

Distribution Services



Lagardère

INVESTOR DAY

June 01, 2006



Agenda

Investor Day June 01, 2006

- **Presentation of Hachette Distribution Services (HDS)**

- **A world leader in travel retail and press distribution**

- 2000-2005: a sustained profitable growth

- 2006-2010: a strategy centered around the development of travel retail, diversification and geographical expansion

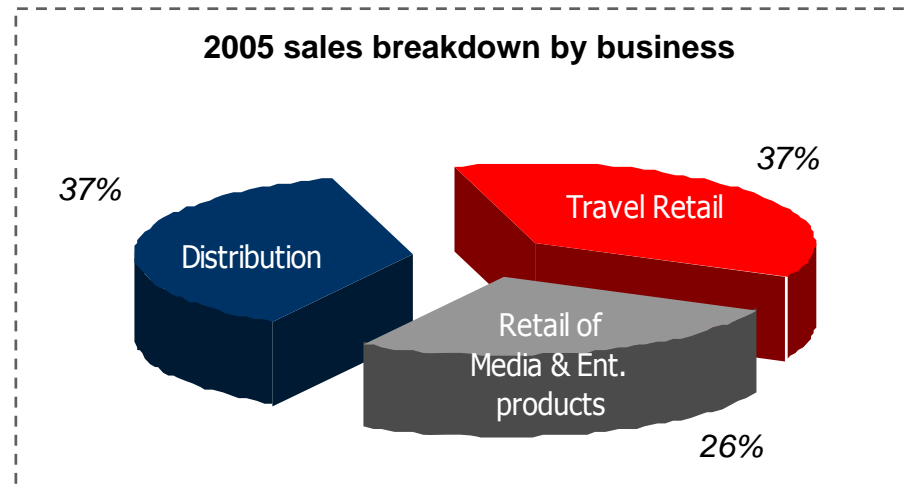
- 2007 objectives



HDS operates in 3 segments

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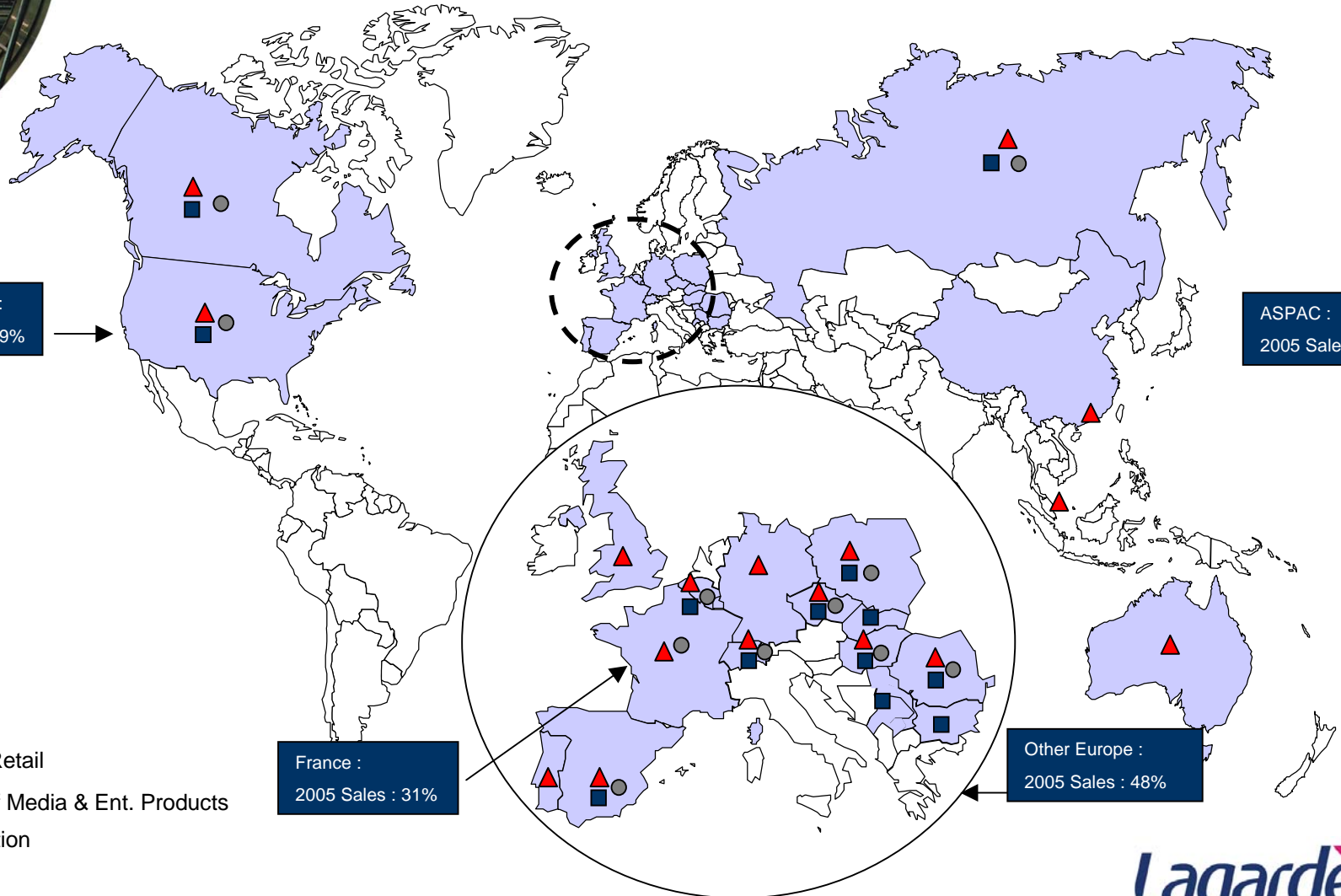
- 1 **Travel retail** : news & gift as well as retail of liquor, perfume, tobacco (duty free) and specialty products (luxury items, fashion, food & beverage,...) in travel locations (airports, train stations)
- 2 **Retail of Media & Entertainment Products** : high street or shopping mall newsstands and retailing of books, music, video and multi-media products
- 3 **Distribution** : National distribution, import and wholesale of press and related products



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70% of sales achieved outside France, mainly in Europe

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Travel Retail

3 segments

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Segments in Travel Retail	Market size and market share	HDS presence
News & Gift		Strong leader where present
Specialty & Duty Free		Strong leader where present
Food & Beverage		Developing
Total Travel Retail		A global player

- HDS will strive to achieve strong presence in the 3 segments of Travel Retail in order to provide complete offering to both landlords & customers



Travel Retail

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News & Gift: Relay maintained its worldwide growth



Relay - Czeske Budejovice (Czech Republic)



Relay – Hong Kong Airport (Hong Kong)

- More than 1 200 Relay stores in 18 countries
- Successful implementation of the new store design
- In 2005, first opening of Relay stores in :
 - Australia
 - Hong Kong
 - Romania
 - Russia
 - UK
- Significant development in Asia-Pacific (Hong Kong, Melbourne, Singapore, Sydney)
- Two large tenders won in Spain :
 - Gain of commuters and long distance train stations
 - Gain of the new terminal at Madrid Barajas Airport
- Development in Central Europe with the gain of Prague and Budapest airport tenders

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Relay - London Bermondsey Station (UK)



Relay - Madrid Barajas Airport (Spain)



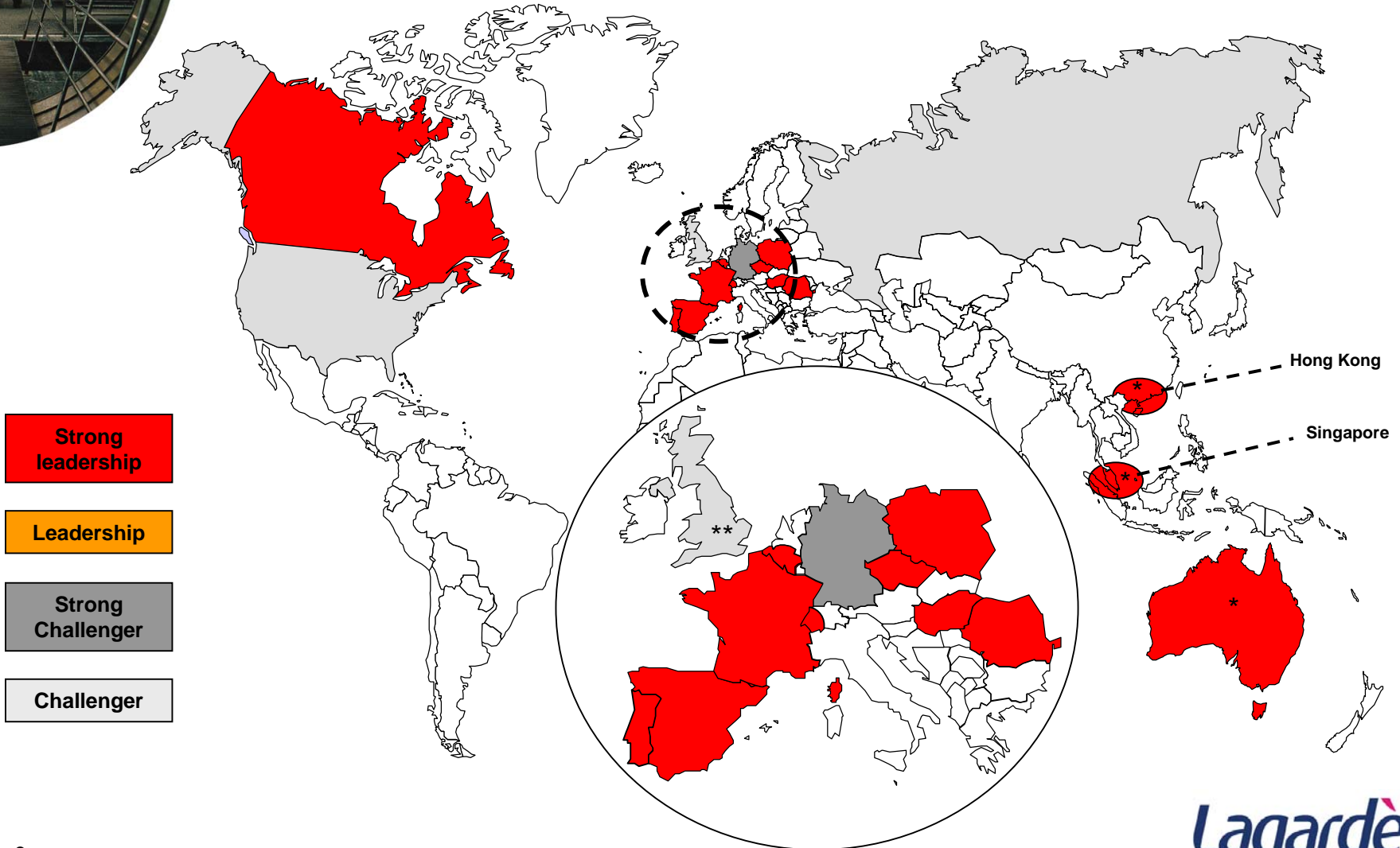
Relay - Perth Airport (Australia)



