

*Lagardère*

MILESTONES 2006

LAGARDÈRE | CONTENTS MILESTONES 2006





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**Lagardère**  
*Expanding your world*

*Lagardère*

Operating sectors

14.95% strategic stake

books

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press

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distribution services

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audiovisual

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high technologies

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**Operating in more than 40 countries,** Lagardère is a French group and the world leader in two industries: media and high technology. Its media activities constitute a stable core business for Lagardère, one that is built on four distinct and complementary operating sectors: book publishing, the press, distribution and audiovisual. Lagardère's high-tech activities are illustrated by its 14.95% strategic interest in the European company EADS.

Lagardère is also engaged in the communications and aerospace industries, two sectors of significance to France's national sovereignty. But they mainly provide two opportunities to express one and the same objective: to be responsive, successful and modern. Media successes like Le Livre de Poche, Larousse, JC Lattès, *Elle*, *Paris Match*, Virgin, Relay, Europe 1 and Canal J and commercial and technological successes like Airbus and Eurocopter testify to Lagardère's expertise and establish its credibility. Over the past few years, the Group has undergone a major transformation. Led by Arnaud Lagardère since 2003, the Group continues to pursue its mission of promoting and disseminating culture worldwide, while making every effort to preserve and encourage independence, boldness and creativity, which have always defined the company and make up its unique vision.



**Being at the head of a Media Group,** I know to what extent the immediacy of information in our societies implies the immediacy of decisions. Lagardère Group is responsive. It knows how to seize opportunities and how to measure the consequences of its actions with a short-term perspective in mind. But I also hope to lead the group over the next three decades. And that requires a very long-term strategic vision. That vision unquestionably remains the dominant factor in my eyes.

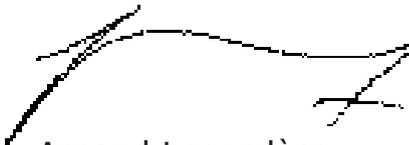
**In rapidly changing fields,** acting quickly is only viable if it is based on an overall strategy that has been carefully thought out. That certainly holds true for Lagardère, in that our strategy found us well equipped to face the events of 2005 and 2006.

**First significant event:** the acquisition of a 20% stake in Canal+ France. This transaction comes in response to a long-expressed desire to expand our operations in the audiovisual sector. But that is not the key issue. By reserving the right to withdraw, the right to increase our stake to 34% in three years and the right to outbid if Vivendi were to sell its interest, I have the privilege of withholding judgment on the viability of this economic model. This is a prudent move. It will give us time to study the development of the pay TV sector in France at a time when DTT's success is creating a new economic environment.

**Second significant event:** the buyout of Time Warner Books in the United States. This major acquisition in the publishing industry confirms that we have chosen the right development objectives. First, we must continue to strengthen our mature businesses to implement a strategy of critical size. Second, we must globalize our businesses to continue growing abroad, particularly in the English-speaking world. Lagardère owes its strength to the complementary nature of its businesses; its book publishing business is currently thriving. After the acquisition of Hodder Headline in 2004, we must now concentrate on integrating these new companies before moving in other directions. The key to success also lies in defining a sound rate of growth.

**Lastly, I have never stopped expressing my desire to make the media the group's top priority.** Our reduced investment in EADS is further evidence of this. However, I can't deny that for many of its shareholders, Lagardère Group has greatly benefited from EADS's growth and will continue to do so. We are and remain at the head of the company with our DaimlerChrysler partners.

**To conclude, I would like to underscore some basic, unchanging facts.** Again this year, our results are remarkable. In 2005, our net sales increased by 5.8% and our operating income grew by 8.9%. But above all, our fundamentals are all excellent. Lagardère Group is healthy, has very little debt and is managed with unfailing rigor. I give my commitment to our shareholders that Lagardère is a stable company. By taking this for granted, we sometimes lose sight of its true significance. In an environment of globalized economies, with its attendant opportunities and risks, it seems important to recall just how valuable that is.



Arnaud Lagardère

# Management team

Media and high technology are business sectors in which individuals' skills and expertise bring a competitive advantage. Lagardère Group benefits every day from the creativity and boldness of its more than 48,000 men and women.

Leading them and working with Arnaud Lagardère, the group's executives strive to preserve the independence of their employees. Without this independence, there would be no freedom of creativity or expression for our authors, journalists and publishers. These professionals are both autonomous and responsible for the choices they make.

**Dominique D'Hinnin**

Executive Vice-President,  
Chief Financial Officer,  
Lagardère SCA

Member of the Executive  
Committee



**Thierry Funck-Brentano**

Executive Vice-President,  
Human Relations  
and Communications,  
Lagardère SCA

Member of the Executive  
Committee



**Jean-Paul Gut**

Chief Operating Officer,  
EADS

Member of the Executive  
Committee



**Gérald  
de Roquemaurel**

Member of  
the Executive  
Committee

**Arnaud Molinié**

Chief of Staff,  
Lagardère SCA  
Executive Committee  
Secretary



**Philippe Camus**

Deputy Chairman  
and Chief Operating  
Officer, ARCO

Co-Managing Partner

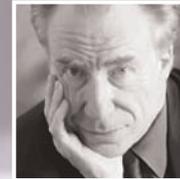


**Arnaud Lagardère**

General and Managing Partner,  
Lagardère SCA

Chairman and Chief Executive Officer,  
Lagardère Media

Chairman of the Board of Directors,  
EADS



**Pierre Leroy**

Director and Chief  
Operating Officer,  
ARCO

Co-Managing Partner



**Arnaud Lagardère**

Chairman,  
Lagardère Active



**Jean-Louis Nachury**

Chairman and Chief  
Executive Officer,  
Hachette  
Distribution Services



**Arnaud Nourry**

Chairman and Chief  
Executive Officer,  
Hachette Livre



**Gérald  
de Roquemaurel**

Chairman and  
Chief Executive  
Officer, Hachette  
Filipacchi Médias

# Expanding your world

In 2005, the group's financial health and development potential were manifested by the strengthening of its positions in its core operating activities (Books, Press, Distribution and Audiovisual) and by the growing success of EADS (a global leader in aeronautics), in which Lagardère has a strategic stake.

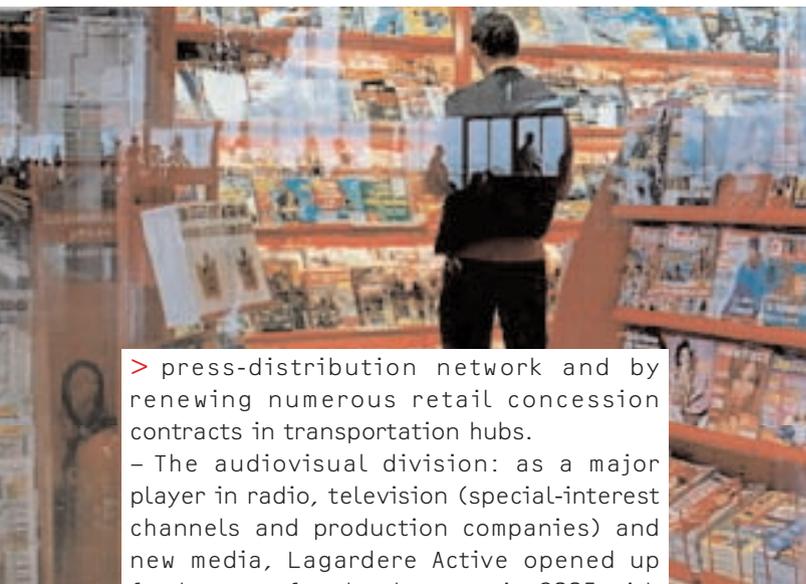


**Content as a focus of activity.** Four highly complementary media operating divisions represent the group's core activity, thanks to which Lagardère makes a significant contribution to the promotion of culture, knowledge and information throughout the world.

- The book division: the world's third-largest publishing group with the buy-out of Time Warner Book Group, Hachette Livre publishes high-quality works in the general literature, textbook and illustrated book segments, as well as booklets sold at newsstands.

- The press division: the world's leading magazine publisher with a portfolio of 260 magazines, Hachette Filipacchi Médias maintained its No. 1 rank in 2005 by relying on the healthy positions of its leading titles and by taking advantage of the growth stemming from recently launched investments.

- The distribution division: Hachette Distribution Services promotes access to a wide range of cultural products by continuing to develop its leading worldwide >



> press-distribution network and by renewing numerous retail concession contracts in transportation hubs.  
 – The audiovisual division: as a major player in radio, television (special-interest channels and production companies) and new media, Lagardere Active opened up fresh areas for development in 2005 with the launch of Digital Terrestrial Television.



**A worldwide presence.** With operations in some 40 countries, the Lagardère group generated 70% of its revenues through international activities in 2005. Some 57% of the employees of the media division (31,324 people) work outside France.

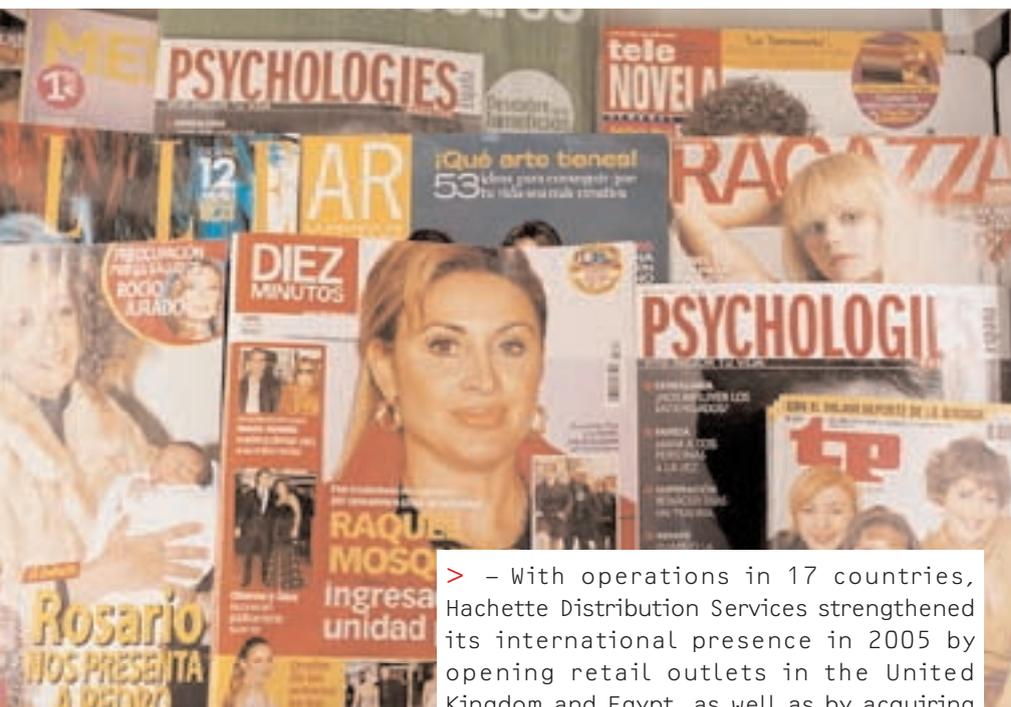
– Hachette Livre publishes in three key languages: French, Spanish and English. Its presence on English-speaking markets was recently reinforced with the acquisition of Hodder Headline in the UK in 2004 and Time Warner Book Group in the United States at the start of 2006.

– Hachette Filipacchi Médias publishes 200 magazines for international markets. *Elle* magazine alone is published in 38 different national editions, in such diverse countries as the United States, Sweden and China. In Japan, the oldest title published by Hachette Filipacchi Médias, *FujinGaho*, celebrated its 100th anniversary in 2005. The group is strengthening its presence in Asia by studying a proposal to launch *Psychologies Magazine* in China in early 2006. >

## 2005: Excellence in the spotlight

With revenue growth of 5.8%, Lagardère SCA once again achieved outstanding results in 2005. All the group's divisions contributed to this success. Consolidated operating earnings before interest and taxes (recurring EBIT) grew by 8.9%, while the media division's recurring EBIT grew by 7.1%. The high degree of transparency shown by the Group in the publication of these excellent results was publicly recognized when the Group received the 2005 award for the best annual report for companies included in the CAC 40. This prestigious distinction, sponsored by the *La Vie Financière* and *Le Figaro* newspapers, was awarded in recognition of the quality of the information the Group provides to its shareholders and the financial markets. ■





> - With operations in 17 countries, Hachette Distribution Services strengthened its international presence in 2005 by opening retail outlets in the United Kingdom and Egypt, as well as by acquiring the travel retail business managed by W.H. Smith in Hong Kong and Australia.

