



## Quarterly Information – Third Quarter of 2008

**Despite the economic environment, Lagardère SCA is reiterating its guidance for 2008 full-year growth in Media recurring EBIT before associates**

**Lagardère SCA consolidated revenues for the nine months to end September 2008: down 2.8% on a reported basis but up 4.1% on a like-for-like basis<sup>(1)</sup>.**

Paris, October 30, 2008

Despite a highly volatile environment and a lack of visibility, we are reiterating our guidance of 2008 full-year growth in Media recurring EBIT before associates in a range from “3% to 7%”, based on a euro/dollar exchange rate of 1.50.

Lagardère SCA consolidated revenues for the first nine months of 2008 amounted to €6,042m, representing a fall of 2.8% on a reported basis but a rise of 4.1% on a like-for-like basis.

The differential between the decline in reported revenues and the like-for-like increase was due to changes in Group structure (net negative effect of €277m, mainly on the divestments of Virgin Stores and the Regional Daily Press business) and to exchange rates, with the euro rising by an average of 13.2% against the U.S. dollar and of 15.5% against sterling (negative effect: €129m).

Key trends during the third quarter of 2008 on a like-for-like basis were:

- **Lagardère Publishing** – Further strong growth despite a tough comparative, driven by excellent performances in Fiction in the United States and in Education in Spain.
- **Lagardère Active** – Less favorable trend overall than in the first half of the year. The contraction in International Magazine sales accelerated, especially in Spain. Trading remains very weak in the United States, but with no further deterioration. Revenues are holding steady in France, in both press and radio. Growth remains buoyant for magazines in Russia and China, in International Radio activities, and in digital.
- **Lagardère Services** – A good quarter, despite slower growth in travel retail. The rate of growth improved in Press Distribution, primarily in Spain, Belgium and the United States. Revenues continued to grow in Central Europe, but at a slightly slower pace than in the first half of the year. Expansion of the stores network continues to have a positive effect.
- **Lagardère Sports** – Very good quarter, after a first half affected by low levels of billings and the negative top-line effect of portfolio optimization.

<sup>(1)</sup> Excluding changes in Group structure and the effect of exchange rates

	Revenues (€m)					
	2008: Q1	2008: H1	2008: 9 months	2007: 9 months	Change: 2008/ 2007, 9 months (reported)	Change: 2008/ 2007, 9 months (like-for-like)
<b>LAGARDERE</b>	<b>1,814.4</b>	<b>3,804.4</b>	<b>6,042.0</b>	<b>6,213.9</b>	<b>(2.8%)</b>	<b>4.1%</b>
Lagardère Publishing	413.3	908.0	1,563.4	1,544.8	1.2%	4.3%
Lagardère Active	488.9	1,017.7	1,516.4	1,647.0	(7.9%)	1.5%
o Press	385.3	778.9	1,176.4	1,315.0	(10.5%)	1.2%
o Broadcast	103.6	238.8	340.0	332.0	2.4%	2.6%
Lagardère Services	816.9	1,681.0	2,613.3	2,713.2	(3.7%)	5.9%
Lagardère Sports	95.3	197.7	348.9	308.9	12.9%	1.6%

## I – Revenues

### Lagardère Publishing

Revenues for the nine months to end September 2008 were €1,563.4m, up 1.2% on a reported basis and up 4.3% on a like-for-like basis (versus a 4.5% increase for the first six months of 2008). Because Lagardère Publishing generates over 40% of its revenues in the dollar and sterling zones, sales for the first nine months of the year were hit by a negative foreign exchange effect of €86m.

Trends by region in the third quarter of 2008 were as follows:

- In the United States, the pace of sales growth accelerated sharply during the summer, mainly thanks to sales of bestsellers by authors like Stephenie Meyer and James Patterson.
- United Kingdom sales grew at the same rate as in the first half of 2008, with continuing dynamism in fiction for adults and children's books.
- In Spain, the quarter was marked by strong sales growth in Education, with curriculum reforms giving a good start to the school year.
- In France, Education and Literature were down overall, in line with the 2008 first-half trend. Distribution revenues were also slightly down. However, illustrated books (including children's novels and travel books) showed very favorable trends.
- Partworks recorded a sharp slowdown, mainly in France and Italy. There was slight sales growth in Japan and the United Kingdom, though less marked than in the first half of 2008.