Travel Retail

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News & Gift: HDS is very strong where present



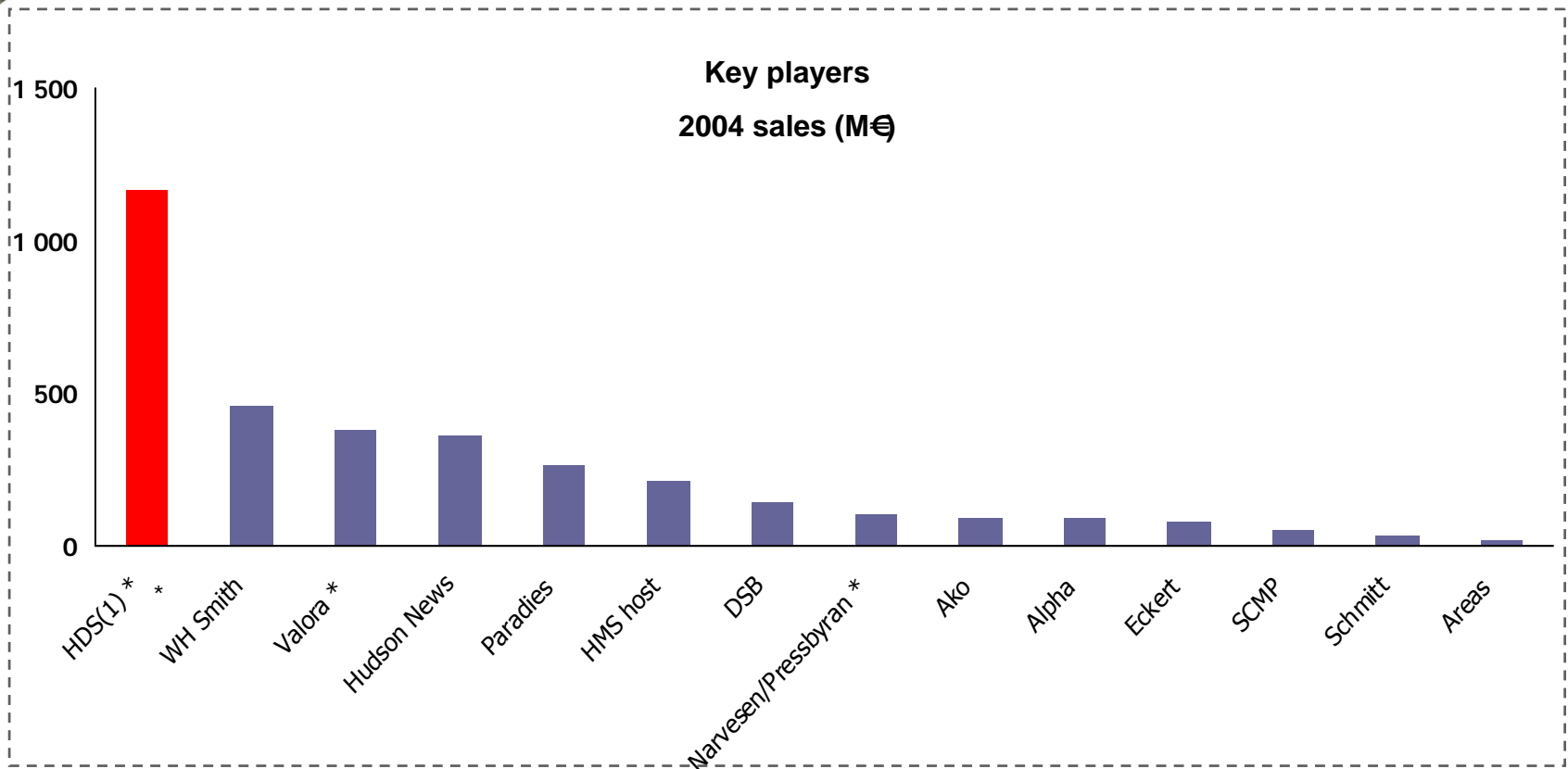
8 (*) In airports
(**) HDS entered the market in 2005



Travel Retail

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News & Gift: HDS is by far the worldwide leader, among few international players



(*) International players

(1) 2005 managed sales for comparability

Sources : Annual reports, Internet, press release, HDS estimates



Travel Retail

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Duty Free: Aelia comforts its French leadership and develops abroad



Paris CDG Airport (France)

- Successful partnership with ADP at Roissy-Charles de Gaulle airport
- Aelia pursued its developments in French airports and abroad:
 - Gain of Marseilles airport tender
 - Successful entry in the UK at Belfast and Luton airport
 - Development underway in Eastern Europe and Asia



Belfast Airport (UK)

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Spirits Tobacco Wines



Luton Airport (UK)



Travel Retail

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Specialty: Enlargement of our portfolio



Fruits & Passion - Toronto Pearson Airport (Canada)



Kaboom – Changi Airport (Singapore)

■ New specialty retail formats in airports and train stations

- Bijoux Ternier (Budapest, Gand, Luton, Melbourne, Sydney)
- Découvrir/Discover (Lyon, Madrid, Paris, Perth)
- Fruits & Passion (Montreal, Toronto)
- Hermès (Paris)
- Kaboom! (Adelaide, Singapore, Sydney)
- L'Occitane (Gare du Nord, Luton, Nice)

■ Opening of Virgin books & music (Berlin, Madrid, Melbourne, Toronto...)

- 35 Virgin Travel stores in 8 countries

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Virgin books and music



Virgin - Sydney Int'l Airport (Australia)



Virgin - Montreal Trudeau Airport (Canada)



Virgin - Winnipeg Airport (Canada)



Virgin - Melbourne Airport (Australia)

Discover



Discover Australia - Sydney Airport (Australia)



Découvrir Paris - Charles de Gaulle Airport (France)



Découvrir le Lyonnais - Lyon Airport (France)



Descubrir Madrid - Madrid Airport (Spain)

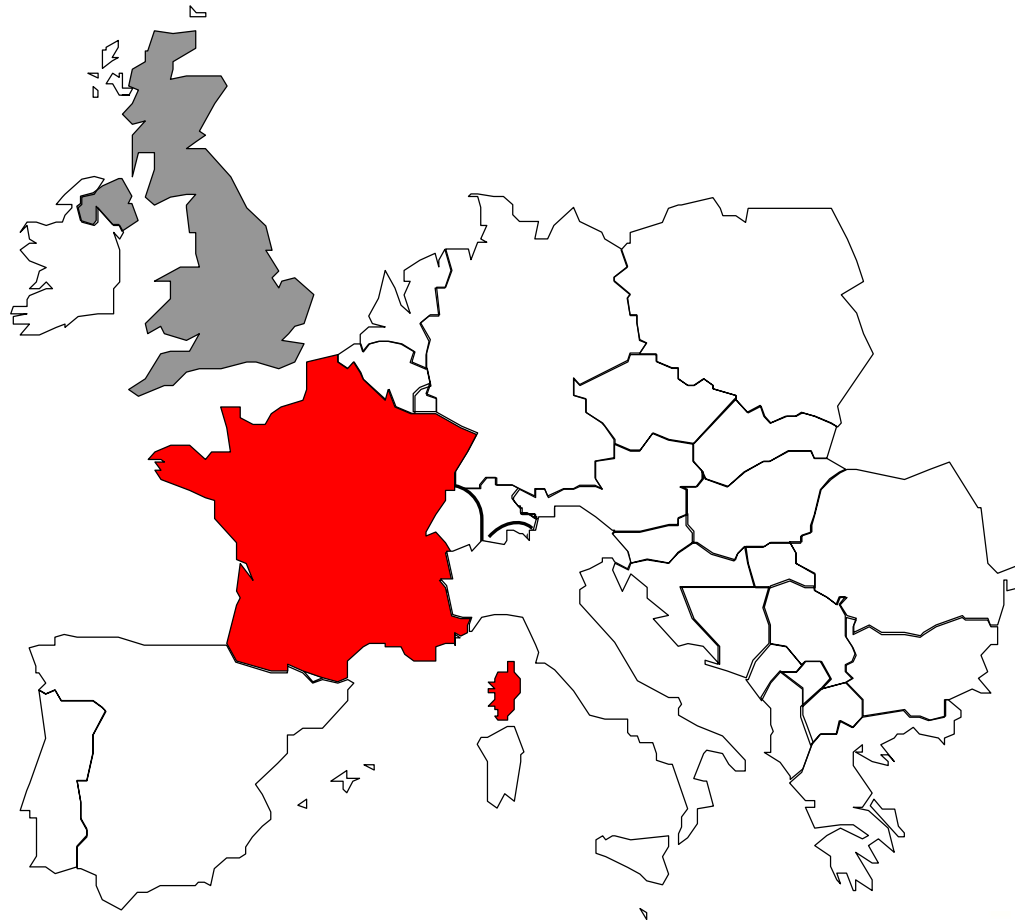


Travel Retail

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Duty Free: Aelia is one of the European leaders