- Lagardere Active Radio International (LARI) is enjoying growing success in seven countries (in Eastern Europe, Germany and South Africa) while the group's new-media activities lead the market in Germany (with Legion GmbH) and the US (with BlingTones). >

### Time Warner Book Group: the American venture

On February 6, 2006, the Lagardère group announced the conclusion of an agreement on the acquisition of the United States' fifth-largest book publisher, Time Warner Book Group, which covers popular literature, illustrated books, religious books, literature for young people and audio books. This acquisition will boost the group's book division to third place worldwide and will enhance its English-language publishing operations. ■



> **Putting people first.** For the Lagardère group, which is firmly committed to the concepts of human respect and dignity, putting people first means above all guaranteeing the best possible working conditions for its employees. In 2005, the Group made massive investments to back up its training policy: in France, one of every two employees has participated in a training program; abroad, the figure is one in three. Above all, by recognizing individual liberty as one of its core values the Lagardère group's intent is to leave its employees free to fully express their creativity and drive. This founding principle of the Group's corporate culture contributes to its exceptional power to attract the best, with more than 150,000 employment applications received in 2005.

The Lagardère group's strength and public visibility are also put to good use in the pursuit of social and environmental causes. The Group signed the United Nations Global Compact immediately after its creation. Since then, it has become more involved in the struggle for sustainable development each year. In 2005, a steering committee defined and put into action a socially responsible policy for the management of paper, the transport of books, magazines and newspapers, and the recycling of unsold copies.

> **Sharing our values.** The Lagardère group's history has forged its corporate culture, whose core values include not only individual liberty but also daring, creativity, excellence and generosity. Because it endeavors to enrich and sustain culture without simply being content to convey it, Lagardère has also made a commitment to promote its values. >

### Team Lagardère: a new model for sports training

Arnaud Lagardère announced the creation of Team Lagardère on May 17, 2005. This is an ambitious and innovative program to create and develop a completely new technical and scientific platform dedicated to the training of athletes. To begin with, it will focus on young tennis players involved in competitive events, but Team Lagardère's long-term mission is to involve other disciplines and leisure-time sporting activities as well. ■



Arnaud Lagardère is surrounded by figures from the sporting world at the inauguration of the new Team Lagardère technical and scientific platform on December 13, 2005.

> The Jean-Luc Lagardère Foundation is a good illustration of this commitment. In 2005, the Bourses Hachette grants were once again awarded to a group of talented, young, creative spirits to allow them to give concrete expression to their projects. The foundation has also put its resources to work to promote French culture abroad, to enhance the human dimension of hospital pediatric departments, and to support fundamental research.

The Group's involvement in the field of athletics is another area where Lagardère made a major commitment in 2005. The Group has been a partner of the Paris Jean-Bouin Omnisports Club since 2004, and in 2005 Lagardère became an official partner of the Roland Garros French Open tennis championship. It also organized the second annual Jean-Luc Lagardère Cup, a stage in the Delta Tour of Champions that brings together eight former world-class tennis champions. And with the creation of Team Lagardère, the Group has established an innovative structure to promote sports performance. ■



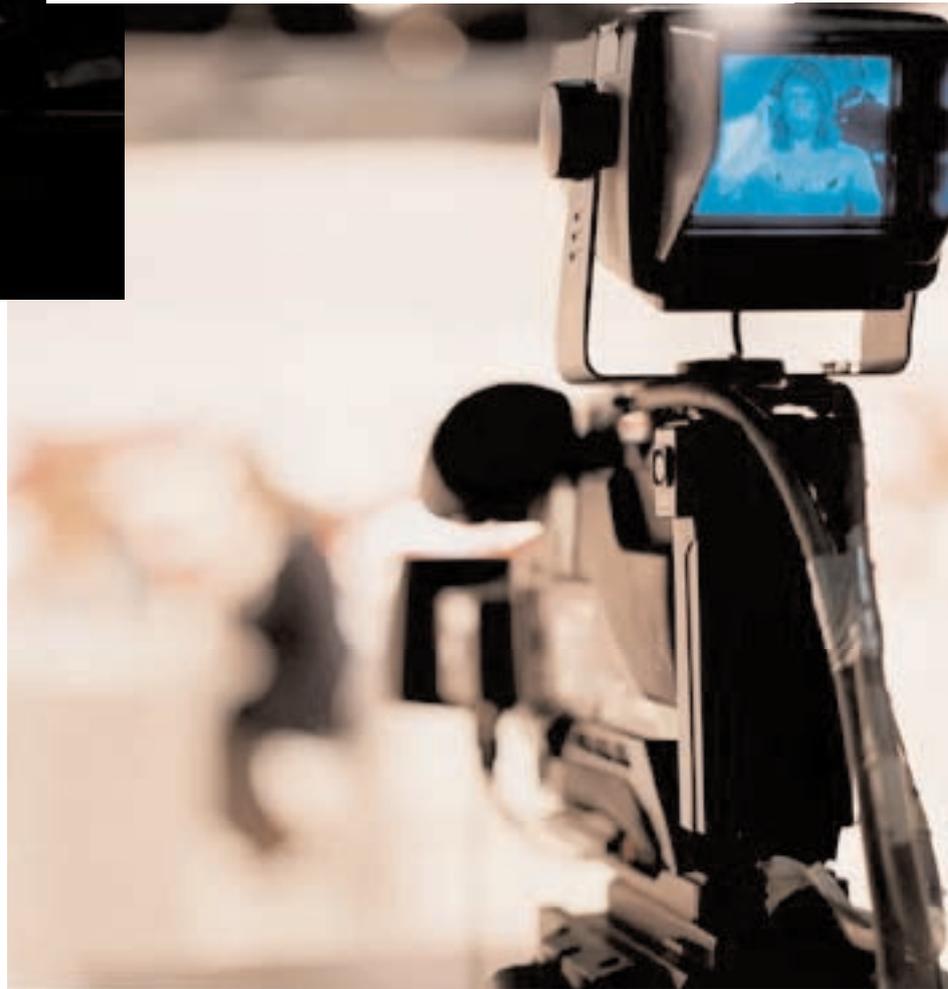
### The A380: a giant takes to the skies

On April 27, 2005, the A380 completed its four-hour inaugural flight. At 10:29 a.m., in front of an impressive crowd and cameras from all over the world, the latest Airbus took to the skies to the applause and jubilant shouts of onlookers. This perfectly controlled flight was only the first stage, however, in a vast flight-test program comprising some 2,500 flight hours and involving several different aircraft. At the four corners of the globe and under the most extreme conditions, the A380 must prove its reliability, not only as the world's largest super jumbo jet but also as its safest. ■



### Canal+: expanding the group's audiovisual presence

On February 17, 2006, Lagardère, Vivendi Universal and Canal+ announced an agreement in principle regarding pay television. The agreement calls for Lagardère to join Canal+, TF1 and M6 in holding a stake in the capital of Canal+ France (a provisional name). This new entity would combine all of the activities of Canal+ and TPS, the two leading players on the pay-TV scene in France. The Lagardère group would hold 20% of the new entity's capital stock. This large-scale operation confirms Lagardère's objective of becoming a major player on the audiovisual scene. ■



# LAGARDÈRE | TREND CHART 2005

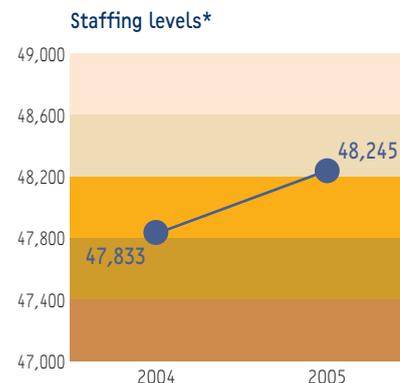
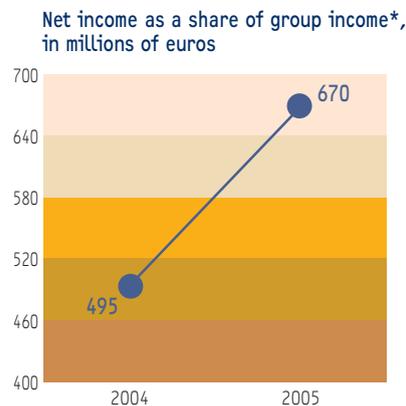
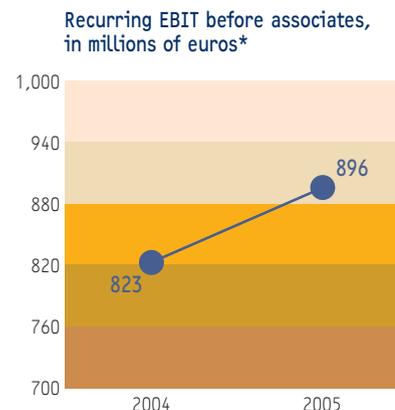
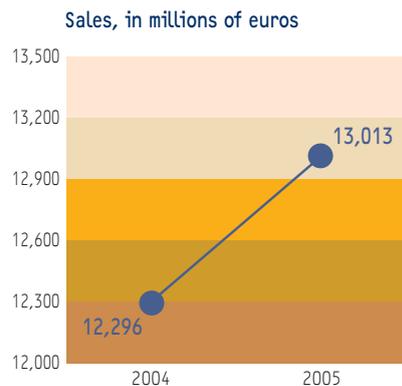
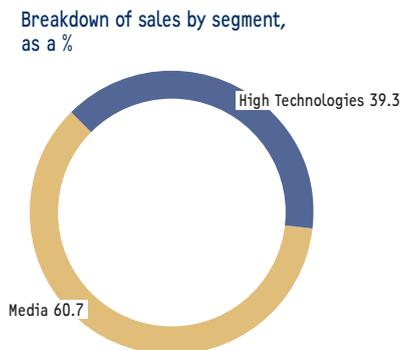
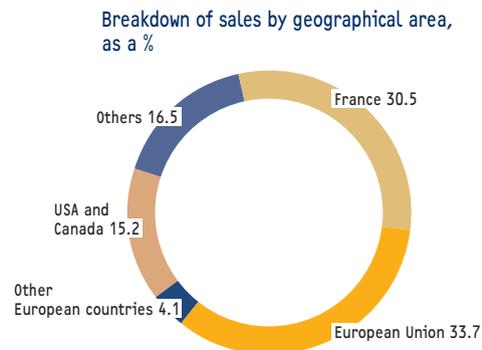
In 2005, Lagardère SCA consolidated net sales were up 5.8% at €13,013 million (vs. €12,296 million in 2004).

- Media segment net sales up 2.5% on a like-for-like basis.
- EADS contribution to consolidated net sales up 6.6% at €5,112 million.

For Lagardère SCA, recurring EBIT before associates was €896 million (against €823 million in 2004).

- Recurring EBIT before associates (excluding stock options and investment in DTT, and at €/\$: 1.3) of Media segment up 10.3%.
- EADS significantly improved its contribution to Lagardère's consolidated recurring EBIT before associates to €392 million (vs. €350 million in 2004).

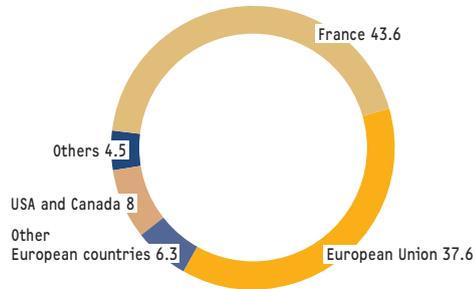
## Lagardère SCA



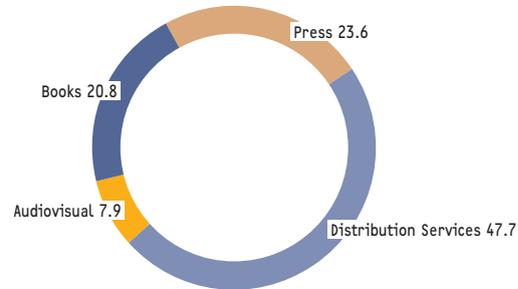
\* Table figures account for Other Activities

## Media Segment

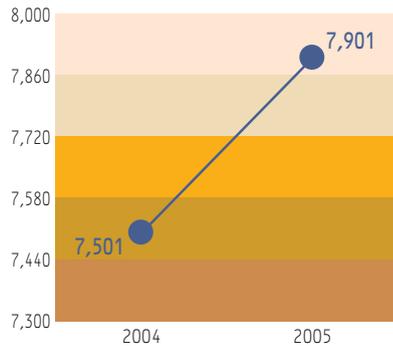
Breakdown of sales by geographical area, as a %



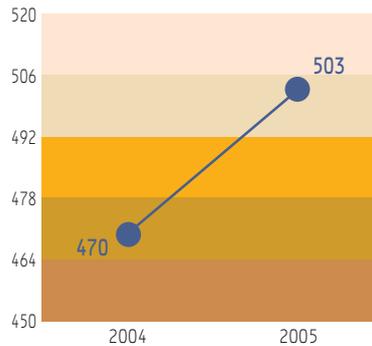
Breakdown of sales by division, as a %



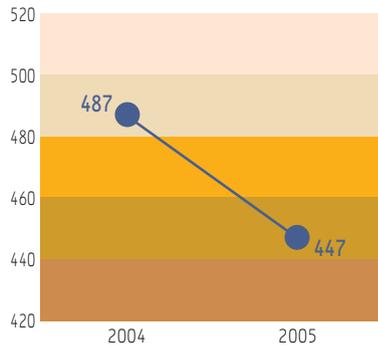
Sales, in millions of euros



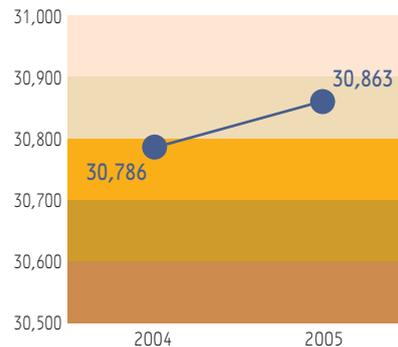
Recurring EBIT before associates, in millions of euros



Earnings before taxes, in millions of euros



Staffing Levels



In 2005, Media segment net sales were up 2.5% like-for-like, at €7,901m.

