to **€13m (vs. €6m as at 30 June 2010)**, thanks mainly to Lagardère Active with a better contribution from Gulli and Marie Claire, partly offset by a lower contribution from EADS (€9m).

As in 2010, the share of earnings from Canal+ France is offset by the booking of an impairment in the same amount.

- **NET INCOME BEFORE FINANCE CHARGES AND INCOME TAX came to €155m, stable on the whole** compared with the first-half of 2010.

NET FINANCE CHARGES

Net finance charges rose to €45m from €39m at 30 June 2010. The average cost of debt rose, due to the new syndicated credit set up in January 2011 (maturing in 2016).

INCOME TAX EXPENSE

Income tax expense at end-June 2011 came to -€66m, an increase that was due mainly to the tax impact of the PMI disposal and the lack of positive non-recurring items booked in 2010.

- The **MINORITY SHARE** of net income was stable (€16m).

In light of all the above items, **CONSOLIDATED NET INCOME, GROUP SHARE** came to **€28m** vs. **€80m** as at 30 June 2010.

	1st half 2010			1st half 2011		
(m€)	**Lagardère Media**	**Non-Media and EADS**	**Total 1st half 2010**	**Lagardère Media**	**Non-Media and EADS**	**Total 1st half 2011**
Net sales	**3,716**	**--**	**3,716**	**3,724**	**-**	**3,724**
Recurring EBIT of consolidated companies	**183**	**(4)**	**179**	**168**	**(8)**	**160**
Contribution from associates			**21**			**22**
Excluding EADS	6	--	6	13	-	13
EADS	--	15	15	-	9	9
Non-recurring/non-operating items	**1**	**(44)**	**(43)**	**(27)**	**-**	**(27)**
Net income before finance charges and income tax expense	**190**	**(33)**	**157**	**154**	**1**	**155**
Net finance costs	(22)	(17)	(39)	(22)	(23)	(45)
Net pre-tax income	**168**	**(50)**	**118**	**132**	**(22)**	**110**
Income tax expense	(59)	37	(22)	(77)	11	(66)
Net consolidated income	**109**	**(13)**	**96**	**55**	**(11)**	**44**
ow Group share	93	(13)	80	39	(11)	28
ow Minority interests	16	-	16	16	-	16

ADJUSTED NET INCOME, GROUP SHARE

Changes in adjusted net income, Group share, the calculation of which is detailed below, offset the net impact of non-recurring/non-operating items, as well as the accounting of EADS as an associate.

(m€)	**1st half 2010**	**1st half 2011**
Net income, Group share	**80**	**28**
Equity accounted contribution from EADS	(15)	(9)
Amortisation of acquisition-related intangible assets, net of tax	9	22
Net income before amortisation of acquisition-related intangible assets	**74**	**41**
Restructuring costs, net of tax	*41*	*11*
Net gains on disposals, net of tax	*(19)*	*6*
Impairment losses on goodwill and intangibles, net of tax	*1*	(1)
Total non-recurring items	**23**	**16**
Adjusted net income, Group share excluding EADS:	**97**	**57**
Per-share adjusted net income, Group share, excluding EADS (in €)	*0.76*	*0.45*
Diluted per-share adjusted net income, Group share, excluding EADS (in €)	*0.76*	*0.44*

III. OTHER FINANCIAL ITEMS

FREE CASH FLOW

In the first-half of 2011, free cash flow came to -€159m (vs. -€47m in the first-half of 2010), including the following items:

- cash flow rose by 16% to €282m as at 30 June 2011;
- the change in working capital requirement, which is traditionally negative in the first-half, widened during the first-half of 2011 to -€278m, compared to -€142m in the first-half of 2010. This negative variation is likely to lessen in the second-half;
- net tangible and intangible investments came to €101m, stables versus 30 June 2010.

The **sum of operating and investment flows** came to €265m vs. -€94m as at 30 June 2010, due mainly to €524m in asset disposals (including €471m from the PMI sale).

DEBT

As at 30 June 2011, net financial debt came to €1,737m, or €462m lower than at 30 June 2010, thanks to proceeds from the PMI divestment. 15-point improvement of the gearing (43.8%).The dividend was stable, at €193m.

IV. GUIDANCE / OUTLOOK

The deconsolidation of International Magazine Publishing (PMI) during the year (which will have an estimated negative impact of €35m on 2011 recurring EBIT), in addition to the non-recurring events that impacted the Lagardère Unlimited division first-half results, lower than initial forecasts, have led the Group to adjust the recurring EBIT guidance for Lagardère Media in 2011, which is now expected to decline by about 5% to 7% on a constant exchange rate basis, vs. 2010. Without the PMI deconsolidation and given the revision of expected results for Lagardère Unlimited, recurring EBIT for 2011 would have risen slightly.

The Lagardère group is reiterating its intention to sell its stake in Canal+ France as soon as market conditions allow. The planned **introductory public offering of Canal+ France** does not appear to be feasible on good terms in light of the current market environment.

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

Important notice:

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

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

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