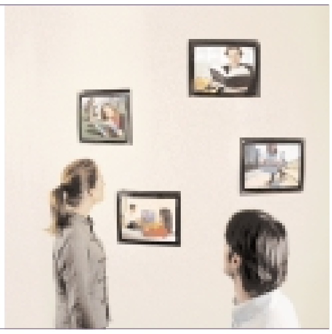
Lagardère

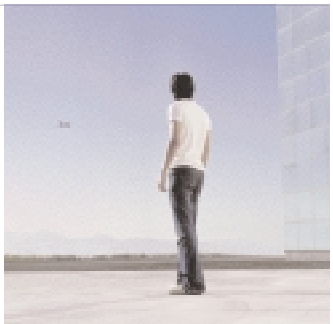
Interim report

First half 2004

Review of operations

The Lagardère Group has broadened its core business, the media, by taking a strategic stake in EADS N.V. (European Aeronautic Defence and Space Company).





In the Media sector, Lagardère Group's ambition is to capitalize on its major advantages —international presence, strong brand names (Elle, Première, Paris Match, Europe 1, Hachette, Virgin, and Canal J), expertise in content publishing (book publishing, film & TV production and new media), world leadership in the businesses of consumer magazines and distribution of cultural/entertainment products and services— in order to consolidate its presence and performance in all the major sectors related to the publishing and distribution of high quality content.
The aim of Lagardère's media division is to continue achieving growth by concentrating on two major lines of strategy. First of all, actively expand its international presence, not only in Western Europe, the United States and Japan, but also in high-potential countries (China and Eastern Europe) which could become the future growth markets; second, nurture and conquer leadership positions with the Group's flagship themes: women, education, youth and travel. Lagardère still feels that becoming a major player in television would be a considerable source of value and will therefore give careful, thorough consideration to any opportunities that could contribute to achieving this aim.
Concerning Editis, Lagardère initiated during the first half of 2004 the procedure to dispose of the entity to be sold, in accordance with the commitments taken by the Group in December 2003 and validated by the decision of the Brussels Commission issued on January 7, 2004.
After a thorough scrutiny of the offers received by Lagardère, via its advisory bank BNP Paribas, from potential purchasers who had shown a strong interest for the block acquisition of the entity to be disposed of, Lagardère short-listed five candidates and selected on May 28, 2004 one of these candidates, WENDEL Investissement, with which it signed a disposal agreement on July 30, 2004.
Before signing this agreement, the Group sought the opinions of the relevant Works Councils and obtained the approval of the European Commission for WENDEL Investissement.
The actual transfer of ownership of the disposed assets is expected to occur no later than September 30, 2004, once the authorization of all the national competition authorities has been obtained.
The agreement signed with WENDEL Investissement meets the various criteria which Lagardère had fixed for itself and are consistent with those defined by the European Commission: block sale of the disposed entity, in return for a price based on a corporate value of € 600 million, which will be fully payable in cash at the time of the disposal, speedy implementation, financial strength of the buyer and long-term industrial vision.
Further, Lagardère Group has consolidated its positions in the "reference" and "university" segments by the integration of the assets of Larousse, Anaya, Dunod, Dalloz, and Armand Colin and has become the leading book publisher in France. In Spain, Hachette has also become the sector's leader and confirmed its ambition to become the leading publisher on the Latin language markets.
Lastly, in August this year, a draft agreement was signed between Hachette Livre and W.H. Smith, concerning the acquisition of the British publishing company Hodder Headline; the UK's fourth largest publisher, sixth in education, with sales in excess of € 200 million. Hodder Headline has one of the best balanced business portfolios of all the players in the English-speaking world in the market segments comparable to those of Hachette Livre. This transaction will give Hachette Livre a strong position on the key linguistic region of the English-speaking world.