## **Lagardère Active**

Like-for-like sales growth for Lagardère Active was 1.5% (vs. 2.7% to end June 2008), showing a slight contraction in sales in the third quarter due partly to a particularly strong comparative in Q3 2007 (5.2% on a like-for-like basis). On a reported basis, sales were down 7.9% in the first nine months of the year at €1,516.4m, mainly due to the divestment of the Regional Daily Press business, and to a lesser extent to the impact of foreign exchange (-€45m to end September 2008).

Overall, advertising had a relatively good third quarter, mainly thanks to a good performance in Russia and the international radio business.

### **Press**

On a like-for-like basis, sales showed slight growth (1.2% compared with the first nine months of 2007, vs. 1.6% to end June). In Magazines, revenues were down 10.5% (reported basis) to end September at €1,176.4m. The main structural change was the divestment of the Regional Daily Press business. Key trends in the third quarter of 2008 were:

- In France, Magazines held steady in particularly difficult trading conditions, with Elle and Paris Match turning in a fine performance, offset by a slowdown at international level.
- The sharp revenue contraction continued in the United States and Japan, though there was no deterioration over the summer. However, the fall accelerated in Spain and to a lesser extent in the United Kingdom and Italy.
- Sales remained buoyant in Russia and China, with double-digit sales growth.

Overall, circulation revenues are continuing their trend of a very slight long-term decline, other than in emerging markets. Advertising revenues are continuing to show positive growth, driven by emerging markets.

### **Broadcast**

Revenues for the Broadcast business were €340m, a rise of 2.4% to end September 2008, or 2.6% on a like-for-like basis (vs. 6.2% to end June). The up-and-down quarterly profile (-4.9% in the third quarter of 2008 vs. +12.9% in the second quarter) was mainly due to the billing schedule in the TV production business. In addition, the third quarter of 2007 had shown like-for-like growth of over 14%.

- **Radio**

In France, revenues to end September 2008 were very slightly up, with business improving since end June due to the performance of Europe 1 and especially RFM, and good results at Virgin Radio in the third quarter of 2008. International radio continued to record robust growth despite a slowdown in growth in Russia.

- **Television**

After strong growth in the third quarter of 2007, TV production revenues were down sharply in the same period of 2008. The TV channels posted sales growth, mainly thanks to the strong increase in advertising revenues for DTT.

There was no slowdown in digital activities on a like-for-like basis relative to the first half of 2008.

## **Lagardère Services**

The division had a good third quarter in 2008, with revenues to end September up 5.9% on a like-for-like basis (down 3.7% on a reported basis because of the divestment of Virgin Stores) at €2,613.3m. At the end of the first half of 2008, revenues were up 5.8% on a like-for-like basis. Though airport retail sales were hit by the slowdown in air travel, press distribution generally showed stronger growth than in the first half.

All countries achieved sales growth to end September, helped by the impact of new store openings.

- Aelia saw slightly slower growth than in the first half, though it remained robust. New store openings helped sales growth despite the marked slowdown in air travel. The Euronord network was hit by the impact of the fire in the Channel Tunnel on September 11, 2008.
- Relay recorded another good performance despite a slight easing of the pace of growth in the quarter.
- The International business also saw a slightly lower level of sales growth in retail than for the first half of 2008, especially in Western Europe, which was affected by the slowdown in growth in air traffic. In Central Europe (Poland, Czechoslovakia and Romania), sales continued to grow fast in spite of a slight dip in sales growth relative to the first half. Revenue growth was as robust as in the first half of 2008 in North America, but slowed in the Asia-Pacific region.
- In the wholesale businesses, growth is generally lower than in retail. However, there was an acceleration in growth in the third quarter of 2008 due to fine performances in Spain and Belgium, and by Curtis in the United States.

## **Lagardère Sports**

Lagardère Sports generated revenues of €348.9m for the nine months to end September, an increase of 12.9% on a reported basis and 1.6% on a like-for-like basis. After low billings during the first half of the year (due to the lack of qualifying matches for international football tournaments, and to portfolio optimization), revenues rose by more than 30% on a like-for-like basis in the third quarter of 2008.