- Strong leadership
- Leadership
- Strong Challenger
- Challenger

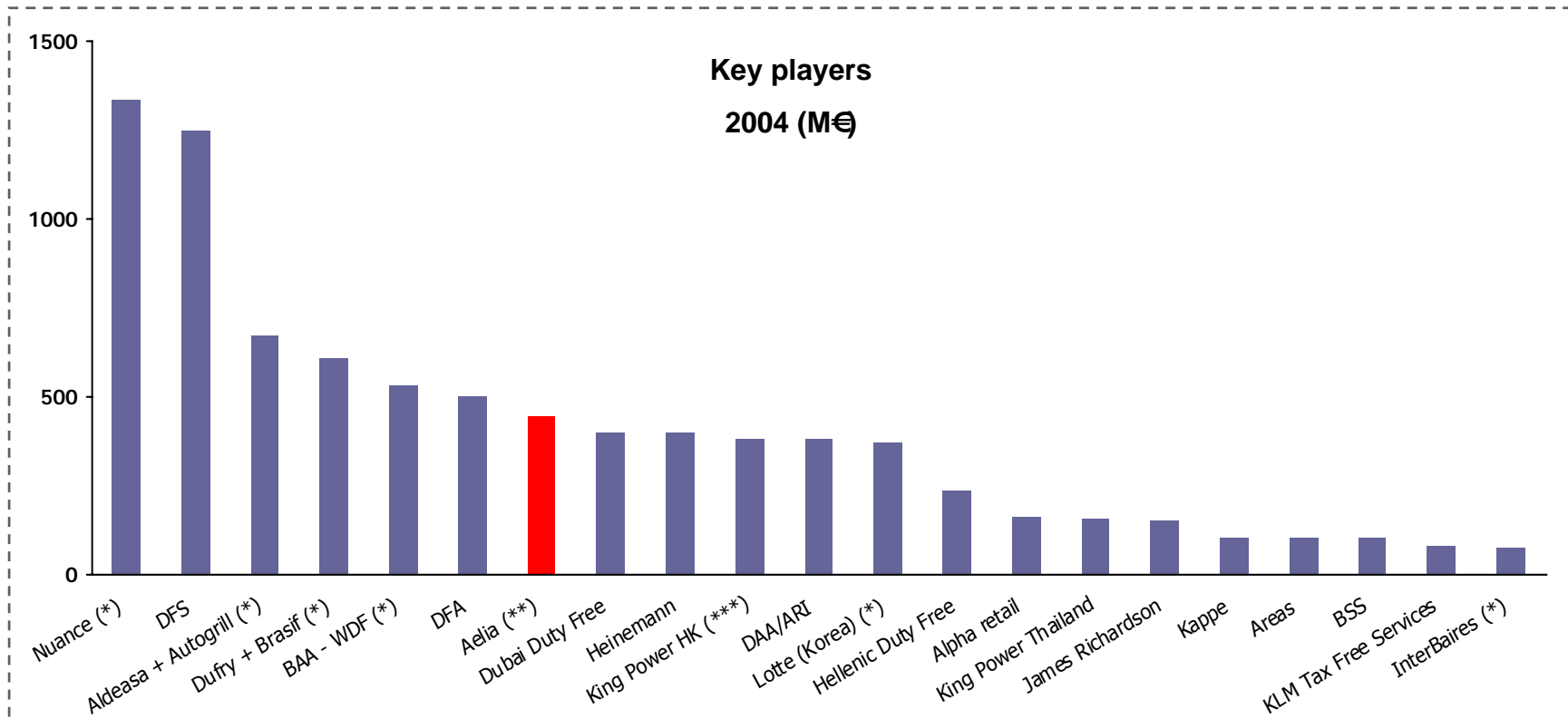




Travel Retail

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Worldwide Specialty and Duty Free is a fragmented market in consolidation



Sources Annual report/Press/Internet/Ravenfox/HDS estimates

(*) 2005

(**) 2005 managed sales for comparison purpose

(***) 2003



Travel Retail

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Development in Food & Beverage



Godiva - Paris CDG Airport (France)



Voyage Café – Warsaw Central Station (Poland)

■ Gourmet Food

- Australian Gourmet Traveller (Australia)
- Découvrir (France)
- Godiva (France)
- Lindt (Canada)
- Gourmand (France)
- Hediard (France)

■ Development of convenience stores in Europe, Asia and North America

- Dans Mon Panier Neuf (France)
- Hub Convenience (Australia)
- Mini Market (Canada)
- Petit Casino (France)
- Relay services (Belgium, Czech Republic, France, Germany, Switzerland)

■ Development of Cafés:

- Café Presse (Belgium, France, Switzerland)
- Voyage Café (Poland)

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Relay Services - Frankfurt (Germany)



Mini Market - Montreal Airport (Canada)



Relay Services - Prague (Czech Republic)



Hub Convenience - Perth Airport (Australia)

Retail of Media & Entertainment Products

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Newsstands: Development of our network in Central Europe



Inmedio store (Hungary)



Inmedio Café (Poland)

- More than 2 000 outlets all over the world
- Inmedio brand is now the leading brand in central Europe, present in 5 countries, with 284 new openings since 2003
- The landscape of Central Europe countries is changing thanks to the development of commercial centers
- New concepts with larger food/café offering:
 - Inmedio Café (Poland)
 - Journo (Canada)

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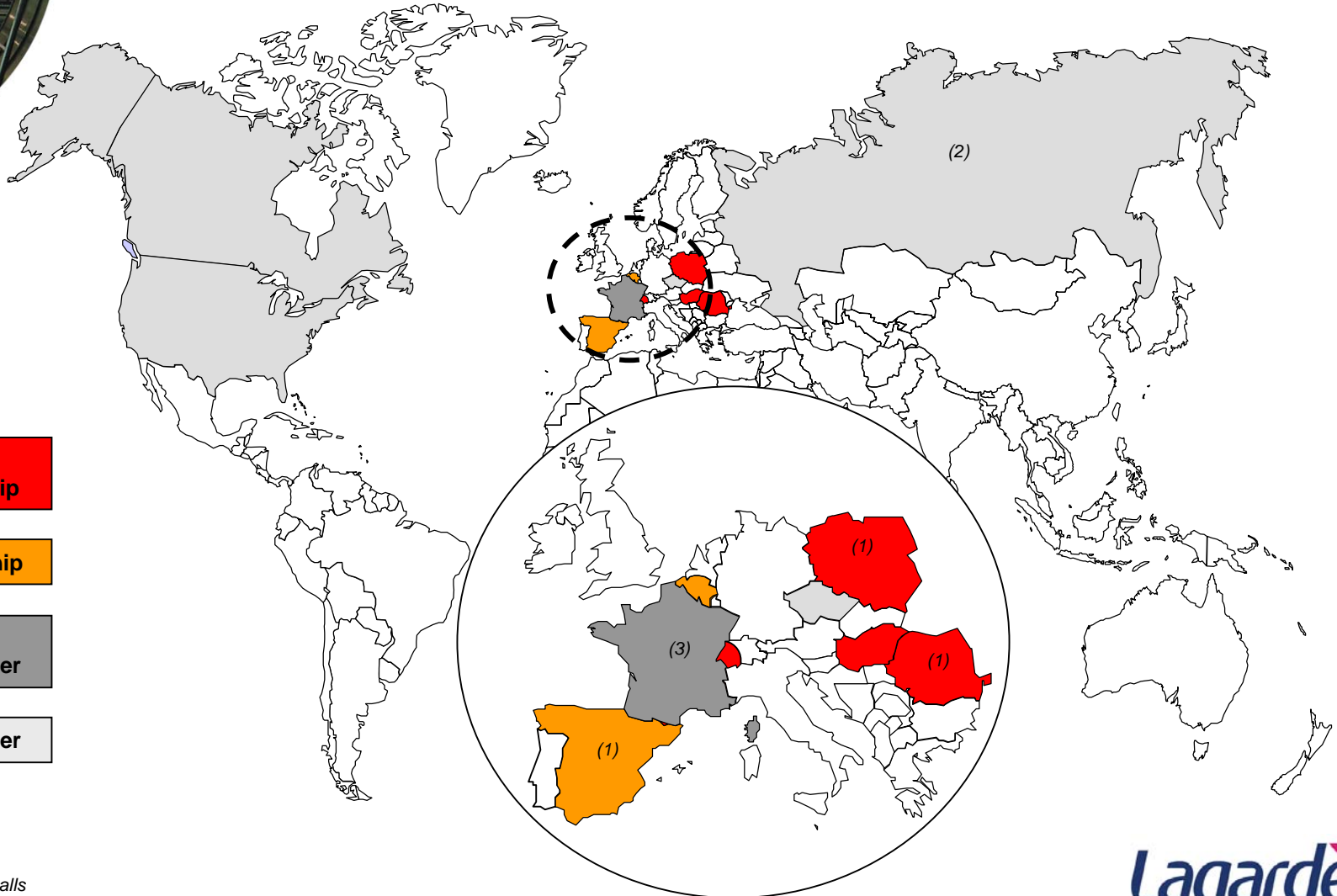
Journo – Toronto (Canada)



Retail of Media & Entertainment Products

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Newsstands: HDS is strong in countries where it operates