The Books division recorded another year of solid growth, with like-for-like sales up 3.5%. Hachette Livre also benefited from the full-year consolidation of Hodder Headline, which added €176 million.

The Press division saw like-for-like sales edge up 0.6%.

The Distribution division's like-for-like sales were up 2%, gradually erasing the weak first quarter over the rest of the year, the final quarter being particularly good.

Lagardere Active had an excellent year, with like-for-like net sales up 9.2%.

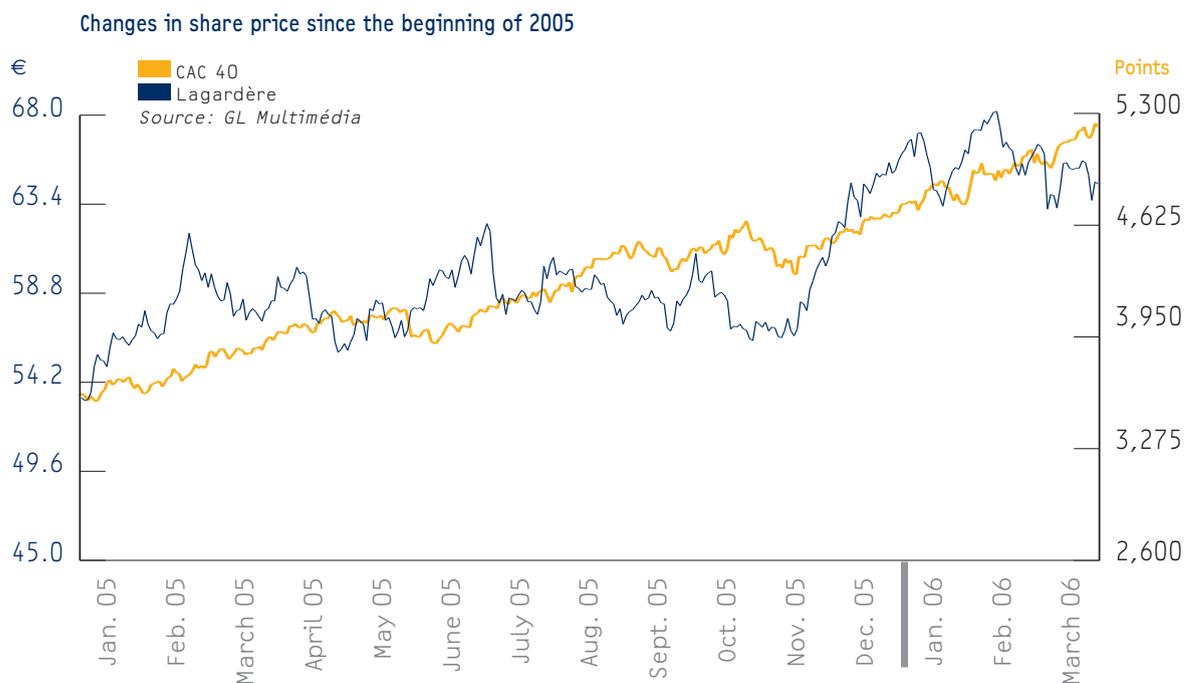


## CONSOLIDATED BALANCE SHEET, in millions of euros

	2004			2005		
	Media & Other Activities	EADS	Total	Media & Other Activities	EADS	Total
<b>Non-current assets</b>	<b>5,573</b>	<b>3,618</b>	<b>9,191</b>	<b>5,802</b>	<b>4,654</b>	<b>10,456</b>
<b>Current assets</b>	<b>4,438</b>	<b>4,337</b>	<b>8,775</b>	<b>3,463</b>	<b>5,070</b>	<b>8,533</b>
<i>of which short term investments &amp; cash</i>	<i>1,957</i>	<i>1,414</i>	<i>3,371</i>	<i>849</i>	<i>1,498</i>	<i>2,347</i>
<b>TOTAL ASSETS</b>	<b>10,011</b>	<b>7,955</b>	<b>17,966</b>	<b>9,265</b>	<b>9,724</b>	<b>18,989</b>
<b>Stockholders' equity</b>	<b>2,945</b>	<b>1,218</b>	<b>4,163</b>	<b>3,143</b>	<b>1,318</b>	<b>4,461</b>
<b>Non-current liabilities</b>	<b>2,695</b>	<b>3,126</b>	<b>5,821</b>	<b>2,170</b>	<b>3,671</b>	<b>5,841</b>
<i>of which financial debt</i>	<i>1,819</i>	<i>665</i>	<i>2,484</i>	<i>1,280</i>	<i>627</i>	<i>1,907</i>
<b>Current liabilities</b>	<b>4,371</b>	<b>3,611</b>	<b>7,982</b>	<b>3,952</b>	<b>4,735</b>	<b>8,687</b>
<i>of which financial debt</i>	<i>1,211</i>	<i>109</i>	<i>1,320</i>	<i>644</i>	<i>659</i>	<i>1,303</i>
<b>TOTAL STOCKHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>10,011</b>	<b>7,955</b>	<b>17,966</b>	<b>9,265</b>	<b>9,724</b>	<b>18,989</b>

## CONSOLIDATED PROFIT &amp; LOSS STATEMENT, in millions of euros

	2004			2005		
	Media & Other Activities	EADS	Total	Media & Other Activities	EADS	Total
<b>Net sales</b>	<b>7,501</b>	<b>4,795</b>	<b>12,296</b>	<b>7,901</b>	<b>5,112</b>	<b>13,013</b>
<b>EBIT</b>	<b>544</b>	<b>345</b>	<b>889</b>	<b>500</b>	<b>420</b>	<b>920</b>
<b>Finance costs, net</b>	<b>(52)</b>	<b>(45)</b>	<b>(97)</b>	<b>(53)</b>	<b>(23)</b>	<b>(76)</b>
<b>Income tax expense</b>	<b>(132)</b>	<b>(108)</b>	<b>(240)</b>	<b>(16)</b>	<b>(126)</b>	<b>(142)</b>
<b>Net income</b>	<b>360</b>	<b>192</b>	<b>552</b>	<b>431</b>	<b>271</b>	<b>702</b>
<b>Attributable to equity holders of the parent</b>	<b>335</b>	<b>160</b>	<b>495</b>	<b>404</b>	<b>266</b>	<b>670</b>
<b>Attributable to minority interests</b>	<b>25</b>	<b>32</b>	<b>57</b>	<b>27</b>	<b>5</b>	<b>32</b>



## PER SHARE DATA

in euros	2001		2002		2003		2004		2005	
	Basic	Diluted <sup>(1)</sup>	Basic	Diluted <sup>(2)</sup>	Basic	Diluted <sup>(2)</sup>	Basic	Diluted <sup>(2)</sup>	Basic	Diluted <sup>(2)</sup>
Profit attributable to holders of the parent, per share	4.59	4.41	(2.16)	(2.16)	2.47	2.42	3.65	3.44	4.88	4.74
Equity attributable to holders of the parent, per share	30.63	29.08	27.32	27.31	28.75	28.86	28.68	31.28	31.45	33.72
Cash from operations, per share	4.26	4.04	4.41	4.34	6.02	5.88	8.75	8.76	9.52	9.23
Market price at 31 December	47.00		38.71		45.77		53.10		65.00	
Dividend	0.82		0.82		0.90		1.00 + 2.00 <sup>(3)</sup>		1.10 <sup>(4)</sup>	

(1) Including new shares that may be created as a result of share subscription warrants, stock options and convertible bonds.

(2) Including new shares that may be created under stock options plans.

(3) Ordinary dividend of € 1 per share and exceptional dividend of € 2 per share.

(4) Dividend to be approved by the General Meeting of Shareholders on 2 May 2006.

**GENERAL PARTNERS**

**Arnaud Lagardère**  
Société Arjil Commandité-ARCO

**MANAGING PARTNERS**

**Arnaud Lagardère**  
Société Arjil Commandité-ARCO  
represented by

**Arnaud Lagardère,**  
Chairman and Chief Executive Officer

**Philippe Camus,**  
Deputy Chairman and Chief Operating Officer

**Pierre Leroy,**  
Director and Chief Operating Officer

**STATUTORY AUDITORS**

**Barbier Frinault & Autres**  
**Mazars & Guérard**

**SUPERVISORY BOARD IN 2005****CHAIRMAN OF THE BOARD – CHAIRMAN OF THE AUDIT COMMITTEE**

**Raymond H. Lévy**  
Honorary Chairman, Renault SA

**MEMBERS OF THE BOARD**

**Bernard Arnault**  
Chairman and Chief Executive, LVMH

**Manfred Bischoff\*\***  
Member of the board of Management, DaimlerChrysler A.G.

**Hubert Burda**  
Chairman of the Board, Hubert Burda Media

**René Carron**  
Chairman, Crédit Agricole SA

**Georges Chodron de Courcel**  
Chief Executive Officer, BNP Paribas

**Groupama SA**  
Represented by Mr. Helman Le Pas de Sécheval\*  
(Chief Financial Officer, Groupama)

**Pehr G. Gyllenhammar\***  
Chairman, Aviva plc (London)

**Pierre Lescure**  
Chairman, AnnaRose Productions

**Christian Marbach\***  
Chairman, Groupement d'Intérêt Économique Oseo-Services  
(formerly "Agence des PME")

**Bernard Mirat\***  
Former Deputy Chairman and Chief Operating Officer,  
Société des Bourses Françaises

**Didier Pineau-Valencienne\***  
Honorary Chairman, Schneider Electric  
Vice Chairman, Crédit Suisse First Boston

**Henri Proglio**  
Chairman and Chief Executive Officer, Veolia Environnement

**Felix G. Rohatyn**  
Former US Ambassador to France

**François Roussely**  
Chairman, Crédit Suisse First Boston in France

**CENSOR**

**Bernard Esambert**

**SECRETARY**

**Laure Rivière-Doumenc**

\* Also a member of the Audit Committee – \*\* Mr. Manfred Bischoff resigned on 10 May 2005.

# ACTIVITIES

DE JEVOVAT  
LÍ VALĚNO  
A KRÁSK,  
VOSTI A  
DOMOVA  
VETA?

# 2005-2006

books p.22

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distribution  
services p.42

audiovisual p.52

high technologies p.62



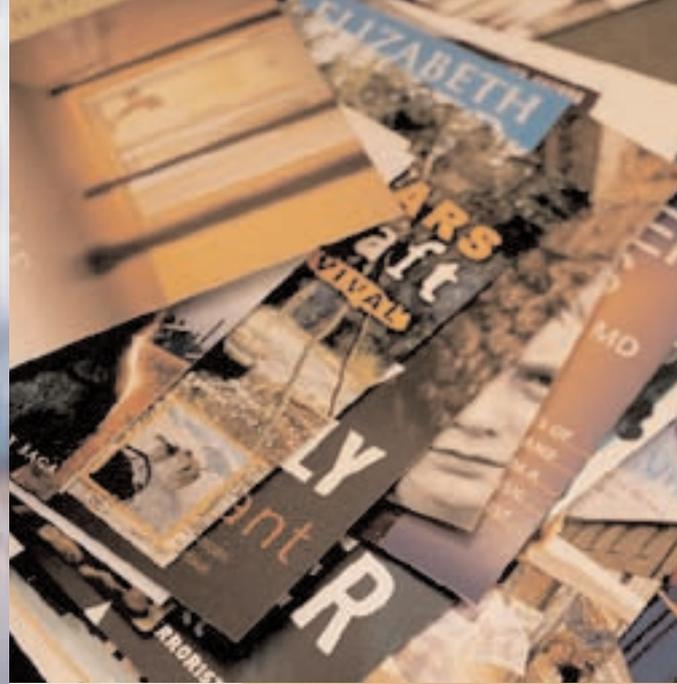
# book

Hachette Livre conducts its full range of activities  
in more than 40 countries.

# S

Hachette Livre, a Lagardère subsidiary, is a leading publisher in three key languages: French, Spanish and English. As a publisher of high-quality works for the general public, its focus is on general literature, textbooks and illustrated books. In addition to these publications, which are sold in bookstores, it also publishes booklets to be sold at newsstands.

BOOKS | ACTIVITIES 2005-2006



Hachette Livre established its position as a market leader in 2005, ranking No. 5 worldwide, No. 1 in France and No. 2 in Great Britain and Spain. The year was noteworthy for the operational implementation of Hachette Livre's acquisition of Larousse, Dunod and Armand Colin, for the sale of Dalloz, and for outstanding performance in all key segments, with 15.8% growth in revenues (up 3.2% at comparable scope of consolidation and exchange rates).