In the High Technologies business, the group's main strategic objective was European integration. This was achieved, first with the grouping of two major national players (contribution of Matra Hautes Technologies to Aerospatiale), and then on the European level (merger of Aerospatiale Matra with the German group DASA, and the Spanish group CASA with EADS N.V.). EADS thus inherited almost thirty years of partnership between its founding members and, in three short years, managed to capitalize on its strengths as a multi-national group.
The creation of EADS has resulted in considerable increases in the overall business volumes of the newly organized group and in significant savings derived from the synergies thus generated. As a result, the group posts annual sales of around 30 billion euros and has 100,000 employees spread over seventy sites. With its portfolio of world renowned brands such as Airbus, Eurocopter and Astrium, EADS is at the forefront of the global aeronautic, space and defense industry, providing Europe, via the extensive reach of its combined businesses, with the capacity to compete with the sector's heavyweight players, particularly in the United States.

Summarized consolidated income statements are as follows:

(in millions of euros)	First half 2004	First half 2003	Year 2003
Sales	6,250	5,802	12,454
Operating Income	337	229	671
Interest expense, net	(32)	(31)	42
Operating income (loss) after interest	305	198	713
Non-operating loss	(17)	(16)	(79)
Other items (including corporate income tax)	(124)	(101)	(276)
Net income (loss) before minority interests	164	81	358
Net income	140	74	334

CONSOLIDATED RESULTS

During the first half of 2004, Lagardère Group recorded a 7.7% growth in sales and a 47.1% increase in its operating income which rose from € 229 million to € 337 million, compared to the same period in 2003.

Operations of the Group's main business segments are analyzed below.

(Media)

Summarized half-year income statements of the Lagardère Media segment are as follows:

INCOME STATEMENT (in millions of euros)	First half 2004	First half 2003	Year 2003
Net Sales	4,060	3,861	7,944
Operating Income	197	172	427
Interest expense, net	(23)	(28)	55
Operating income (loss) after interest	174	144	482
Non-operating expenses, net*	(1)	(5)	(28)
Net income from companies accounted for by the equity method	32	23	47
Net income (loss) before tax	205	162	501

** Excluding exceptional write-downs of intangible assets.*

Lagardère Media is composed of the Book Publishing, Distribution Services and Lagardere Active divisions

The economic context for the first six months of 2004 continued to be uncertain and uneven, marked by the sustained level of book publishing activities and by a favorable advertising market for radio broadcasting, while the press, in a sluggish advertising context, devoted significantly higher efforts to renewing magazine launches.

In this context, excluding changes in group structure and exchange rate fluctuations, media business operations recorded a 5.2% increase. It remained negatively affected by the strong Euro but benefited nevertheless from the consolidation of the maintained Editis operations (€ 130 million).

Excluding incidents linked to structural changes and currency fluctuations, net sales grew by 3.3%. All business divisions recorded positive growth figures, which were particularly high for Lagardere Active with its double-digit internal growth.

Operating income totaled € 197 million, up by 14.2% over June 30, 2003 before recording changes in Group structure and exchange rates. It can be broken down as follows:

- The Book division recorded a € 7.9 million increase in operating income. Activity in this division was still carried by the balanced development of all publishing and distribution businesses in France and by the excellent performances of fascicles. On their side, for the first half of 2004, the recently consolidated businesses of Editis posted earnings just above break even (+ € 0.4 million), which are not representative of the expected trend for the whole year considering the seasonal nature of the business.
- For the first half 2004, the Press division launched numerous new titles backed by large-scale promotional campaigns. The financial requirements of these campaigns, together with the continuing poor currency market, had a negative effect on the division's profitability for the first half of 2004 and led to a fall in operating income by € 8.8 million over the first half of 2003.
- The Distribution Services division recorded a € 5.1 million increase in operating income thanks to the excellent performance of Spain and the improved results of Relais H, Virgin and North America.
- For Lagardere Active, operating income rose by € 20.3 million. Once again this performance was driven by a sharp improvement in radio and TV broadcasting activities as well as by efforts to rationalize businesses dedicated to Internet sites.

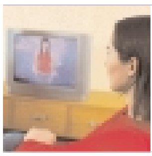
Net interest expenses showed a negative balance of — € 23 million, representing a € 5 million improvement over the first half 2003, as a result of the better cash position of divisions and the fall of interest expenses due to shrinking rates.

At June 30, 2004, the T-Online share was trading at € 9.37 compared to € 10.30 at December 31, 2003. These shares were kept in the accounts at the value of December 31, 2003 of € 522 million, representing a unit value of € 7.50. The application on June 30, 2004 of the evaluation method based on stock market comparables and on the consideration of a marketability discount, as set up at year-end 2003, has indeed helped to maintain this value.