Strong leadership

Leadership

Strong Challenger

Challenger

(1) In malls

(2) HDS entered the market in 2004

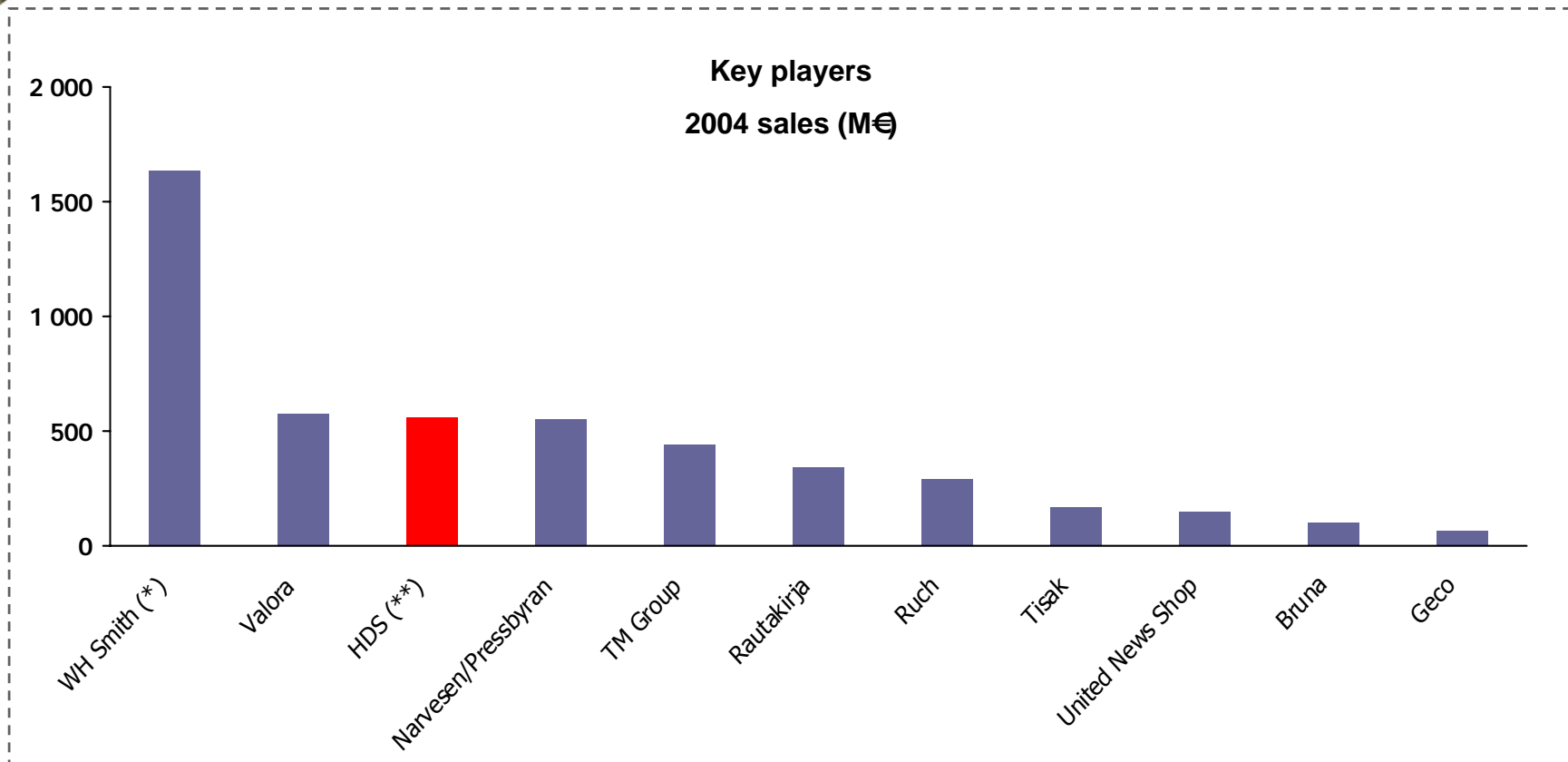
(3) in hospitals



Retail of Media & Entertainment products

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Newsstands: the markets are usually dominated by local players



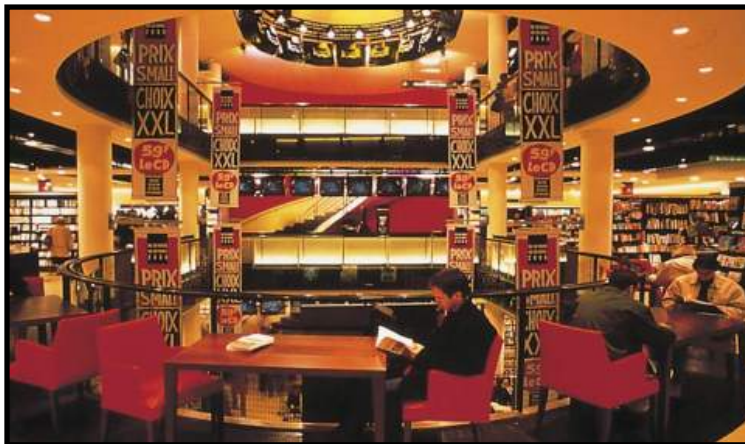
Retail of Media & Entertainment Products

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Virgin: Improvement in profitability



Virgin – Metz (France)



Virgin – Lyon (France)

- The product mix of Virgin Megastore is evolving towards books, which is becoming the first product in 2006, and stationary
- Successful and profitable Virgin franchises in Middle East (80M\$ sales in 5 countries)
- The network is now made of 33 Virgin Megastore in France and 24 large bookstores from the leading regional Le Furet du Nord and Payot Libraire
- Virgin Megastore became profitable and Furet du Nord and Payot did improve their profitability significantly

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Music • Books • DVDs • Videos • Games • Virgin Café
Mobiles • Multimedia • I.T. • Computers • Electronics



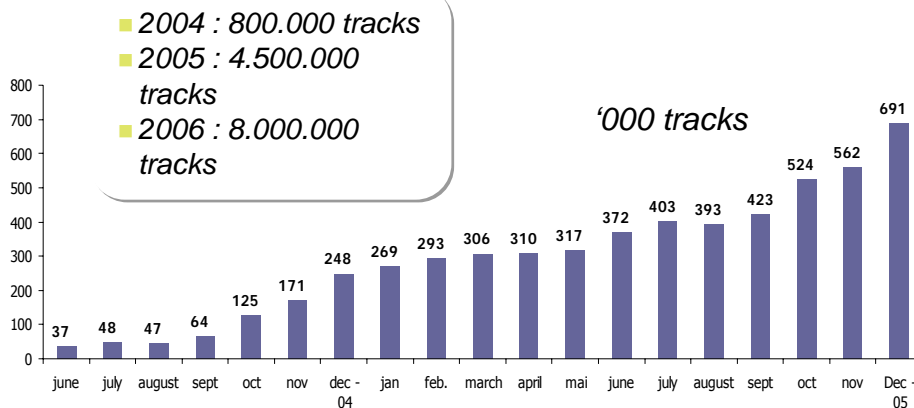
Virgin - Cairo (Egypt)



Retail of Media & Entertainment Products

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VirginMega.fr is the 2nd French legal downloading site



- VirginMega.fr (a joint company between HDS and LAB) is now the #2 legal music downloading platform in France with a 30% market share
- Take off of music downloads from mid 2004
- VirginMega launched its video download offer in April 2006

Distribution

Press distribution is about service to publishers and retailers

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Publisher A



Publisher B



Publisher C



National distributor:

sales promotion, relationship with publishers, monitoring of wholesalers



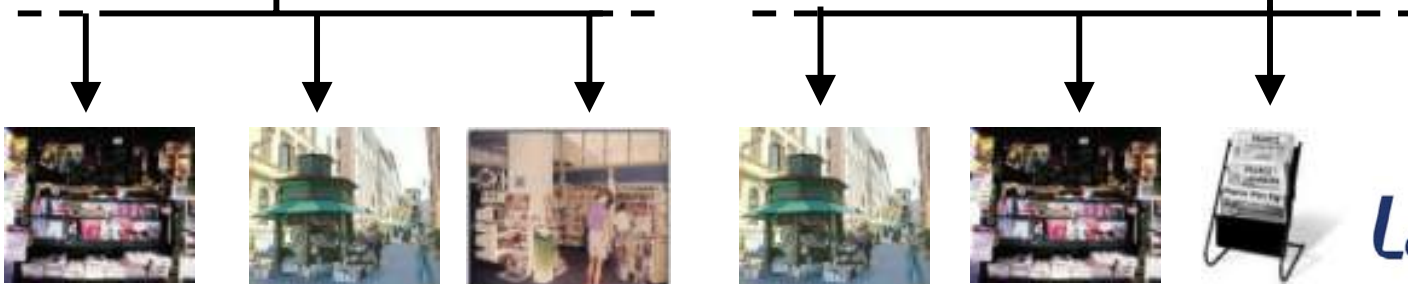
Wholesaler X

Press wholesalers:

reliable and cost-effective distribution of press, monitoring of retail network



Wholesaler Z



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Distribution

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A unique position in Press distribution



- HDS is by far the most international player in press distribution
 - A strong network to share best practices and maintain operational excellence
 - A proven ability to enter new markets and participate in privatizations
 - A large and specialized network of press importers

- A very strong position where present
 - In press distribution, size matters
 - Cost efficiency
 - Relationship with partners
 - HDS has a proven ability to gain and retain publisher clients

- Automation of processes and improvement of productivity
 - Leads to an improvement of profitability

SGEL warehouse (Spain)



Naville (Switzerland)





Distribution

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Diversification has become significant within HDS press wholesale companies

Company	% non press (sales)		What ?
	2003	2005	
AMP	21.4%	29.5%	■ Books, Phone cards, DVD, Gadget, Mail order, Subscriptions
Lapker	7.2%	13.2%	■ Phone cards
Naville	49,8%	51,4%	■ Books, Phone cards, DVD, Gadget, Confectionery, Subscriptions
SGEL	14.9%	17.4%	■ Books, Phone cards, DVD, Gadget, Subscriptions
TOTAL	21.1%	25.1%	



Distribution

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An example of diversification in distribution: AMP in Belgium



ILLUSTRATION



Croissanterie



- AMP network strength:
 - 6 000 POS delivered every morning
 - 120 000 km covered every week (3 times the world circumference)
 - 350 delivery rounds every day

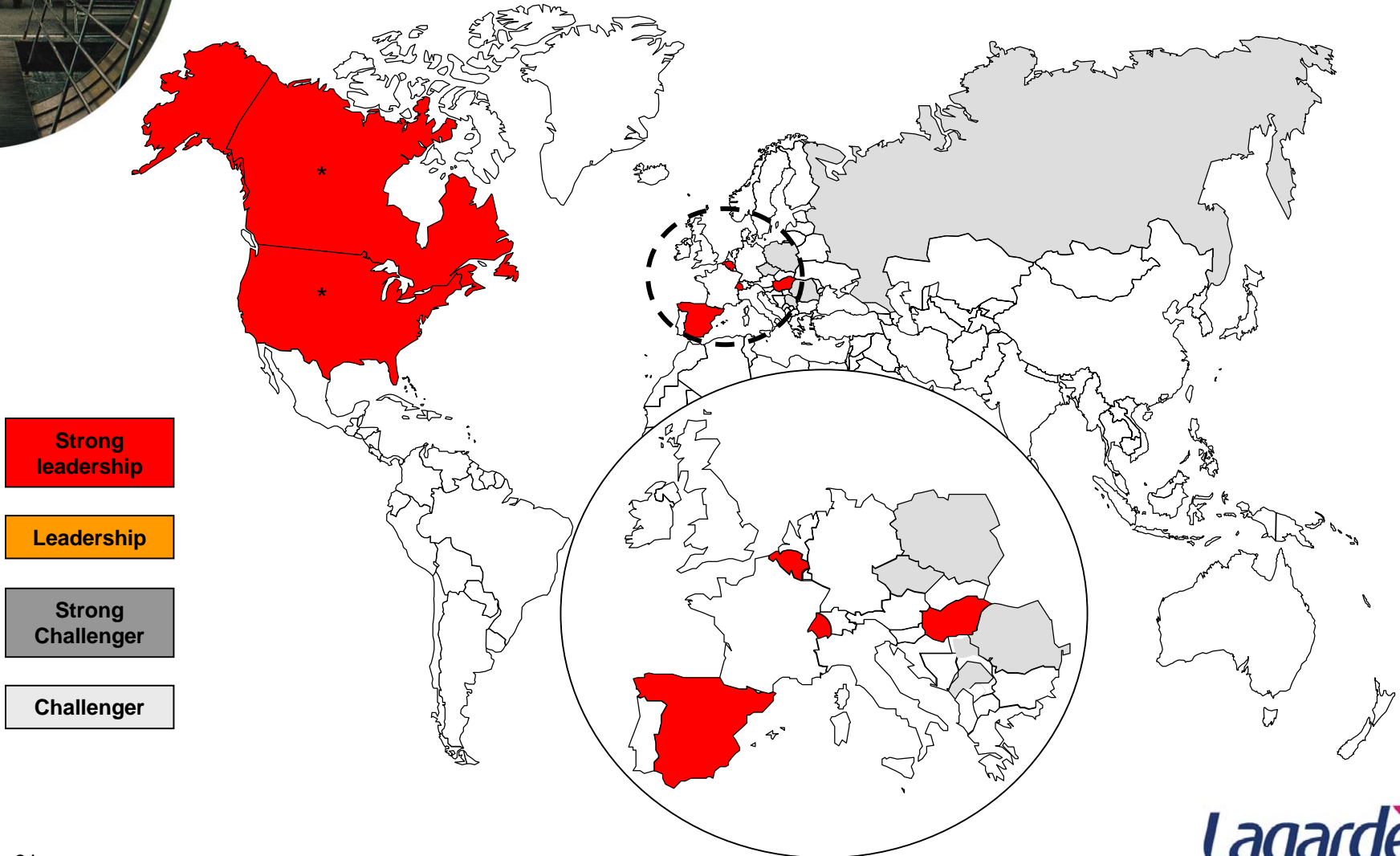
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Distribution