**A record year.** Hachette Livre consolidated its leadership positions in 2005, acquiring full international scope with the integration of Anaya in Spain, the later acquisition of Hodder Headline in Great Britain and the establishment of Hachette Livre UK. In France, it expanded its field of activities through the acquisition of Larousse, Dunod and Armand Colin, and it disposed of Dalloz. The company also saw steady performance in all its activity sectors (general literature, textbooks, illustrated books and booklets).

**Publishing in France.** The dynamic literature sector benefited from the continued success of *The Da Vinci Code* and the triumph of the French version of *Angels and Demons* (Lattès), and numerous prizes were conferred upon Grasset, Stock and Fayard authors: the Goncourt prize for François Weyergans' novel *Trois jours chez ma mère* (Grasset); the Femina prize for the essay *L'ensauvagement* by Thérèse Delpech (Grasset); the Renaudot prize for Nina Bouraoui's *Mes mauvaises pensées* (Stock); the Interallié prize for Michel Houellebecq's novel *La possibilité d'une île* (Fayard); and the First Novel prize for Jessica L. Nelson's *Mesdames, souriez* (Fayard). >

> In the textbook segment, the group's publishing houses Hachette Education, Hatier, Didier and Foucher all improved their positions across the board – from primary to high school – and their announced results were in line with objectives.

The segment for illustrated books targeted at the general public (Hachette Illustrated) continued its rapid growth, primarily thanks to the youth & children's and practical-book departments.

As regards large-scale reference books sold on commission (i.e. encyclopedias), the measures taken to adapt the size of this division to the reduced scope of activity proved to be on target, since the slowdown in this segment is continuing in both France and Spain (Salvat).

In the area of reference works, Larousse expanded its publication of reference and educational books while stepping up its efforts to launch the new *Petit Larousse Illustré*. The academic and professional publishing segment, represented by Dalloz, Dunod and Armand Colin, also put in a solid performance. >

> The booklet segment is also continuing to do well both in France and internationally, particularly in Italy, the United Kingdom and Germany. Such wide-scale success confirms that this segment is making a significant contribution to Hachette Livre's overall results.

Moreover, the book distribution segment continues to benefit from the endeavors of third-party publishers on top of the sustained activities of Hachette Livre group publishers, not least of which involved the release of a new *Astérix* volume.

**International activities.** 2005 was marked by the reorganization of Hachette Livre's activities in the United Kingdom (Hodder Headline, Orion, Watts and Octopus). All segments put in an excellent performance with strong titles at Hodder and Orion and steady activity in the youth & children's segment at Watts.

In Spain, 2005 was noteworthy for the consolidation of Anaya by Hachette Livre and overall results in line with objectives, in spite of the postponement of planned reforms in the textbook market.

The process of identifying and realizing synergies is well underway. ■



### SALE OF DALLOZ

The proposed sale of Dalloz to Editions Lefebvre-Sarrut was announced in June 2005. For Hachette Livre, this transaction was related to issues specific to the legal publishing market, which is highly concentrated worldwide and dominated by specialized groups. In view of Hachette Livre's mission as a publisher of works for the general public, this special situation justified the sale of Dalloz to ELS, which should be able to mobilize the resources needed to strengthen Dalloz's market position.

Breakdown of sales by geographical area, as a %

European Union 41.9

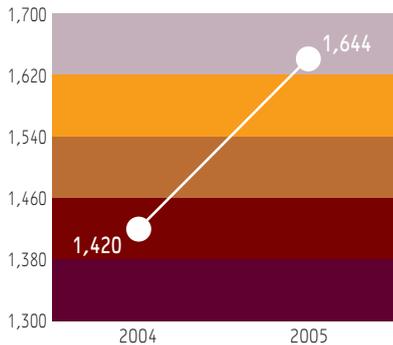
Others 6.3

Other European countries 0.8

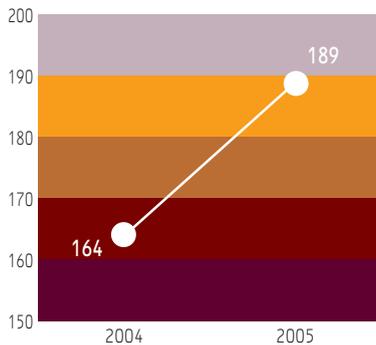
France 48.6

USA and Canada 2.4

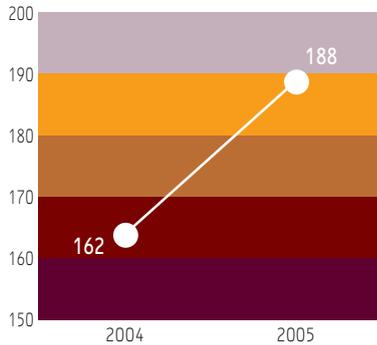
Sales, in millions of euros



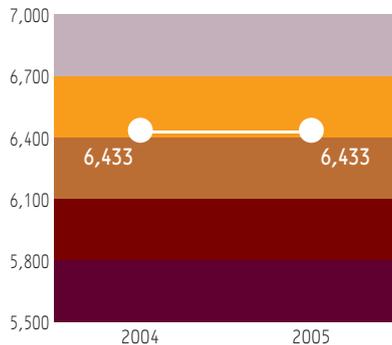
Recurring EBIT before associates, in millions of euros



Earnings before taxes, in millions of euros



Staffing levels



**Key figures**

- OVER 2,100 NEW LITERATURE TITLES PUBLISHED IN FRANCE IN 2005, AND MORE THAN 1,400 IN GREAT BRITAIN THROUGH HODDER HEADLINE AND ORION.
- LIVRE DE POCHE (THE PAPERBACK DIVISION) IS NO. 1 IN ITS MARKET WITH A CATALOG OF 4,500 TITLES.
- HACHETTE LIVRE LEADS THE TEXTBOOK MARKET IN FRANCE, PUBLISHING NEARLY 1,200 NEW WORKS ANNUALLY.
- HACHETTE TOURISME IS THE LEADING PUBLISHER OF TRAVEL GUIDES.

**NEW DISTRIBUTION  
AND REPRESENTATION  
CONTRACTS**

were concluded with a number of prestigious publishing houses outside the group. In addition to contract renewals by such publishers as Humanoïdes Associés and SEEBD, a number of new publishing partners selected Hachette Livre's services in 2005, including Payot Rivages (as of January 1, 2006), previously distributed by Volumen; Tonkam, which has a catalogue of 500 comic book titles; and Editions 365, a new publisher distributed by Hatier Diffusion.

 **Didier**

 **HACHETTE**  
*Jeunesse*

**JC Lattès**



• MARRABOUT •



**Editions 1<sup>er</sup>**

**RAGEOT**



**LES EDITIONS  
FOUCHER**



 **HACHETTE**  
*Tourisme*

*éditions* **Harlequin**



 **HACHETTE**  
*Collections*

H  
A  
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N

  
**HATIER**

 **HACHETTE**  
*Éducation*

**ANAYA**

THE  
**WATTS**  
PUBLISHING  
GROUP  
LTD.

  
**HACHETTE**  
*Littératures*

**chêne**

**DEUX COQS D'OR**

**Stock**

 **HACHETTE**  
*Fascicoli*

**calmann-lévy**



**Didier**  
*Jeunesse*



**istra**



 **HACHETTE**  
*Livre*

 **HACHETTE**  
*Pratique*



**DALLOZ**

 **HACHETTE**  
*Partworks*

**fayard**

  
**Gautier • Languereau**

 **Bruño**

**Grasset**



**OCTOPUS**  
Publishing Group

**Key dates**

- **OCTOBER 2001:** ACQUISITION OF OCTOPUS IN THE UK.
- **SEPTEMBER 2001:** LAUNCH OF HACHETTE.COM AND HACHETTE-DIFFUSION.FR.
- **DECEMBER 2003:** LAGARDÈRE ANNOUNCES THE ACQUISITION OF 40% OF THE ASSETS OF EDITIS, INCLUDING LAROUSSE, ARMAND COLIN, DALLOZ, DUNOD AND ANAYA.
- **SEPTEMBER 2004:** PURCHASE OF HODDER HEADLINE.
- **JUNE 2005:** SALE OF DALLOZ.

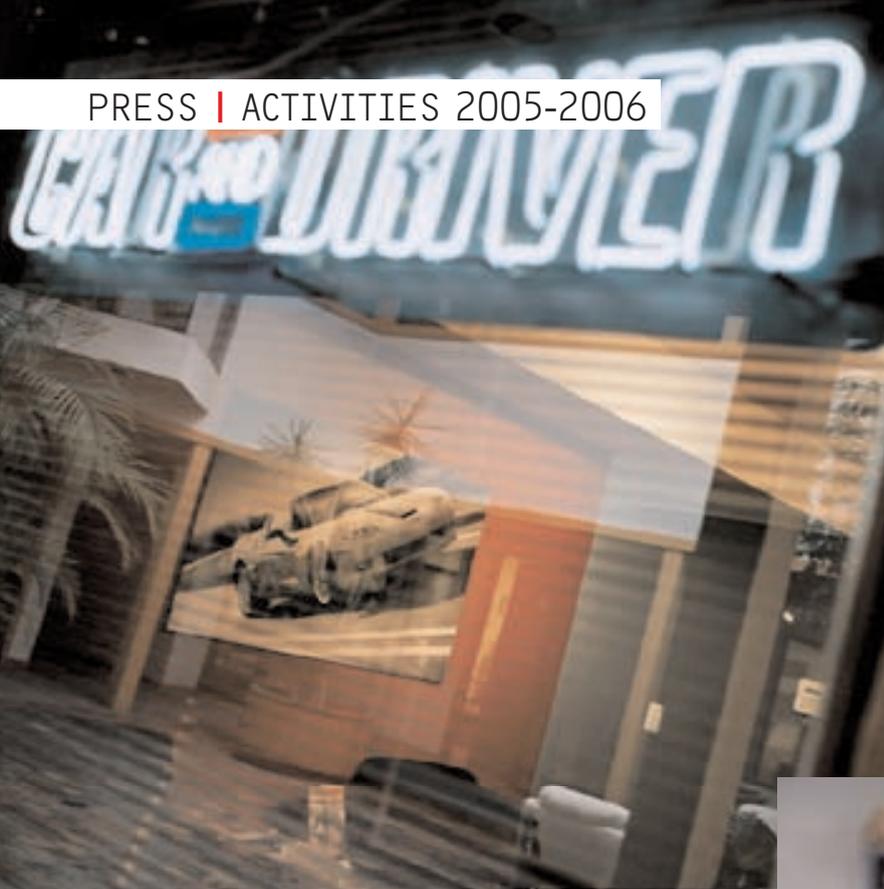


# press

More than 1 billion copies sold each year,  
including more than 203 million copies sold by subscription.



Hachette Filipacchi Médias, a Lagardère subsidiary, is the world's leading magazine publisher, with 260 titles published in some 41 countries, a circulation of more than 1 billion copies, and paid advertising of 130,000 pages per year. Interdeco, France's top print-advertising broker, manages international advertising for more than 200 magazines, owned by both HFM and other publishing groups. In France, Hachette Filipacchi Médias also has a daily newspaper and supplement branch and has developed several complementary activities, including a photo and licensing division.



Magazine advertising markets in most countries remained stable in 2005. The Internet also registered impressive growth during the year, leading advertisers to re-examine their advertising spending in other media.

Hachette Filipacchi Médias benefited from the growth deriving from recently launched investments – reinforcing its leading brands, which held their own – and also continued its new launch efforts.

**France.** 2005 was marked by a decline in advertising spending, continuing the trend begun at the end of 2004. The leading titles in their segments, such as *Psychologies* magazine and *Elle*, continued to make advances, and recent launches also performed well.

The first half of the year was particularly rich in current events of interest to the public; this boosted circulation, with *Paris Match* performing especially well. Circulation also got a lift with several new launches and acquisitions over the 2004-05 period, including *Choc*, *Psychologies* magazine and *Public* (which continued its solid performance). *Elle* bolstered its leading position and youth & children's magazines held their own, while TV magazines declined. Changes were made to *Première* (a reworked format and a new price) and *ISA* (a complete repositioning of the concept).

Circulation of regional dailies came under continuing pressure in 2005, with sales of Saturday editions suffering from the appearance of biweekly television guides. In view of this erosion in circulation, priority was given to the expansion of home delivery and the deployment of backup points of sale in 2005. *Version Femina* increased its lead among women's magazines, >

> surpassing the 10-million-reader mark, but suffered from a reduction in advertising spending that was felt throughout the market. TV Hebdo is preparing a new format for 2006 to serve a rapidly changing market.

**International.** The branch's activity in several countries felt the impact of an upsurge in Internet advertising and the intensification of competition regarding circulation (with the launch of clones and the increased use of free bonus products and cover mounts). In Spain, the group's revenues were up slightly due to new launches (*Psychologies* magazine in January 2005 and *Maxim* in May 2004). The publication of *Nova* was discontinued in June 2005. *Elle* had excellent advertising results and circulation.

In Italy, Hachette Rusconi restructured all of its activities as well as its organization; this was reflected in a significant improvement in its results. The circulations of *Gente* and *Gioia* stabilized after the launch of competing titles in 2004. Advertising revenues grew in 2004, particularly for *Elle*, *Marie Claire* and *Psychologies* magazine.