Non-operating expenses (excluding exceptional write-downs of intangible assets) amounted to a charge of € 1 million euros.

Income from companies accounted for by the equity method rose sharply to € 32 million over the first half 2003, mainly driven by the sound performance of CanalSatellite.



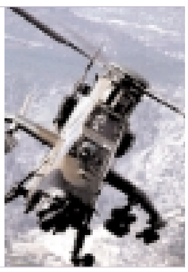
High Technologies

Lagardère Group's presence in the high technologies sector is represented by its equity stake in the EADS group which is consolidated under the proportional method. For the first half of 2004, the equity stake applied in the consolidation was 15.04% compared to 15.07% for the year 2003; it was diluted as a result of a share capital increase reserved for EADS employees which took place in December 2003.

EADS is composed of Airbus, Aeronautics, Military Transport Aircraft, Space and Defense and Civil Systems.

INCOME STATEMENT (in millions of euros)	First half 2004	First half 2003	Year 2003
Net Sales	2,190	1,941	4,510
Operating Income	147	66	232
Interest expense, net	(11)	(16)	(20)
Operating income (loss) after interest	136	50	212
Non-operating income (expenses*)	(11)	(15)	(49)
Net income from companies accounted for by the equity method	7	10	38
Net income before tax	132	45	201

** Excluding exceptional write-down of goodwill.*



The consolidated financial statements of EADS have been restated so that they conform to the French accounting standards applied by Lagardère Group. Until early 2004 and given the specific nature of certain hedging instruments, now due, net sales and consequently operating income and interest expenses were restated to reflect foreign currency transactions in Lagardère's accounts using the rates of exchange at which the corresponding cash flows had been hedged. Fair value adjustments made by EADS in respect of the contributions of Aerospatiale Matra and Dasa were also eliminated, so that these contributions were included in Lagardère's consolidated financial s tatements at historical cost.

Lastly, since EADS Group ceased to write-down goodwill as of January 1, 2004 in accordance with the new IFRS accounting rules, a depreciation and amortization expense was restored for the goodwill not restated originally in the Lagardère's Group's consolidation.

The table below shows a comparison between EADS' published results and the restated amounts included in Lagardère's consolidated financial statements for the first half of 2004:

(in millions of euros)	15,04 % of EADS published results	Restatements	Amount consolidated by Lagardère
Net Sales	2,190		2,190
Operating Income	138	9	147
Interest expense, net	(11)		(11)
Operating income after interest	127	9	136
Non-operating expenses, net *	(11)		(11)
Net income from companies accounted for by the equity method	7		7
Net income before tax	123	9	132

** Excluding exceptional write-down of goodwill.*

OPERATIONS

EADS contribution to Lagardère's consolidated sales was € 2,190 million, up on the figure of € 1,941 million published on June 30, 2003.

All Divisions contributed to achieving this improvement, with the exception of Military Transport Aircraft, where