In addition to the excellent performances from Sportfive, boosted by qualifying matches for the football World Cup in September, changes in Group structure generated net additional revenues of €35m over the first nine months of 2008, in particular the acquisitions of IEC in Sports and Upsolut (consolidated over nine months) and of World Sport Group (consolidated over three months).

Given the structure of the division's contracts (rights acquisition or agent's commission), the revenue streams of Lagardère Sports are highly volatile from one quarter to the next and may not be a reliable indicator of trends in results.

## **II – Key factors affecting the financial position and results of Lagardère SCA as at September 30, 2008**

### **Earnings before interest and taxes**

- Despite a drop in consolidated revenues on a reported basis, Lagardère Media recurring EBIT before associates has risen, due to the combined effect of like-for-like basis revenue growth and measures taken to reduce operating costs within each division. Actual trends for the nine months to end September have not affected our full-year guidance, which remains in the “3% to 7%” range based on a euro/dollar exchange rate of 1.50. Recurring EBIT from non-media activities has been adversely affected by the non-recurrence of the favorable impact of the settlement of disputes relating to the former Matra Transport business, recognized in 2007.
- The contribution from associates has been affected by the reduction in the percentage interest held in EADS, which took place in June 2008. Over the first half of 2008, Lagardère recognized 12.5% of EADS earnings in “Income from associates”. Over the second half of the year, only 10% of these earnings are being recognized.
- Non-recurring items mainly comprise the €466m gain on the sale of a 2.5% stake in EADS, restructuring costs incurred at Lagardère Active, and impairment losses taken against certain intangible assets.

### **Net interest expense**

The lower level of net interest expense reflects the reduction in charges following partial redemption of the EADS Mandatory Exchangeable Bond in June 2008.

### **Net debt**

A number of factors have impacted the level of consolidated net debt:

- Acquisitions completed or paid for during the year, especially Doctissimo, World Sport Group and Massin.
- The cost of the share buyback program, which totaled €65m in the third quarter of 2008.
- The dividend payout of €196m.
- Redemption of one-third of the Mandatory Exchangeable Bond in EADS shares (€664m).

### **Other significant factors**

None of the four divisions made any significant acquisitions during the third quarter of 2008.

On July 21, 2008, Lagardère SCA canceled 3 million of its own shares, representing 2.23% of the share capital, which now comprises 131.1 million shares.

The share buyback program continued during October 2008. During September and October 2008, 3,073,236 shares were bought on the market, representing 2.34% of the share capital. The total cost was €100m, and the average price paid per share was €32.51. In mid-October, Lagardère SCA held 4.1 million of its own shares, representing 3.1% of the current share capital.

### III – Outlook

As indicated in our financial information for the first half of 2008, the poor economic environment and the tough comparative base (very strong revenue growth in the final quarter of 2007), we expect sales growth in the final quarter of 2008 year to be significantly lower than that achieved over the first nine months of the year.

For Lagardère Publishing, while the outlook remains good for the fourth quarter of 2008, the rate of growth is not expected to match that achieved in the third quarter, bearing in mind the high level of like-for-like growth (over 9%) posted in the fourth quarter of 2007.

For Lagardère Active, visibility for the fourth quarter of 2008 is still very limited, in both Press and Radio. It is likely that the downtrend that emerged at the end of the third quarter will accelerate. For the time being, the regions where growth remains strongest are Eastern Europe and China.

In the Press business, we are continuing to reposition on a smaller number of segments and countries, while expanding our digital activities through organic growth and acquisitions.

For Lagardère Services, good growth in Eastern Europe is expected to underpin the growth rate over the rest of the year, though at a lower level than that achieved in the third quarter of 2008. As with Lagardère Publishing, the sales performance in the final quarter of 2007 was particularly strong.

Lagardère Sports is expected to enjoy a fine end to the year, enabling the division to meet its earnings targets.

Despite a highly volatile environment and a lack of visibility, the Group's resilience over the first nine months of the year means that we are reiterating our previously-published guidance of 2008 full-year growth in recurring EBIT before associates in a range from "3% to 7%", based on a euro/dollar exchange rate of 1.50.

*Lagardère is a pure media group (books, press, broadcast, digital, travel retail and press distribution, sports trading and sports rights), and is among the world leaders in the sector.  
It also owns a 10% stake in EADS.*

*Lagardère shares are listed in Paris on Eurolist by Euronext – Compartment A.*

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