In the United Kingdom, the youth & children's magazine segment was affected by the escalation in free bonus products: *B* and *Sugar* suffered from these campaigns, and the publication of *Elle Girl* was discontinued in September 2005. The women's magazines *Elle* and *Red* performed well when confronted with the new launches in this sector, and soap-opera magazines showed positive results thanks to a promotional campaign undertaken in 2004. *Psychologies* magazine was launched in September 2005, and Hachette Filipacchi UK acquired >

> a home decorating title, *Real Home*, though it disposed of *TV Hits*. The advertising market slowed significantly over the second half of the year in the wake of slower consumer spending trends in the UK.

In the United States, the advertising market tightened for the automotive press, but *Elle* and *Première* performed well.

In Japan, the context is still difficult regarding circulation and advertising is down, but Hachette FujinGaho's financial results did not suffer thanks to its streamlined activities. The end of the year was marked by the 100th anniversary of the magazine *FujinGaho* (a high-end women's magazine).

Strong economic growth in Russia and China is continuing to be of benefit to the subsidiaries of Hachette Filipacchi Médias, and the group is pursuing expansion in these countries either by extending the circulation of its Russian TV guides to additional towns or through local spin-offs of its network magazines. *Psychologies Magazine* was launched in Russia in November 2005 and a launch project is underway in China for early 2006.

**2006 outlook.** In a rapidly changing press market, the key factors that must be dealt with in 2006 include the success and continuation of publishing investments, particularly through the consolidation of launches; the use of the Internet as a growth engine; daily newspapers (with capital investments currently underway); and the search for partners for the launch of a free Paris newspaper via the Cityplus network. The leadership position of Hachette Filipacchi Médias and its very strong, very prominent brands should enable the group to meet these challenges. ■



PRESS | ACTIVITIES 2005-2006



# アシエツト婦人画報社

8F **ELLE DECOR Gentry**

財務部

6F 婦人画報 **marie claire**

製作部

**Vogue 25ans 30ans**

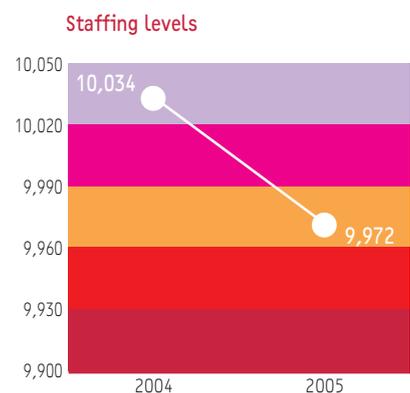
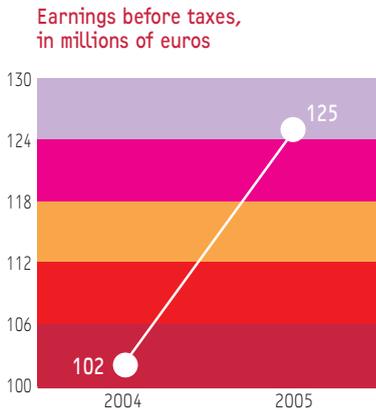
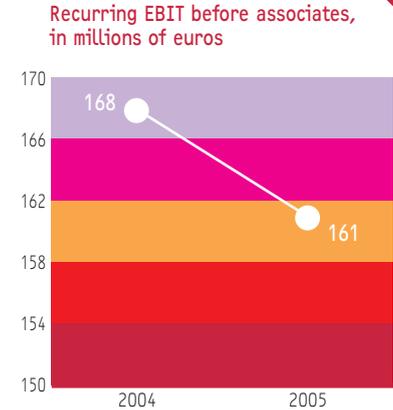
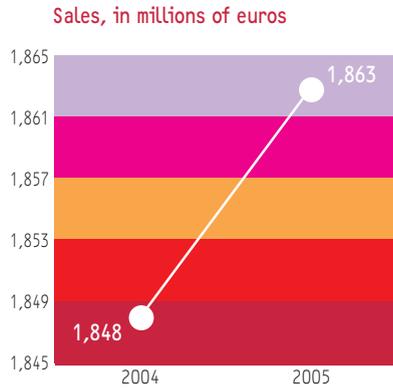
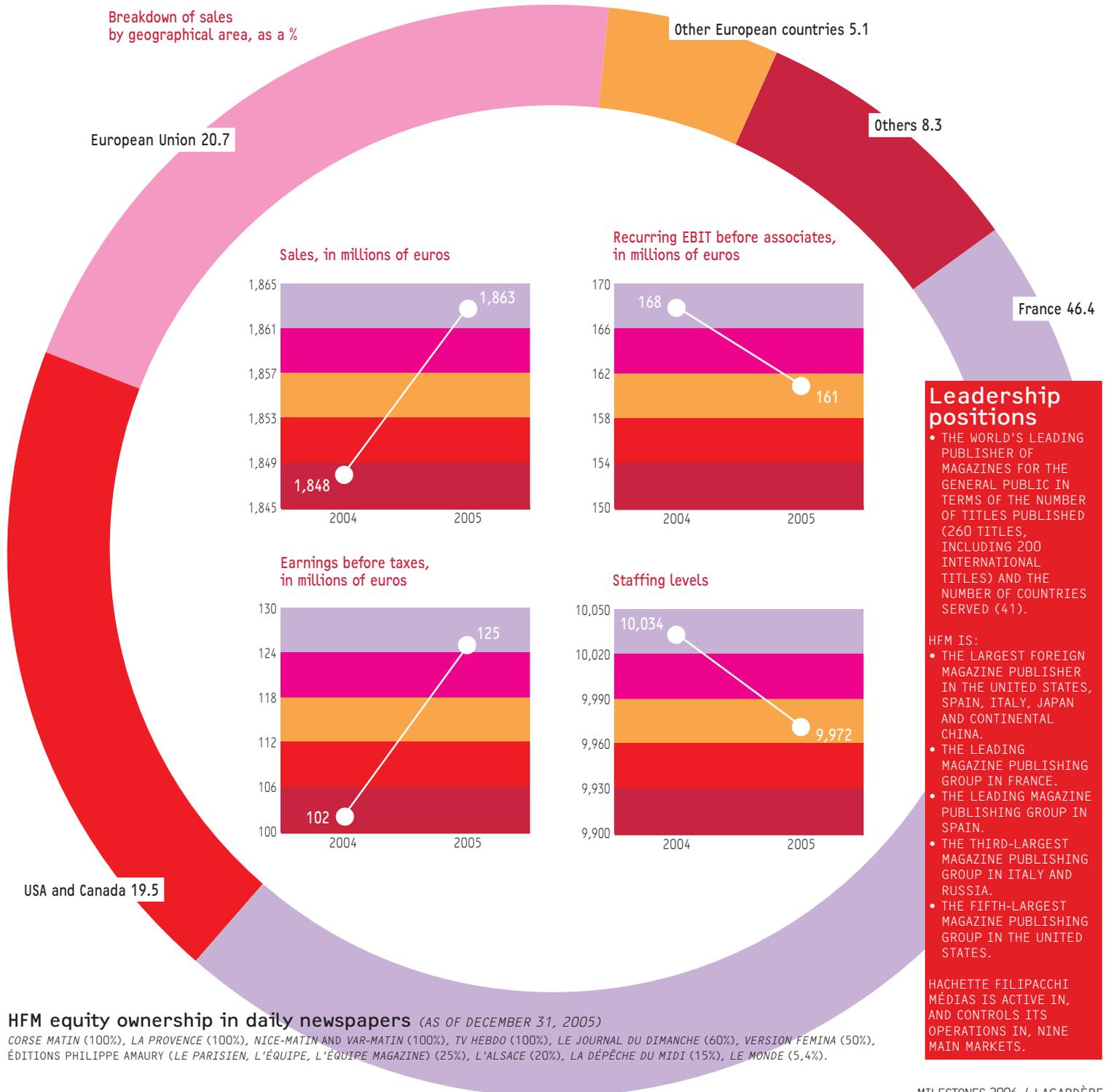
5F **ELLEDECOR ELLE ELLE**  
**ELLEONLINE MODERN LIVING**

総合受付 ニュープロジェクト部 事業開発部  
広告営業部 広告管理部 マーケティング部

## DIGITAL DISTRIBUTION: A NEW GROWTH ENGINE

The use of the Internet as a new growth engine has led Hachette Filipacchi Médias to actively engage in digital distribution – a “third-generation” channel for magazine distribution – in addition to single-issue sales and subscriptions. This new distribution channel is already operational and highly successful in the United States for nearly all group magazines. It can also be used to launch a magazine before the publication of the hard-copy edition, or even to replace it in view of the lower costs involved. This allows the group to capitalize on the business of publishing content, regardless of the physical medium.

Breakdown of sales by geographical area, as a %



**Leadership positions**

- THE WORLD'S LEADING PUBLISHER OF MAGAZINES FOR THE GENERAL PUBLIC IN TERMS OF THE NUMBER OF TITLES PUBLISHED (260 TITLES, INCLUDING 200 INTERNATIONAL TITLES) AND THE NUMBER OF COUNTRIES SERVED (41).

HFM IS:

- THE LARGEST FOREIGN MAGAZINE PUBLISHER IN THE UNITED STATES, SPAIN, ITALY, JAPAN AND CONTINENTAL CHINA.
- THE LEADING MAGAZINE PUBLISHING GROUP IN FRANCE.
- THE LEADING MAGAZINE PUBLISHING GROUP IN SPAIN.
- THE THIRD-LARGEST MAGAZINE PUBLISHING GROUP IN ITALY AND RUSSIA.
- THE FIFTH-LARGEST MAGAZINE PUBLISHING GROUP IN THE UNITED STATES.

HACHETTE FILIPACCHI MÉDIAS IS ACTIVE IN, AND CONTROLS ITS OPERATIONS IN, NINE MAIN MARKETS.

**HFM equity ownership in daily newspapers** (AS OF DECEMBER 31, 2005)

CORSE MATIN (100%), LA PROVENCE (100%), NICE-MATIN AND VAR-MATIN (100%), TV HEBDO (100%), LE JOURNAL DU DIMANCHE (60%), VERSION FEMINA (50%), ÉDITIONS PHILIPPE AMAURY (LE PARISIEN, L'ÉQUIPE, L'ÉQUIPE MAGAZINE) (25%), L'ALSACE (20%), LA DÉPÊCHE DU MIDI (15%), LE MONDE (5,4%).

**MEDIA SITES BASED ON  
THE GROUP'S BRANDS**

The inevitable development of the Internet presents a real opportunity for the magazines published by Hachette Filipacchi Médias: high-traffic websites convey the values of the brands and make it possible to increase advertising revenues through repetition and expansion of coverage. Magazine sites enhance the traditional functions of the magazine by generating heightened interest in the magazine itself through the promotion of an interactive relationship involving the desires and expectations of Internet users and readers.



**A wide range of titles**

- AUTOMOTIVE PRESS: 17 TITLES
- NEWS AND BUSINESS PRESS: 4 TITLES
- HOME DECOR AND ART-OF-LIVING PRESS: 45 TITLES
- CHILDREN'S PRESS: 12 TITLES
- WOMEN'S MAGAZINES: 96 TITLES
- LEISURE PUBLICATIONS: 33 TITLES
- MEN'S MAGAZINES: 16 TITLES
- PEOPLE PRESS: 10 TITLES
- TV GUIDES: 11 TITLES
- TRAVEL MAGAZINES: 3 TITLES
- DAILY NEWSPAPERS: 13 TITLES

A large, brightly lit retail store, likely a bookstore or a general merchandise store, with shelves of books and a curved sign in the background. The sign displays the word "Connections" and the phone number "500-550". The store has a warm, yellowish-orange color scheme. The background shows a cityscape with a prominent tower, possibly the CN Tower in Toronto.

# distribut services

Hachette Distribution Services operates a unique network of 4,000 stores in 17 countries throughout the world.

Correspon

# tion

The mission of Lagardère subsidiary Hachette Distribution Services is to facilitate the general public's access to a diverse range of ideas and cultures. A global leader in the distribution of print media, Hachette Distribution Services operates the foremost international chain of retail outlets for cultural, multimedia and entertainment products (4,000 stores) under internationally known banner names (such as Relay and Virgin) as well as chains with a strong local identity (Payot, Le Furet du Nord and Inmedio).



In 2005, Hachette Distribution Services continued the expansion of its retail business by testing new marketing concepts while renewing its various franchise contracts in transportation hubs. The subsidiaries of Hachette Distribution Services concluded new press-distribution contracts in Europe, North America and Asia, confirming their unique expertise as specialized distributors of communications products.

Hachette Distribution Services is focusing its expansion on three main areas: retailing specifically aimed at travelers, retailing of cultural and entertainment products, and press distribution to retail outlets.

**Retail outlets serving the needs of travelers.**

Hachette Distribution Services specializes in providing retail services to travelers through such prestigious banner names as Relay, Newslink and Aelia, and has opened new outlets in airports and train stations in some 15 countries where its banner stores are located. With Relay, Hachette Distribution Services now operates the world's No. 1 international chain of press outlets. New stores have opened in such countries as Canada, Germany, Spain, the Czech Republic and Romania, offering growing numbers of travelers an extensive, varied selection of products, including newspapers, magazines, books, candy, souvenirs and service products.