unsurprisingly, there has been no intermediary stage where the revenue generated by the A400M can be taken into account.
The primary growth engine was Airbus, which recorded a 14% increase in sales. This good performance is the result of the delivery of a larger number of aircrafts compared to the first half of 2003 (161 aircraft against 149 for the same period last year), but also a particularly favorable distribution between the different aircraft delivered.
The Defense and Civil Systems division recorded a highly satisfactory income growth, driven by the increase in the missile and Eurofighter deliveries.
The Space Division business also recorded growth, mainly thanks to the contribution of the Paradigm satellite-based military communication program managed by EADS Space Services for the UK Ministry of Defense.
Lastly, the Aeronautics Division posted sales comparable to those recorded in the first half of 2003. Traditionally, this business generates higher sales in the second half of the year (especially for Eurocopter).
The global order book totaled € 180 billion, an amount similar to the year end 2003 figure. The level of orders taken shrank over the first half 2003 which had recorded significant commercial successes (orders for 21 A380 Airbus airplanes, signature of the A400M contract for 180 airplanes worth € 19.7 billion euros), but remained nevertheless close to the sales level. The major commercial successes for this first half mainly include the Arianespace order for three rocket launchers worth nearly € 3 billion. Airbus, for its part, booked 104 gross orders (before cancellations) during the first half of 2004, thereby reaching 58% market share. At the end of June 2004, its order book stood at 1,393 aircrafts.
The outlook is also very satisfactory thanks mainly to the turnaround in air traffic. In order to respond to market demand, Airbus has decided to gradually increase its production speed.
For the first half of 2004, the contribution to operating income totaled € 147 million, clearly up over the € 66 million recorded in the first half of 2003. This good performance was firstly driven by Airbus, whose performance has been boosted by the combined effects of a large volume and the distribution of delivered aircraft types, resulting in a significant increase in margin rates.
The Space Division has managed to achieve better control over its operating costs and has been reaping the early benefits of its restructuring plan. It is also benefiting from the improvement in the business operations of EADS Space Services (Paradigm).
The results of the other EADS businesses are in line with the first half of 2003.
Interest expense fell compared to June 2003 due to the improved cash position.
Non-operating expenses are composed primarily of provisions for restructuring costs, mostly in connection with the Defense and Communications Systems operations. At June 30, 2004, non-operating expense mainly comprised provisions for restructuring for, mostly, hedging the cost-cutting program started in the Space division.
Income from companies accounted for by the equity method, which dropped by € 3 million over the first half 2003, was mainly generated by Dassault Aviation.

Other Activities

Other Activities include interest expenses for borrowings obtained by the Group and not directly related to business activities, the operating costs of holding companies, and the results of companies not attached to any of the Group's business segments, principally Argil & Cie and the "spare parts" department of Matra Automobile.
Operating loss amounted to € 7 million compared to € 9 million at June 30, 2003.
Net interest expenses leveled off at a level close to equilibrium (+ € 1 million) already reached for the entire 2003 financial year (— € 1 million).
After taking into account the non-operating loss of (– € 1 million), net loss before tax of Other Activities amounted to (– € 7 million).

Summary of consolidated results

The contribution of the Group's two main business segments and of Other Activities to consolidated income before tax, amortization and write-downs of intangible assets and minority interests were as follows:

CONTRIBUTION TO CONSOLIDATED RESULTS (in millions of euros)	First half 2004	First half 2003	Year 2003
LAGARDERE MEDIA	205	162	501
EADS	132	45	201
Total income (loss) of business segments	337	207	702
OTHER ACTIVITIES	(7)	6	62
Income (loss) before tax, amortization and write-downs of intangible assets and minority interests	330	213	764

After income tax, amortization and write-downs of intangible assets and minority interests, net income was as follows:

(in millions of euros)	First half 2004	First half 2003	Year 2003
Income (loss) before tax, amortization and write-downs of intangible assets and minority interests	330	213	764
Income tax	(102)	(69)	(193)
Amortization and write-down of goodwill and other intangibles	(64)	(63)	(213)
Net income (loss) before minority interests	164	81	358
Minority interests	(24)	(7)	(24)
Net income (loss)	140	74	334

- The consolidated income tax expense totaled € 102 million at June 30, 2004 compared to € 69 million at June 30, 2003 and recorded growth in line with results.
- Amortization and write-downs of intangible assets totaled € 64 million for the first half of 2004 compared to € 63 million for the same period last year. This increase is attributable to exceptional write-downs of € 4 million recorded by Lagardère Media compared to the € 2 million on June 30, 2003.
- For the six months ended June 30, 2004, net income attributable to minority interests was € 24 million compared to € 7 million at June 30, 2003, this increase was mainly driven by EADS for € 11 million and Lagardere Active for € 4 million.

PARENT COMPANY RESULTS

For Lagardère SCA, the parent company, the operating income and net income for the first half of 2004 stood respectively at a loss of € 6 million and a profit of € 55 million (compared to an operating loss of € 3 million and net loss of € 12 million at June 30, 2003).