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HDS aims at being a strong leader where it operates

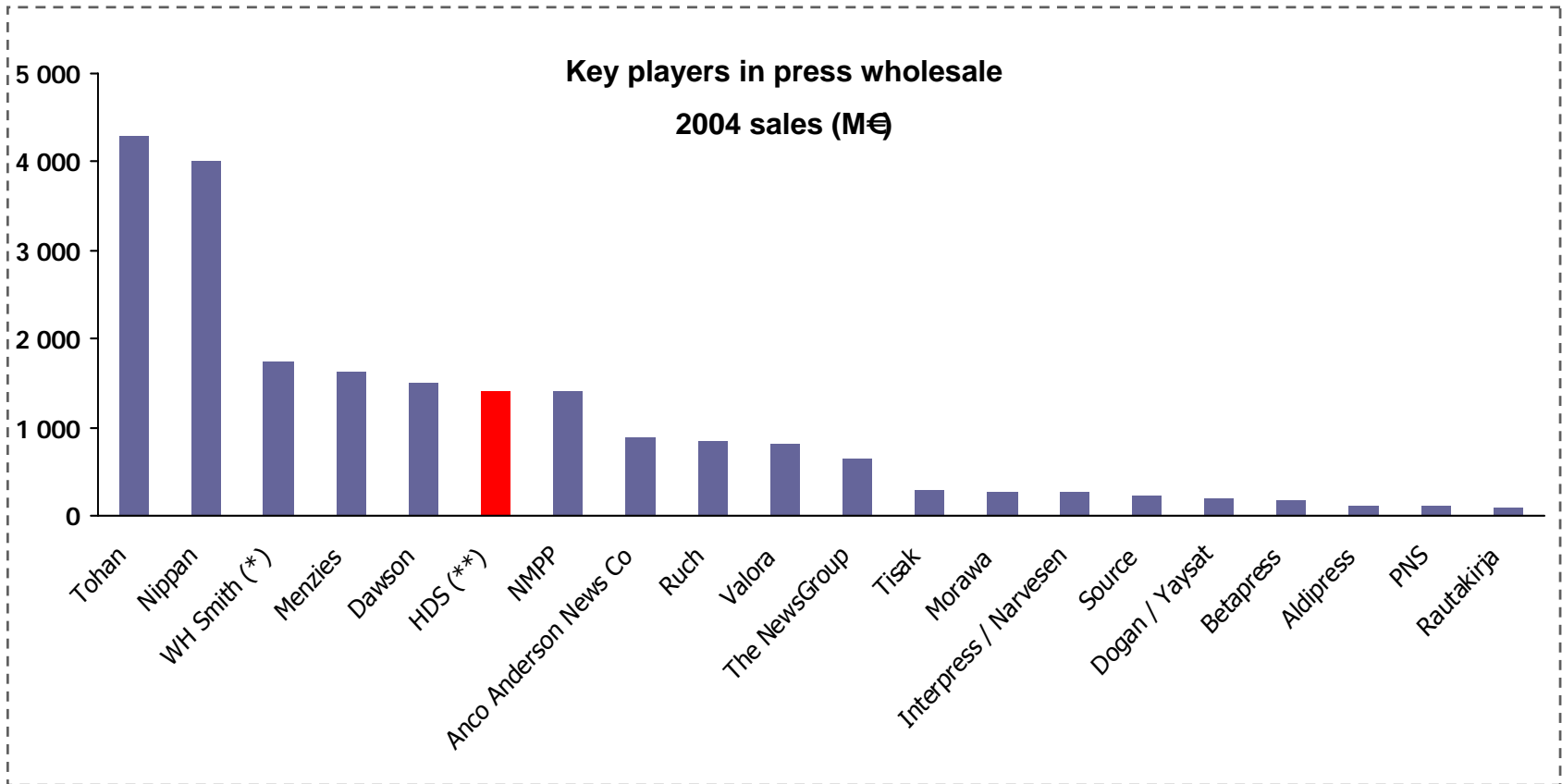




Distribution

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Most press distribution companies are large and local



(*) 2005

(**) 2005 managed sales for comparison purpose

Sources : Annual reports, Internet, Press release, HDS Estimates



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2000-2005: a sustained profitable growth

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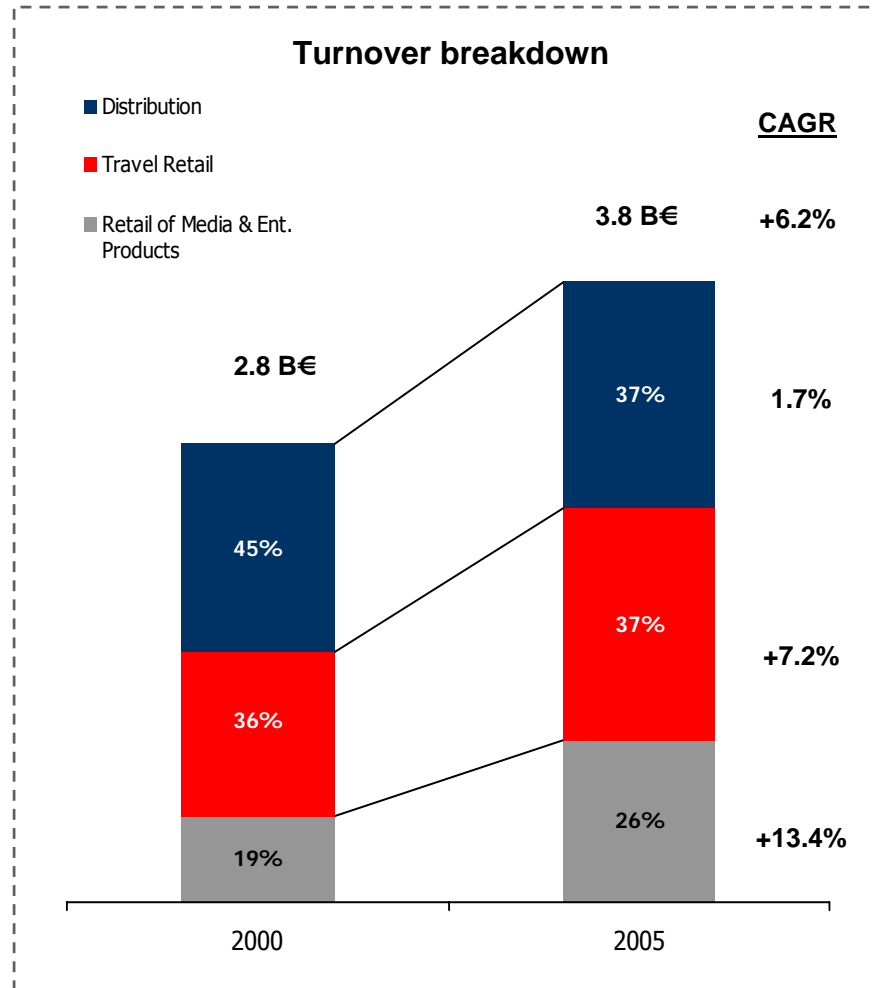
- 2007 objectives



2000-2005: A sustained profitable growth

A continuing shift from distribution to retail

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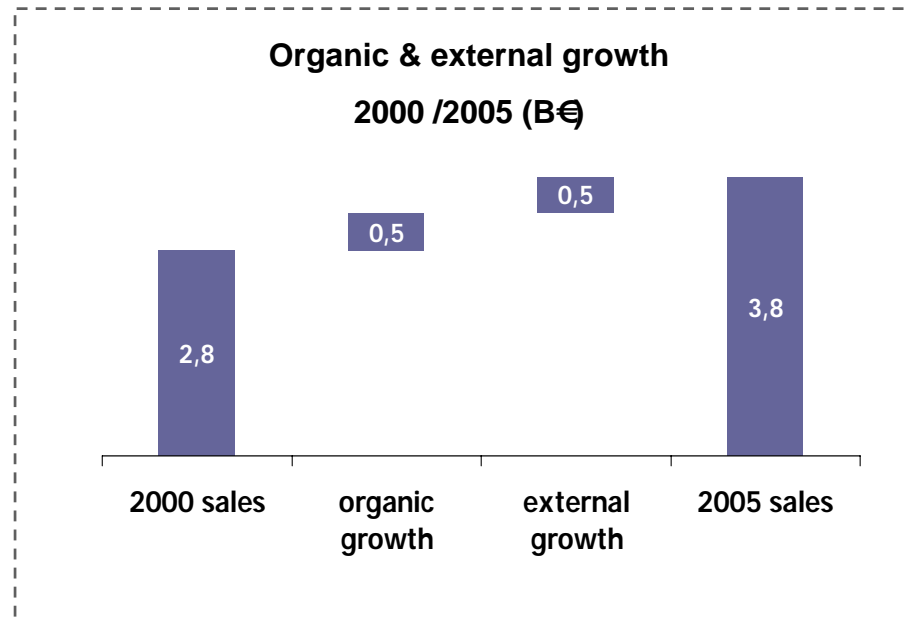


2000-2005: A sustained profitable growth

A combination of organic and external growth

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- HDS annual sales growth has been around 6.2% from 2000 to 2005
 - Over 50% of this growth has been external (Virgin, Saresco, Newslink)