To better meet customer needs, an expanded product range is now offered by Relay Books and Relay Services, filling out the traditional range of reading matter. In several countries (including Switzerland, Poland and Belgium), these stores offer travelers a wide assortment of "troubleshooting" products and local services.

In addition to Relay stores located in some 60 international airports and Newslink stores in Australia and >

> Singapore, Hachette Distribution Services also runs specialized chains in airports through its subsidiary Aelia. As France's top airport retailer, Aelia operates more than 100 points of sale in 11 metropolitan airports. In addition to franchise chains such as Virgin, Christofle and Hermès, Aelia has a portfolio of its own trade names, such as Pure & Rare, Beauty Unlimited, French Days, The Gourmet Shop, Cosmopole and more. Aelia has also successfully bid for concessions in the United Kingdom in the Belfast and Luton airports.

In train stations and airports, Hachette Distribution Services also operates numerous stores under the Virgin banner specializing in music, books, magazines and small electronics in France, Australia and North America. In addition, the Découvrir chain in France and the Discover chain in Spain, America and Australia offer tourists products specifically focused on the attractions or regions in which they are located.

### Retail outlets specializing in multimedia products.

Hachette Distribution Services is France's second-largest specialty distributor of multimedia products. HDS currently manages 35 multimedia and cultural-product stores under the Virgin Megastore banner. In 2005, the VirginMega.fr website, the leading French music download platform – offering legal music downloads that respect artists' rights – sold some 5 million downloads from the catalogues of all of France's music publishers combined. >

> The Le Furet du Nord banner in the north of France and the Payot Libraire banner in French-speaking Switzerland set the standard in their regions, and the latter, with 12 stores, is currently leading the field with one-third of the book market in its territory.

**The world leader in national and import-export press distribution.** Supplying retail outlets with newspapers and magazines is an indispensable function of the retail press business. Hachette Distribution Services pursues this activity in 15 different countries, distributing both national and imported publications.

As a world leader in the distribution of national periodicals, Hachette Distribution Services ranks No. 1 in the United States, French-speaking Switzerland, Spain and Hungary, as well as operating in Poland. In many countries, HDS serves chains of neighborhood stores: Lapter in Hungary (with 13,000 points of sale, including 1,200 integrated stores) and SGEL in Spain (with 18,000 points of sale). In North America, Curtis Circulation Company is continuing to expand its distribution contracts.

Hachette Distribution Services is also a leading distributor of imported international publications in 12 countries (Belgium, Bulgaria, Canada, Spain, the United States, Hungary, the Czech Republic, Romania, Russia, Serbia-Montenegro, Slovakia and Switzerland). ■

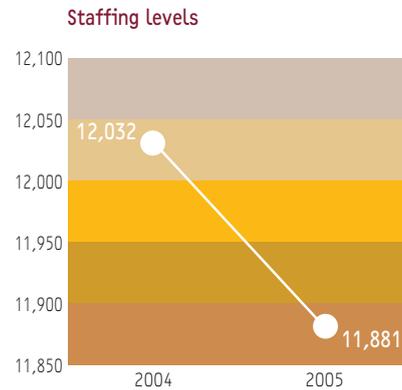
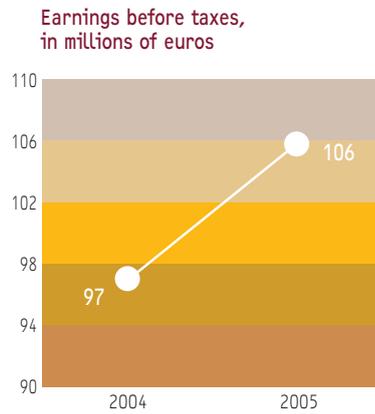
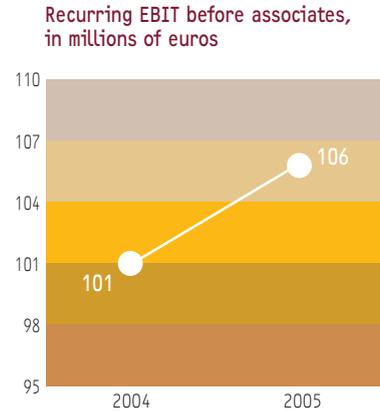
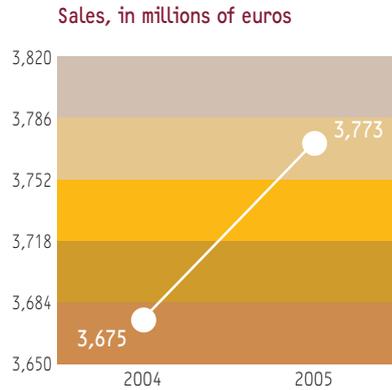
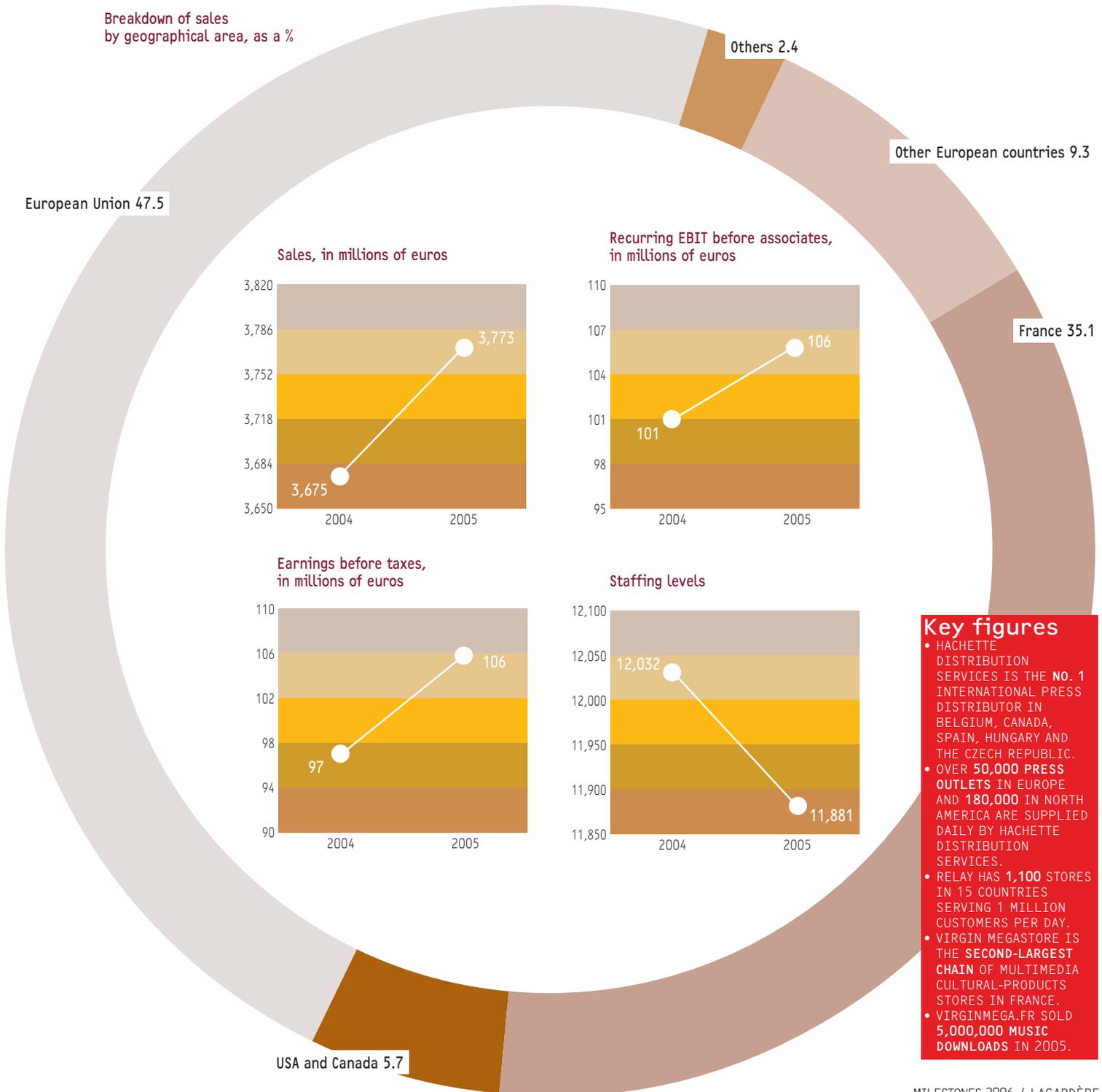


### **PRESS DISTRIBUTION TO LOCAL STORES**

As the only distributor with the capacity to operate in 15 countries, Hachette Distribution Services picks up, sorts and delivers millions of copies of national and international periodicals throughout Europe, North America and Asia every day, and provides daily service to more than 50,000 press outlets in Europe. Curtis Circulation Company, the top magazine distributor in the United States, operates a network of independent wholesalers and manages the sale of represented titles to the largest retailing chains. Hachette Distribution Services is also continuing to consolidate its positions in Hungary, Poland, Spain and Canada.

# DISTRIBUTION SERVICES | TREND CHART 2005

Breakdown of sales by geographical area, as a %



**Key figures**

- HACHETTE DISTRIBUTION SERVICES IS THE **NO. 1** INTERNATIONAL PRESS DISTRIBUTOR IN BELGIUM, CANADA, SPAIN, HUNGARY AND THE CZECH REPUBLIC.
- **OVER 50,000 PRESS OUTLETS** IN EUROPE AND **180,000** IN NORTH AMERICA ARE SUPPLIED DAILY BY HACHETTE DISTRIBUTION SERVICES.
- RELAY HAS **1,100** STORES IN 15 COUNTRIES SERVING 1 MILLION CUSTOMERS PER DAY.
- VIRGIN MEGASTORE IS THE **SECOND-LARGEST** CHAIN OF MULTIMEDIA CULTURAL-PRODUCTS STORES IN FRANCE.
- VIRGINMEGA.FR SOLD **5,000,000** MUSIC DOWNLOADS IN 2005.

### **VIRGIN MEGASTORE CONTINUES ITS EXPANSION**

With 35 stores in shopping centers and downtown areas, Virgin Megastore now operates through its franchisees in such diverse locations as Archamps (in Haute-Savoie, France) and Kuwait City. Some 40% of customers shop at least once per week in these stores, which have become flourishing centers of cultural exchange. They can select from 100,000 music products (10% of them new import items), more than 60,000 books and 15,000 movie videos.

In 2005, more than 11 million people visited these megastores and attended more than 100 concerts and book signings organized by the retail chain on a regular basis. Among the numerous artists and writers featured last year at Virgin were Mary Higgins Clark, Charles Aznavour, Luc Besson, Ethan Hawke, Kio and Muse.

MULTIMEDIA STORES



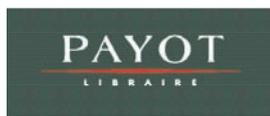
TRAVEL RETAIL



PRESS DISTRIBUTION



NEIGHBORHOOD STORES



REGIONAL BANNER STORES

Key dates

- JULY 1: OPENING OF THE FIRST RETAIL OUTLET MANAGED BY AELIA IN THE UNITED KINGDOM (LUTON AIRPORT).
- AUGUST 18: OPENING OF THE FIRST RELAY STORE IN LONDON.
- SEPTEMBER 7: HDS RETAIL ASIA PACIFIC ACQUIRES THE RETAIL TRAVEL BUSINESS PREVIOUSLY MANAGED BY W.H. SMITH IN HONG KONG AND AUSTRALIA.
- SEPTEMBER 19: ACQUISITION OF THE POLISH WHOLESALER ROLKON.
- SEPTEMBER 21: OPENING OF THE FIRST VIRGIN MEGASTORE IN EGYPT.



Frekvence

# audiovis

Lagardere Active Radio International: 17 radio stations  
in seven countries and 30 million daily listeners.



# ual

Lagardere Active, a Lagardère subsidiary, is a major player in radio, television and new media. Its radio stations include Europe 1, Europe 2, RFM and 17 stations outside France. Its TV division operates 11 special-interest television channels, among them MCM, Europe 2 TV, Canal J and Gulli, and 16 production companies, including GMT Productions, DEMD Productions and Angel Productions. It is also active in the new-media segment. Marketing operations for these various media are handled by Lagardère Active Publicité. Lagardere Active also holds 34% of CanalSat.



As a result of its diversified portfolio, in 2005 Lagardere Active was able to take advantage of opportunities in each of its markets, both in France and internationally. The group achieved healthy overall performance by drawing on its capacity for innovation, recognized expertise in its various core activities, marketing power and rigorous management practices. It also opened up new development perspectives with the launch of Gulli and Europe 2 TV on the free Digital Terrestrial Television (DTT) network and the launch of a DTT pay channel, Canal J.