Consolidated balance sheets

ASSETS (in millions of euros)	June 30, 2004	Dec. 31, 2003	June 30, 2003
Current assets			
Cash and cash equivalents	1,596.2	1,578.2	855.7
Marketable securities	985.2	1,071.5	1,384.1
Trade receivables, net	2,102.7	1,726.2	1,661.5
Inventories, net	2,258.4	2,089.0	2,296.1
Other receivables, prepayments and deferred charges	2,755.1	2,045.7	2,002.1
Total current assets	9,697.6	8,510.6	8,199.5
Investments accounted for by the equity method	1,502.3	1,502.9	1,498.6
Other investments and non-current assets	1,217.5	2,317.3	2,481.6
Property, plant and equipment, net	2,338.1	2,126.9	2,006.9
Intangible assets, net	3,906.7	3,498.8	3,679.1
Fixed and other non-current assets	8,964.6	9,445.9	9,666.2
Total assets	18,662.2	17,956.5	17,865.7

LIABILITIES AND STOCKHOLDERS' EQUITY (in millions of euros)	June 30, 2004	Dec. 31, 2003	June 30, 2003
Liabilities			
Trade payables	3,337.1	3,219.1	3,037.5
Advances on contracts and deferred income	2,363.5	2,243.9	2,233.7
Borrowings	4,132.5	3,819.0	4,285.6
Other payables and provisions	1,958.6	1,921.7	1,760.5
Reserves for risks and charges	2,260.9	2,201.0	2,254.7
Total liabilities	14,052.6	13,404.7	13,572.0
Permanent funds			
Perpetual subordinated notes	415.8	415.8	415.8
Minority interests	265.4	254.5	240.9
Total permanent funds	681.2	670.3	656.7
Stockholders' equity			
Common stock	854.8	851.7	850.0
Additional paid-in capital and retained earnings	3,073.6	3,029.8	2,787.0
Total stockholders' equity	3,928.4	3,881.5	3,637.0
Total permanent funds and stockholders' equity	4,609.6	4,551.8	4,293.7
Total liabilities and stockholders' equity	18,662.2	17,956.5	17,865.7

Consolidated statements of income

(in millions of euros)	Half year to June 30, 2004	Half year to June 30, 2003	Year to Dec. 31, 2003
Operating revenues			
Net sales	6,250.2	5,802.3	12,454.4
Other operating revenues	370.2	471.1	614.3
Total operating revenues	6,620.4	6,273.4	13,068.7
Operating expenses			
Purchases and changes in inventories	(3,496.3)	(3,444.7)	(7,097.4)
Payroll costs	(1,336.5)	(1,266.8)	(2,521.8)
Depreciation, amortization and provisions	(264.4)	(224.6)	(522.4)
Other operating expenses	(1,185.8)	(1,108.0)	(2,255.8)
Total operating expenses	(6,283.0)	(6,044.1)	(12,397.4)
OPERATING INCOME	337.4	229.3	671.3
Interest expense, net	(32.3)	(30.9)	(41.9)
Operating income, (loss) after interest	305.1	198.4	713.2
Non-operating expenses, net	(17.0)	(15.7)	(78.9)
Preferred remuneration	(0.5)	(3.9)	(8.1)
Amortization of goodwill	(60.5)	(60.6)	(123.6)
Income taxes	(102.3)	(69.2)	(193.3)
Net income (loss) from companies accounted forby the equity method	38.7	32.8	49.1
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	163.5	81.8	358.4
Minority interests	(23.8)	(7.4)	(24.5)
NET INCOME (LOSS)	139.7	74.4	333.9
Income per undiluted share	1.03	0.55	2.47
Income per diluted share	1.02	0.55	2.42

Outlook

At the end of August, the uncertainties surrounding the global economy make it difficult to make any forecast for Lagardère Media.
However, the few signs of economic improvement in most western countries and Japan and the currency stability of the euro represent encouraging factors for the year end.
Lastly, in the second half, which generally contributes 60% of the annual operating income, Lagardère Media is faced firstly with a very high comparison for the corresponding period in 2003 in respect of its Radio business. Secondly, since its book publishing division largely depends on its Education segment, which, as in previous years, will not post growth due to the demographic situation, the Group cannot expect growth in the second half at the same rate as for the first half.
In total, buoyed by the strong operating income in the first half, Lagardère Media forecasts growth in operating income (prior to the impact of Editis and Hodder Headline) of between 7% and 10% for the full year 2004.

LAGARDERE

Lagardère SCA
A French limited partnership with shares with capital stock of 851,664,913.90 € divided into 139,617,199 shares of € 6.10 par value each.
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