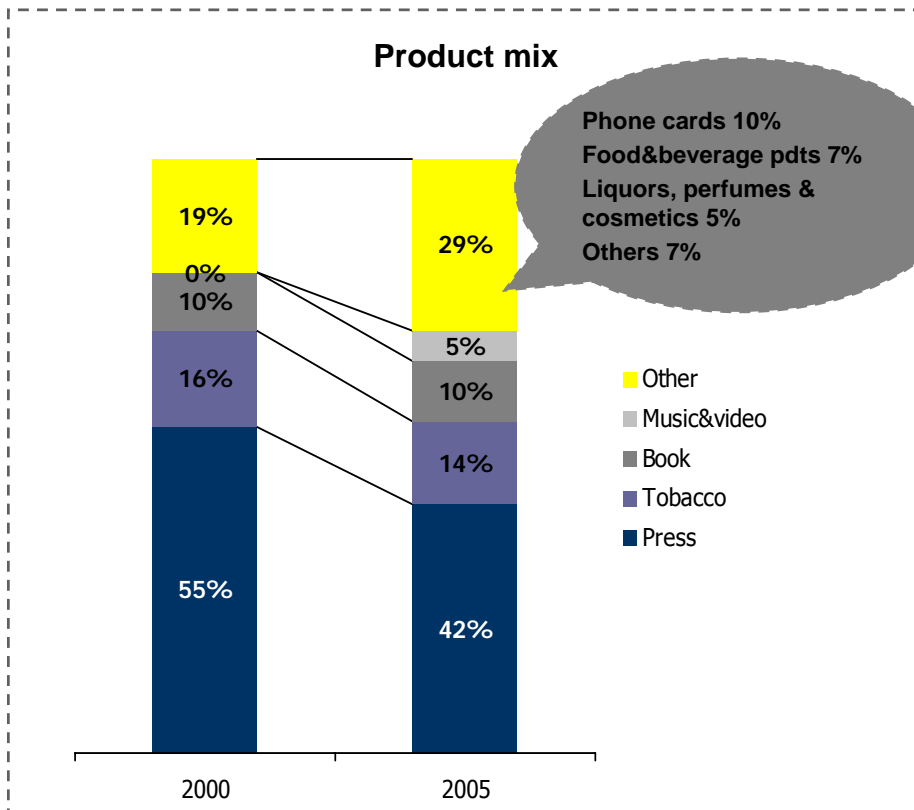




2000-2005: A sustained profitable growth

HDS is evolving towards more food & beverage and specialty products

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- Strong development of specialty & duty free
- Development of food concept
- Diversification

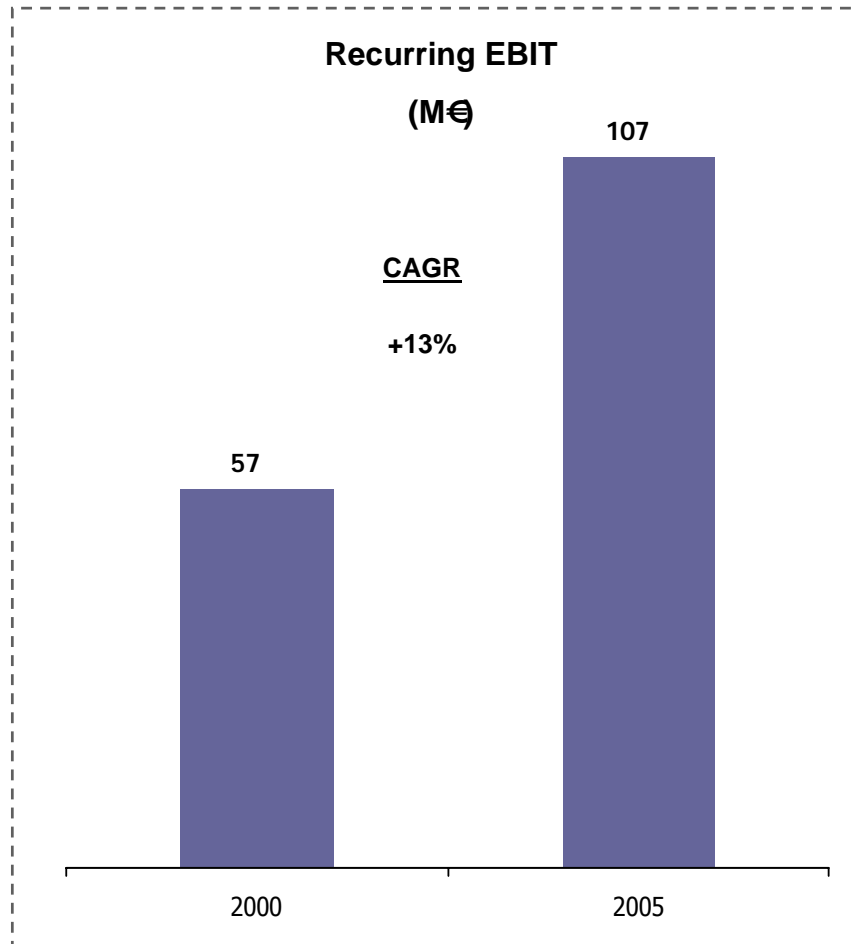
Non core products grew over 10 times faster than traditional core products

Strong focus on diversification in order to drive growth away from declining commodities like tobacco



2000-2005: A sustained profitable growth

HDS has nearly doubled its profitability in 5 years Investor Day June 01, 2006



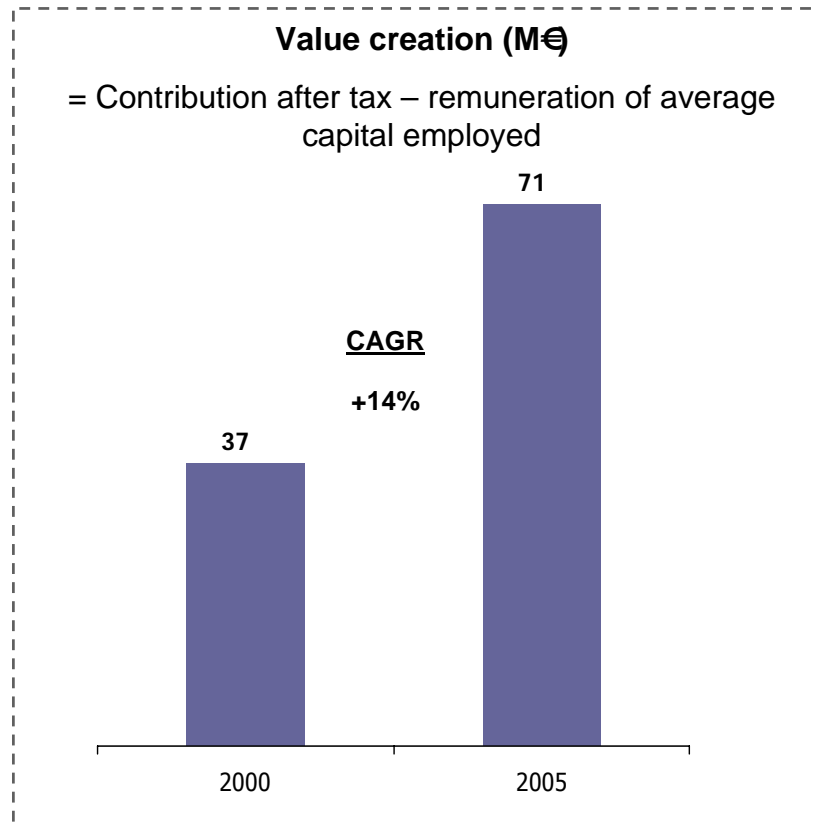
- Permanent focus on profitability levers: sales, margins and costs
- Leverage external growth through reengineering and HDS know-how



2000-2005: A sustained profitable growth

High value creation

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2000-2005: A sustained profitable growth

A strong balance sheet and a high ROCE

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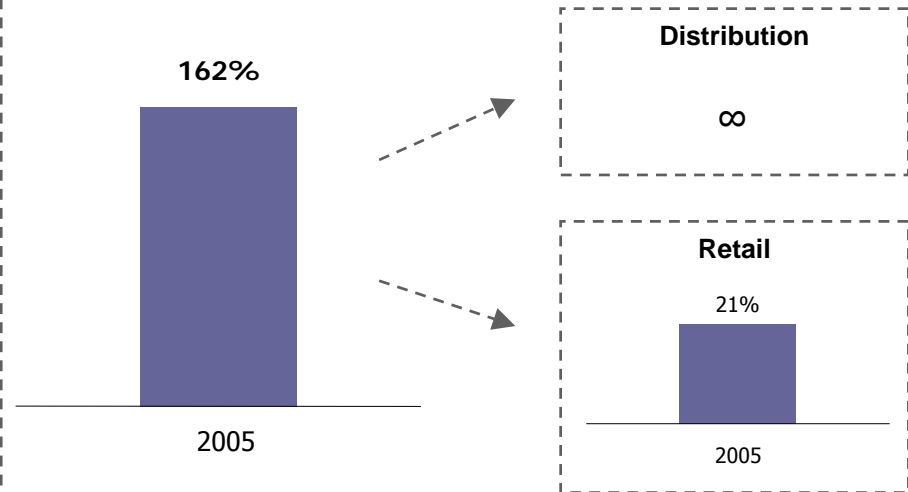
Consolidated balance sheet

In 2005 (M€)

Fixed Assets	575.6
Working Capital	(496.4)
Net Cash	261.8
Net Equity	<u>341.0</u>