A wide range of radio stations in France and abroad. Europe 1 is a general-interest radio station that upholds the values of freedom, intellectual rigor and innovation. Its programs focus on current events, news and discussion. As a social medium that prides itself on keeping up with the times, Europe 1 is also accessible on the Europe1.fr website, on the radio packages of the main cable and satellite operators, on mobile phones and via downloadable podcasts.

Europe 2, "*My music, from the 90s to the future*", features a 1990s pop-rock format that is still a powerful means of expression today. The music station targets young adults between 15 and 34 and endeavors to breathe new life into the radio scene by offering programming that is a real alternative to the ubiquitous ready-made commercial approach.

RFM, "*The best from the 1980s to the present day*", is an adult-contemporary music station. Its format is the result of careful studies and research on music programming, combined with an effort to maintain an approach consistent with Jean-Luc Reichmann's morning show and Bruno Roblès' afternoon time slot.

Lagardere Active also has a presence in the paid music-download market via its subsidiary VirginMega, which is held in partnership with Hachette Distribution >

> Services. VirginMega is one of the leading legal music-downloading services in France, offering a catalogue of some 750,000 titles.

Internationally, Lagardere Active Radio International (LARI) makes the most of the group's radio savvy in seven countries, including several Eastern Europe countries, Germany and South Africa. Its 17 stations (predominantly music stations) are listened to daily by 30 million people. These activities, which generate steady, strong growth in both revenues and profitability, constitute one of Lagardere Active's main growth engines.

**Leading television stations.** Lagardere Active produces 11 special-interest channels that broadcast in the fields of music (MCM, MCM TOP, MCM POP, Mezzo, MCM Belgium and Europe 2 TV on the free Digital Terrestrial Television network as of October 2005), youth & children's programming (with CANAL J, TiJi, Filles TV and Gulli, as of November 2005 on the free DTT network) and services (La Chaîne Météo [The Weather Channel]). Thanks to this offering, Lagardere Active is the leader in France in the fields of music and children's & youth programming<sup>1</sup>.

In the area of audiovisual production and distribution, Lagardere Active has major partnerships with terrestrial channels, producing and distributing prime-time drama and comedy as well as such general programming as newsmagazines and entertainment shows. In 2005, Lagardere Active was still the leading producer of prime-time drama and comedy in France (in number of hours broadcast) and the No. 2 producer of general programming<sup>2</sup>.

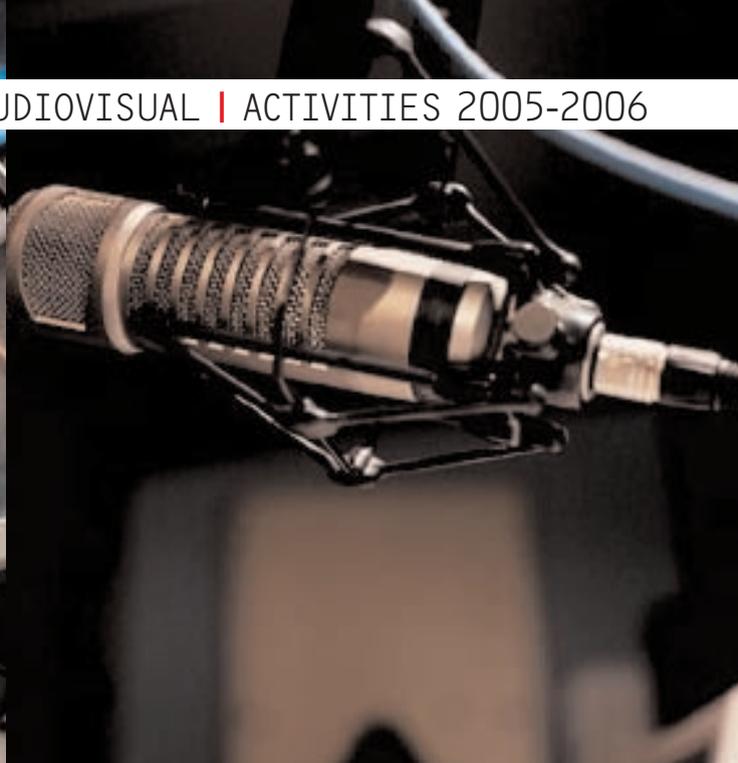
> An advertising broker with a powerful range of options. Lagardere Active Publicité is France's only multiple-medium advertising broker (radio, TV and Internet) as well as the market leader in radio advertising in France, with a 34.6% cumulative radio audience in the 13-and-up demographic<sup>3</sup>. It is also a key player in special-interest channels and the Internet market.

**A major player in the publication and production of mobile services.** In France, Plurimedia was one of the very first industry leaders to specialize in the creation, production and distribution of mobile phone content, and is a leading player in the most popular mobile phone services (mobile phone customization, astrology and psychic services, chat, weather, news, outings and more), providing more than 100 services for the three French operators and benefiting from the growth of the mobile Internet (WAP and i-mode sites). In Germany, Legion GmbH is a leading supplier of interactive services (mobile phone and voice services) for the medium. Legion GmbH registered nearly 100 million calls and surcharged SMS text messages in 2005. Its main clients include Pro7, Endemol and RTL, among others. A year after the launch of their activities in the United States, the all-mobile thematic labels (*BlingTones* and *Barrio Mobile*) developed by Lagardere Active Broadband are now distributed by the main American operators, making them major players on the American mobile market. ■

1. Source: MediaCabSat survey, December 2004-June 2005.

2. Sources: *Écran Total* No. 576 of September 14, 2005 and No. 587 of November 30, 2005.

3. Source: Mediametrie 126000 13-and-up radio survey, November-December 2005.



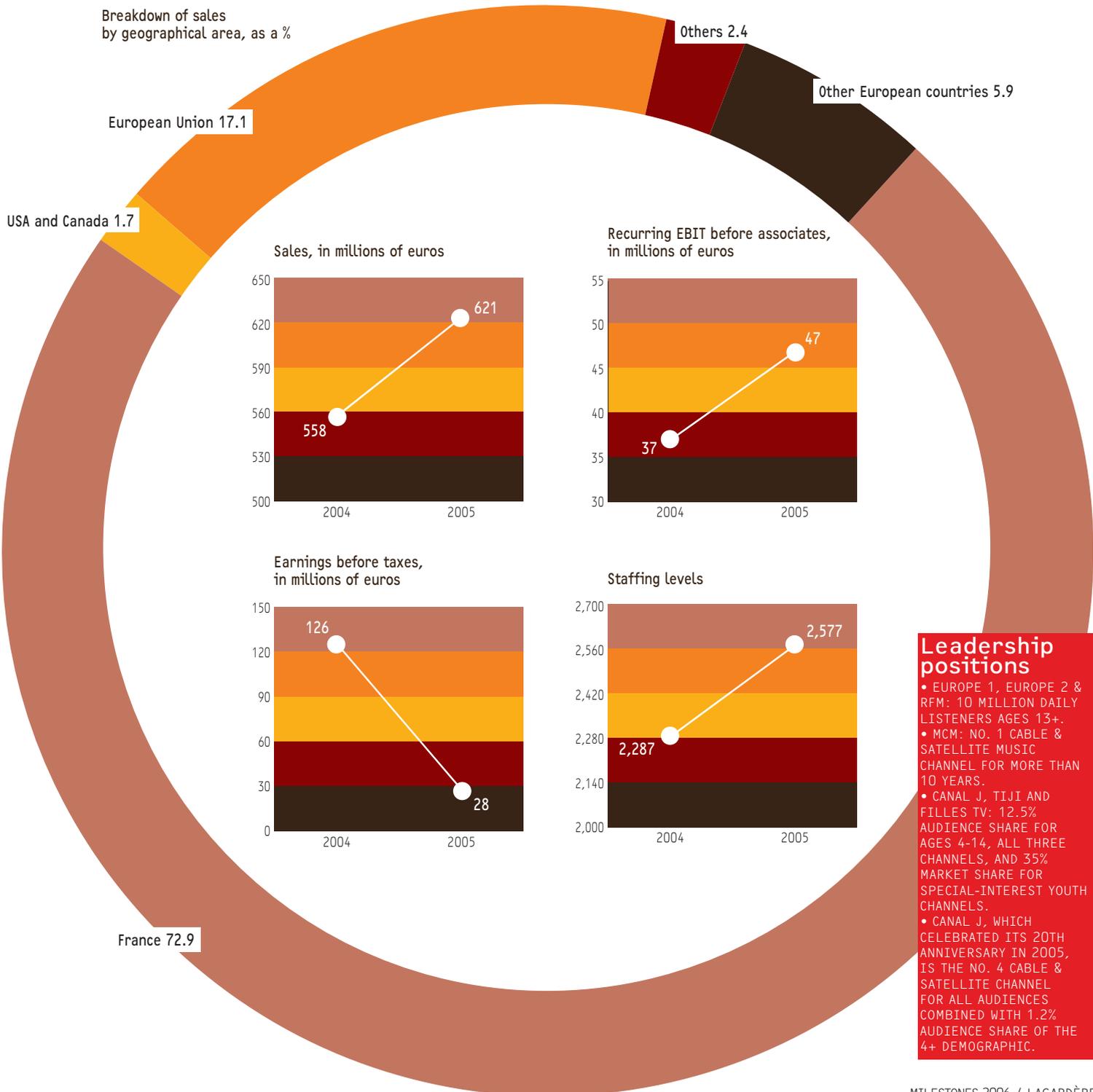
**GULLI: THE ONLY FREE DTT CHANNEL ENTIRELY DEDICATED TO CHILDREN AND THEIR PARENTS**

Produced in partnership with France Télévisions, Gulli has been available on the free DTT network in France since November 18, 2005. Intended for children aged 6 to 15, Gulli stimulates kids' interest with cartoons and sitcoms, documentaries, games and other programming. At certain regularly scheduled times, Gulli also directs programs at parents with the objective of providing a real catalyst for communication between the generations.

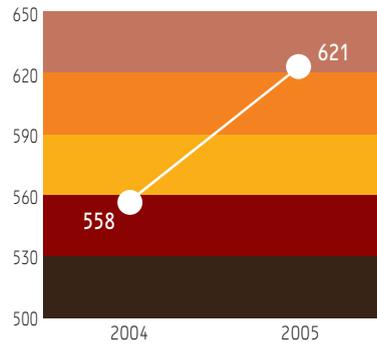
Gulli's visual identity, which has both an elegant, contemporary look and a fluid, playful side, reflects a colorful, fast-paced, lively world that attempts to establish a certain level of connection between children and adults.

AT the time of its launch, Gulli was already accessible by nearly 7 million families on all media combined (Digital Terrestrial Television, cable, satellite and ADSL).

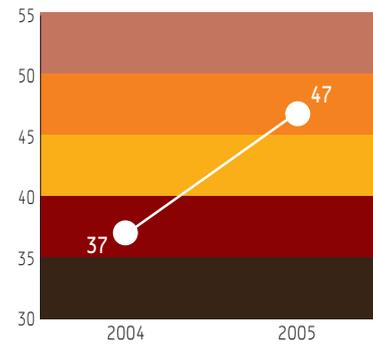
Breakdown of sales by geographical area, as a %



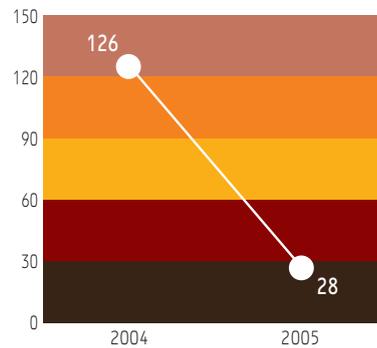
Sales, in millions of euros



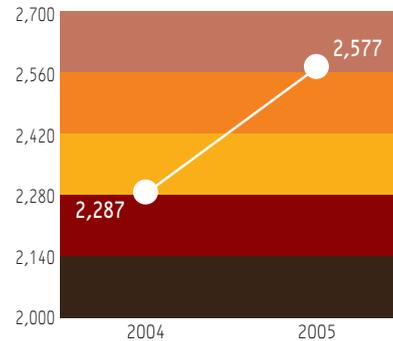
Recurring EBIT before associates, in millions of euros



Earnings before taxes, in millions of euros



Staffing levels



**Leadership positions**

- EUROPE 1, EUROPE 2 & RFM: 10 MILLION DAILY LISTENERS AGES 13+.
- MCM: NO. 1 CABLE & SATELLITE MUSIC CHANNEL FOR MORE THAN 10 YEARS.
- CANAL J, TIJI AND FILLES TV: 12.5% AUDIENCE SHARE FOR AGES 4-14, ALL THREE CHANNELS, AND 35% MARKET SHARE FOR SPECIAL-INTEREST YOUTH CHANNELS.
- CANAL J, WHICH CELEBRATED ITS 20TH ANNIVERSARY IN 2005, IS THE NO. 4 CABLE & SATELLITE CHANNEL FOR ALL AUDIENCES COMBINED WITH 1.2% AUDIENCE SHARE OF THE 4+ DEMOGRAPHIC.