ROCE

= Contribution after tax / average capital employed

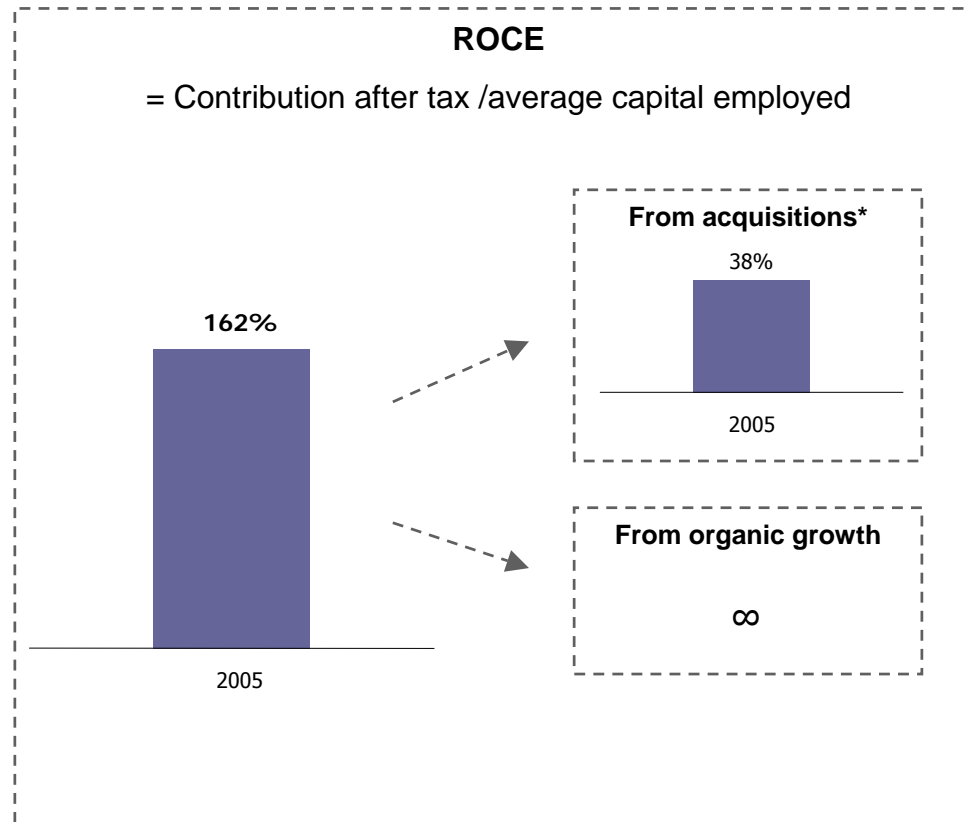




2000-2005: A sustained profitable growth

Strong ROCE in acquisitions

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Agenda

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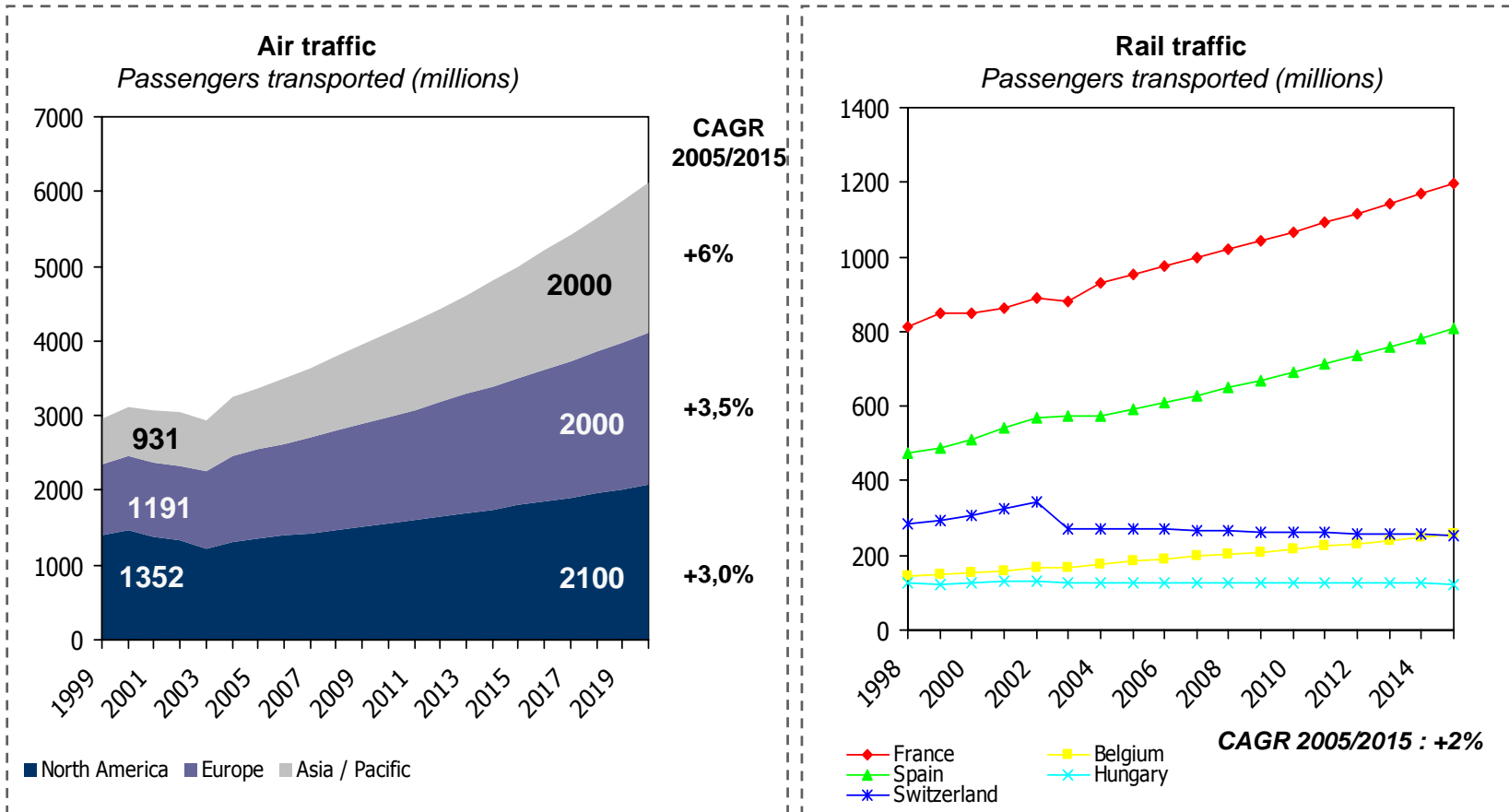
- Presentation of Hachette Distribution Services (HDS)
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- **2006-2010: a strategy centered around the development of travel retail, diversification and geographical expansion**
- 2007 objectives



Travel retail

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A strong growth of air and rail traffic



- Growth of air traffic will be lead by emerging economies
- Traffic is becoming more volatile

- Rail traffic will keep on growing in countries with high speed trains





Travel retail

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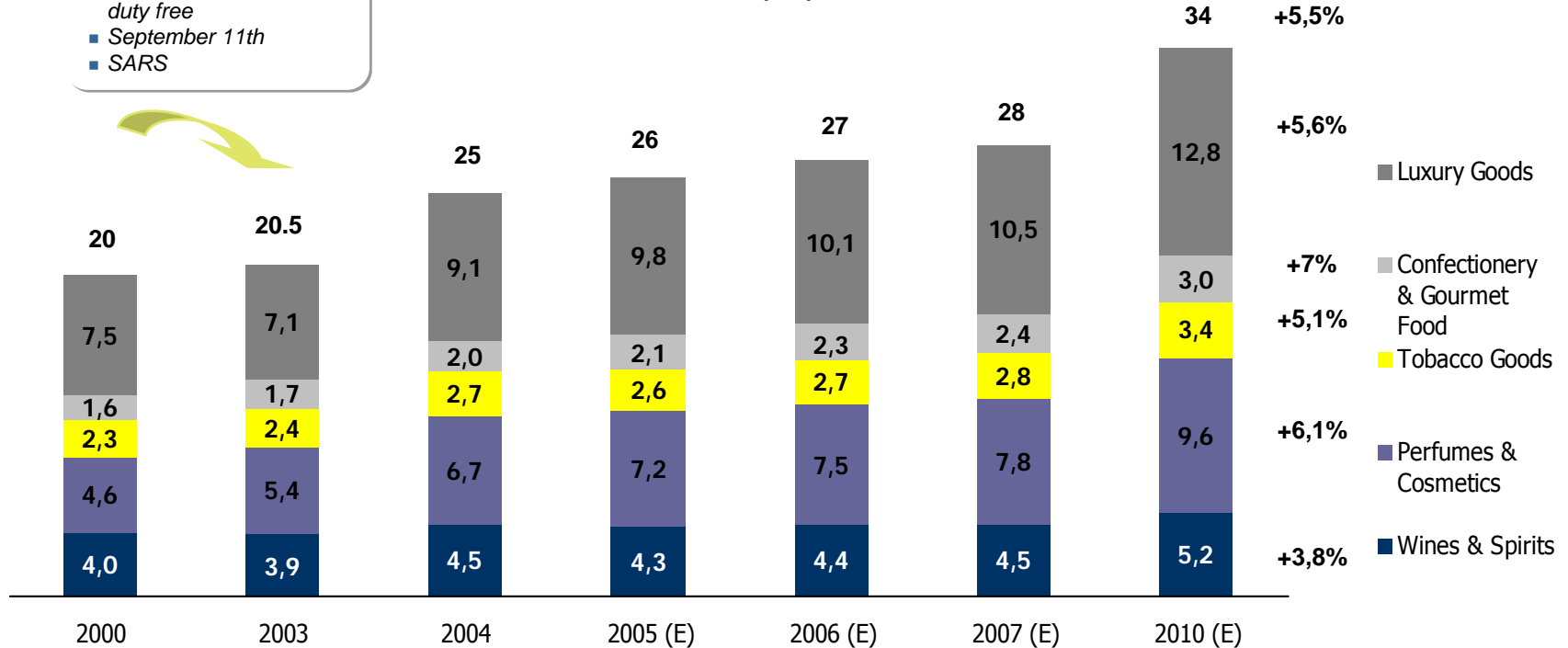
The growth of Duty Free market will be lead by luxury goods and perfumes & cosmetics

Breakdown of global Duty Free* sales by products

CAGR 2005/2010

(\$B)

- Stop of intra-European duty free
- September 11th
- SARS



Travel Retail is one of HDS' main lever of growth

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Develop Relay network worldwide

- Develop Relay in countries with strong potential where HDS is already present
- Enter new strategic markets: Thailand, China, Taiwan, Ukraine ...

Expand Aelia all over Europe and Asia

- Gain strong position within European market, especially in UK, Spain and Central Europe
- Start Asia

Develop specialty

- Set HDS as a key international player in specialty travel retail by developing existing concepts and creating new ones

Develop food & beverage

- Develop one-stop shopping Relay + Food & Beverage
- Develop Food & Beverage internationally

External growth

- Look for partnership/acquisitions in Europe, Asia and North America



Continue development of retail of Media & Entertainment products

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Look for stand alone development

- New openings of Inmedio newsstands in Central/Eastern Europe commercial centers (Poland, Romania, Russia, Czech Republic...)

External growth

- Look for opportunistic acquisitions in newsstands where HDS is not present and where format is adapted

Improve Virgin profitability

- Through permanent evolution of product mix towards books and stationary
- Through development of Virgin franchising
- Internal or external development of regional bookstore chain locally



To become a key player in dematerialized media & entertainment product:

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VirginMega.fr

VirginMega.fr

- Strengthen Virgin's position on the growing segment of dematerialized music
- Become leader in video download (launched in 04/2006)
- Development of new services: ticketing, photo printing, dating, travel...
- Develop white labels

The screenshot displays the VirginMega.fr website interface. At the top, there are navigation tabs for 'MUSIQUE', 'VIDÉO', 'MOBILE', 'BILLETTERIE', and 'TIRAGE PHOTO'. Below these, there's a search bar and a 'RECHERCHER' button. The main content area is divided into several sections: 'RECOMMANDÉS' featuring a movie 'BAD LIEUTENANT ADEL FERRARA', 'MEILLEURES VENTES' listing top-selling titles like 'L'Interprète', 'Born to fight - VOST', and 'Une aventure', 'NOUVEAUTÉS' with titles like 'Invasor', 'Une aventure', and 'L'Interprète - VOST', and 'MAINTENANT DISPONIBLE' with titles like '3 extrêmes - VOST' and 'Dead or alive - VOST'. The interface is clean and organized, typical of a media retailer's website from that era.

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To become a key player in dematerialized media & entertainment product:

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HDS Digital

- Creation of a digital press kiosk for mass market spread through white labels
- An innovative and original offer of digital magazines with several packages
- A full range of magazines will be offered (target of 500)

hdsdigital LE MEILLEUR DU TÉLÉCHARGEMENT

ACCUEIL MUSIQUE VIDÉO MOBILE BILLETTERIE TIRAGE PHOTO PRESSE

LE KIOSQUE

RECHERCHE RAPIDE

Recherche avancée

Nos offres

Tous les titres

Zoom sur...

À la une

Dernières parutions

Maintenant en digital

Familles

Actualités

International

Féminins

Masculins

Jeunesse

Vie pratique

Loisirs

Sport

TV & DVD

TÉLÉCHARGER LE PLAYER

NOS ATOUTS NOS AVANTAGES

MON COMPTE MAGAZINE

MON PANIER MAGAZINE 2 articles / 15,00 €

TOUTE LA PRESSE EN NUMÉRIQUE

Vous êtes ici > Accueil

LA PRESSE NUMERIQUE C'EST : L'ABONNEMENT : 2 FORMULES AU CHOIX

ESSAI GRATUIT LANCER LA DEMO

À LA UNE : Pour ou contre le CPE ?

Débat sur le CPE Révolte des campus, Villepin et la droite bousculés à 14 mois des élections : réactions des experts et des étudiants à lire dans cette sélection des étudiants à lire dans cette sélection.

Actualités

INTERNATIONAL

FÉMININS

MASCULINS

LOISIRS

SPORT

JEUNESSE

VIE PRATIQUE

ACTUALITÉS

JEUNESSE

VIE PRATIQUE

ACTUALITÉS

Le printemps est déjà là avec Bien dans ma vie

Le spectre de la grippe aviaire

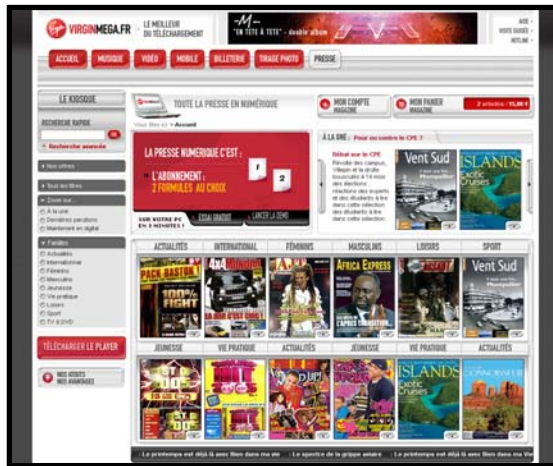
Le printemps est déjà là avec Bien dans ma Vie



To become a key player in dematerialized media & entertainment product:

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HDS Digital



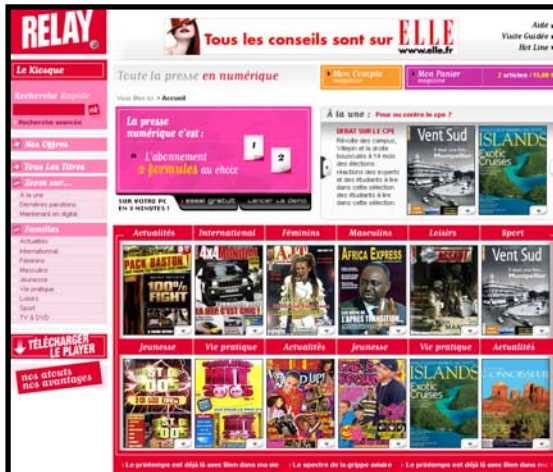
HDS Digital will be launched in July 2006 on both HDS generalist websites:



Relay: a press specialist



VirginMega.fr: the reference digital website in France



Enhanced exposure of HDS brands





Press distribution : Optimize operations and diversify towards non press

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Keep low costs while innovating and developing new services

Increase level of profitability

- Strengthen national distribution of domestic press by innovating in marketing and sales development
- Strengthen wholesale
 - Maintain operational excellence and cost monitoring (automation...)
 - Comfort and support independent newsstands
 - Play an active role in distribution to retail chains

Diversify towards non press

- Increase diversification within wholesale
 - Boost local initiatives
 - Development of subscriptions in Switzerland and Spain
 - Recent successes in phone card dematerialization (Alvadis and Naville Services, Lapker), Panini stickers and DVD
 - Increase experience sharing

Grow market share

- Outstanding service, aggressive commercial activity

External growth

- Enter new countries : Look for opportunities in developing markets



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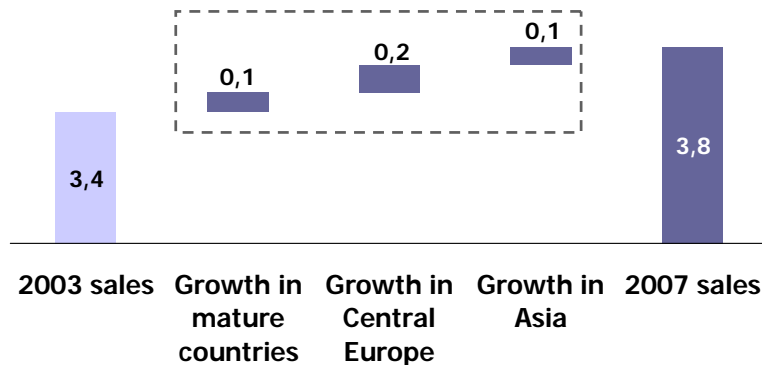


Geographic growth 2003-2007

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Region	CAGR 2003/07
Mature countries	1%
Central Europe	9%
Asia Pacific	64%

Central Europe and Asia Pacific achieve outstanding growth rates

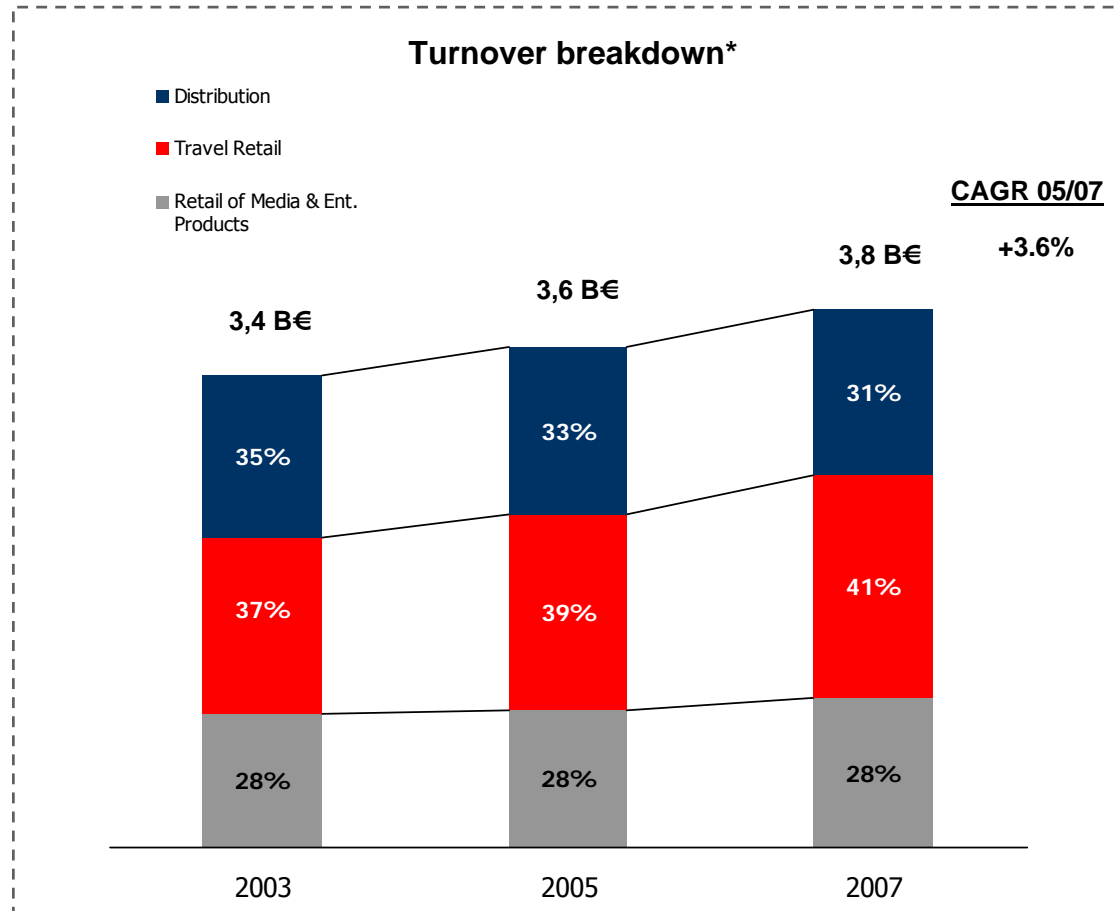


Over 70% of HDS's growth is generated by non mature countries



Organic growth 2003-2005-2007

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HDS intends to reach Lagardère's profitability ratio objectives



HDS Vision

- Through its global and local strategies, HDS will increase its sales and profitability by:
 - Strengthening its position of world n°1 in News & Gifts Travel Retail
 - Becoming one of the world leader in Specialty and Duty Free
 - Strengthening and diversifying its strategic position in press distribution
 - Developing Food & Beverage activities
 - Developing in emerging countries