### LAGARDERE ACTIVE RADIO INTERNATIONAL

For more than 10 years, Lagardere Active Radio International (LARI) has been making the most of the group's radio savvy, primarily in Eastern Europe. In nearly all the countries where it operates, LARI has been one of the historic leaders in the local market for private radio stations. In Russia, LARI operates Europa Plus and Retro FM in over 900 towns, and with almost 20 million daily listeners, it is the country's second-largest operator of private radio stations in terms of cumulative audience; in Poland, LARI is the No. 2 private operator with RadioZet, reaching almost 8 million listeners every day; in the Czech Republic, the LARI radio station Frekvence 1 is the leading nationally-broadcast station with 12% audience share, and Evropa 2 is the leader among young audiences; and LARI is also the top radio group in Romania, in Germany's Saarland and in South Africa.

1. Source : TNS Gallup Media
2. Source : SMG/KRC
3. Source : Median + GFK Prague
4. Sources : AC Nielsen, Szonda-GFK, AG.MA

ADVERTISING BROKER



AUDIOVISUAL PRODUCTION



RADIOS



TELEVISION



NEW MEDIA



AUDIOVISUAL DISTRIBUTION

Leadership positions

- AUDIOVISUAL PRODUCTION:
  - 850 HOURS PRODUCED IN 2005.
  - 22 OF THE 100 BEST PRIME-TIME AUDIENCES IN 2005.
- ADVERTISING BROKERAGE:
  - LAGARDERE ACTIVE PUBLICITE: NO. 1 RADIO ADVERTISING BROKERAGE IN FRANCE WITH 34.6% CUMULATIVE AUDIENCE IN THE 13+ DEMOGRAPHIC.



# high techno

EADS: No. 1 in civil aviation with Airbus. The world's leading helicopter manufacturer with Eurocopter. No. 1 in Europe in the space industry.



A global leader in aviation, space and defense, EADS originated from the merger of three major European corporations: Aerospatiale Matra in France, CASA in Spain and DaimlerChrysler Aerospace in Germany. Its success stems from the know-how of its more than 110,000 employees, a high level of technological innovation, a host of major European programs (including Eurofighter and Ariane) and such first-rate companies as Airbus, Eurocopter, MBDA and Astrium.

# Logies



2005 was a record year for the aeronautics industry and for EADS in particular. With an unprecedented order book valued at some 253 billion euros, the group has a steady series of orders in the pipeline. To ensure profitable, sustainable growth, EADS is focusing on three main areas of development: improvement in its operating performance, expansion of its industrial base to improve access to the most rapidly developing markets, and innovation.

For the fifth consecutive year, EADS has surpassed its objectives and bolstered its position as a business driver in the aerospace and defense industries. EADS confirmed its position as the leading civil aircraft manufacturer and considerably expanded its defense range. Overall, EADS demonstrated that it was ideally positioned for sustainable, profitable growth – as its order book clearly shows – with the sector's highest level of forward orders amounting to some 253 billion euros as of December 31, representing more than five years of production. This promising outlook is based on solid performance.

In 2005, EADS generated revenues of 34.2 billion euros and its EBIT\* grew at a rate of 17% to 2.85 billion euros. This performance reflects an increase in Airbus deliveries and confirms the recovery of the Space sector and continued growth in the Defense sector. The company's net cash position saw significant improvement of 39% to reach 5.5 billion euros.

**Airbus confirms its global leadership position.**

The expansion of low-cost airlines, the rapid growth of air transport in Asia, and stronger demand for fuel-efficient aircraft due to the sudden surge in the price >

\* see note page 69

> of oil have served to catapult orders to unprecedented levels. Together, Airbus and Boeing took 2,140 orders during the year, beating the previous world record of 1,528 orders dating back to 1989.

Airbus confirmed its No. 1 position in the Civil Aviation sector. For the third consecutive year, the aircraft manufacturer surpassed its rival by delivering 378 aircraft (a market share of 57%) and boosted its lead by bringing in 1,111 orders. Its total order book stood at 2,177 units, compared with 1,809 for its competitor.

The A380 gained three new customers, including its first customer in China (China Southern Airlines) and its first in India (Kingfisher Airlines), bringing the total number of firm orders for the 555-passenger super jumbo jet to 159 as of the end of 2005. From a manufacturing viewpoint, 2005 was a crucial year, noteworthy for the plane's inaugural flight on April 27. In October 2005, EADS approved the industrial launch of a new aircraft: the ultra-long-haul A350. This new plane will incorporate some of the A380's major advances and will be available in two versions ranging in capacity from 250 to 300 seats.

### The order book for defense activities expands.

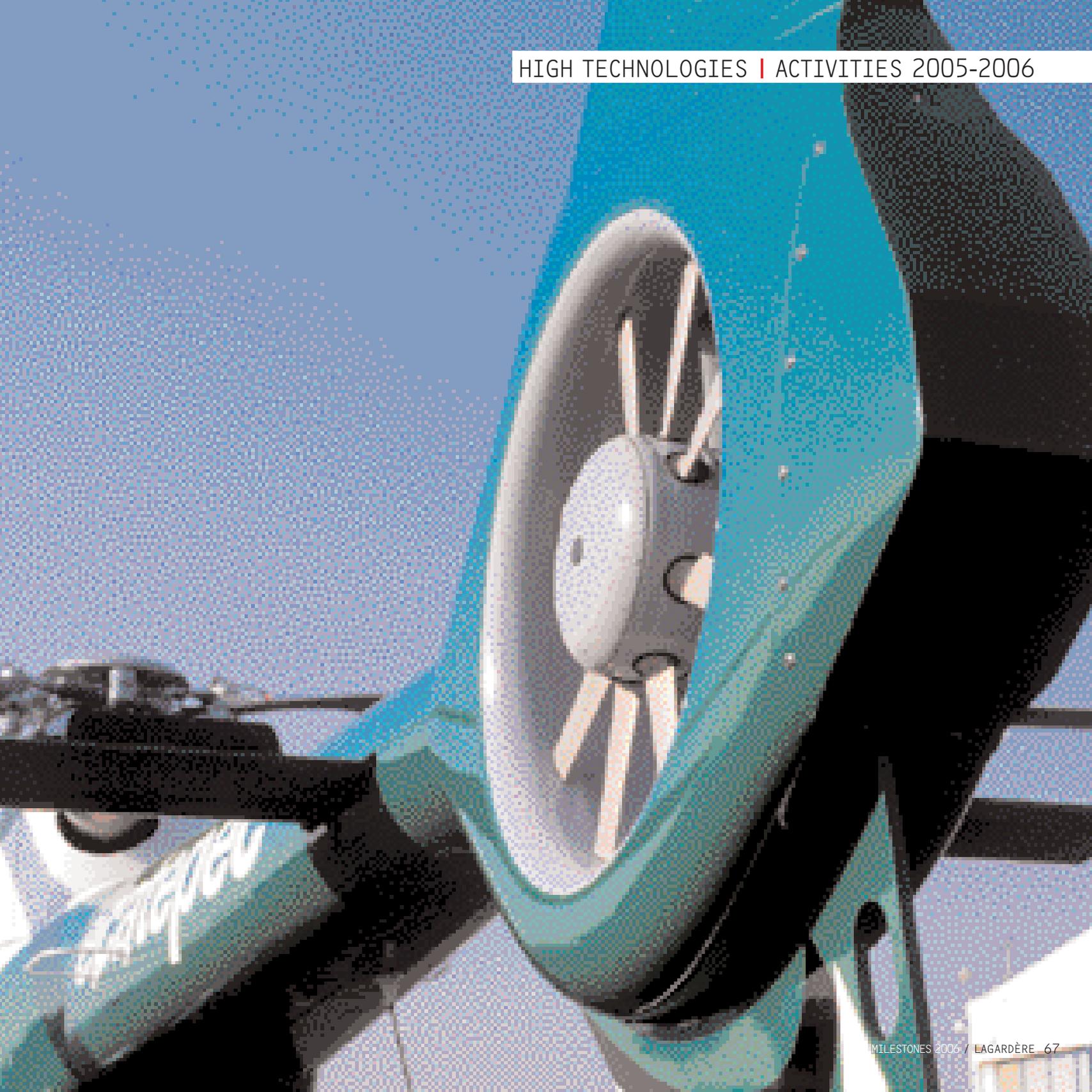
The success of Airbus and the growth of the civil aviation market are helping EADS achieve its strategic objective of expanding its defense business. EADS won some substantial contracts in this regard in 2005 with >



> the agreement to supply Spain with the Taurus surface-to-air missile and Spain's selection of the NH90 transport helicopter to modernize its armed forces, as well as the contract for the electronic self-protection system for the Eurofighter and India's order for the Exocet. EADS also signed a contract with Malaysia for the purchase of four A400Ms, while China and South Korea have selected Eurocopter as their main foreign partner for the development and production of their new six- to eight-ton-class helicopters. As a member of the international consortium working on the Medium Extended Air Defense System (MEADS), EADS is participating in the design and development of the tri-national MEADS missile. This agreement is evaluated at approximately 1.4 billion dollars for the design and development stage. The defense order book thus expanded from 49 billion euros at the end of 2004 to 52 billion euros at the end of 2005.

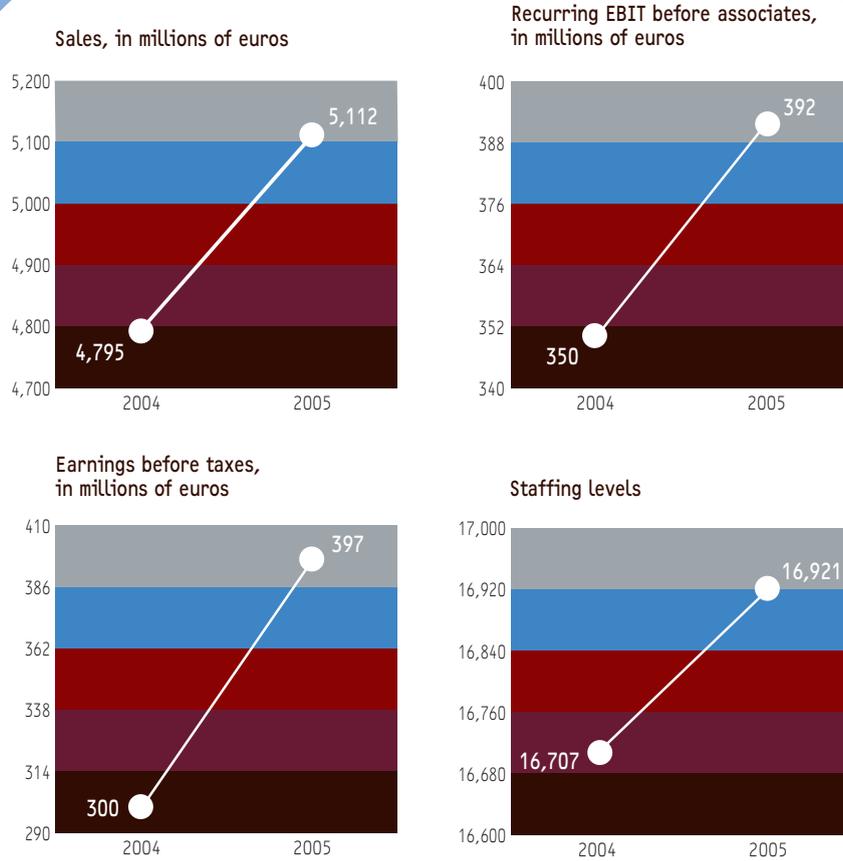
The space division embarks on a profitable trajectory. The Space division, the company's third pillar, put in a spectacular performance in 2005 by generating a positive EBIT\* of 58 million euros. After being completely restructured and reorganized, the Space division is now a full participant in the company's growth dynamic and is successfully positioning EADS as the mainstay of the European space program, especially since the successful launch of the new Ariane 5 ECA. ■

\* see note page 69



### THE A380'S TEST PHASE

Since its inaugural flight on April 27, 2005, the A380 has not had a moment's rest. The aircraft is well into its 18-month flight-test phase, which should culminate in type certification toward the end of the year followed by the first delivery to Singapore Airlines. At the start of 2006, four A380s were participating in the flight test program and had already chalked up more than 1,000 hours of flight time. Some 2,500 hours' worth of test flights must be completed before the first delivery. At the same time, two other A380 units not intended for flight tests have begun static and fatigue testing in two specially designed hangars in Toulouse and Dresden.



EADS uses EBIT (earnings before interest and taxes), prior to goodwill amortization and exceptional items, as its primary indicator of financial performance. The term "exceptional items" refers to non-recurring income and expenses, such as the depreciation of value adjustments resulting from the EADS merger, the creation of Airbus SAS and the formation of MBDA, as well as losses for accelerated goodwill depreciation.



### **EUROCOPTER: AN INTERNATIONAL PARTNER**

With the benefit of its broad partnership experience and its global industrial footprint (extending to the US, China, Australia and beyond), Eurocopter was selected by the Republic of Korea to co-develop the country's first military transport helicopter with KAI (Korea Aerospace Industries). The KHP (Korean Helicopter Program), valued at 6-8 billion dollars, is aimed at developing an eight-ton helicopter that can transport two pilots and 11 servicemen. The development stage should begin in 2006 with the start of production slated for 2011. Some 240 aircraft will be delivered to the ROK army by 2020.



## Key events during the year

**January 18** Inauguration of the Airbus flagship plane, the A380.

**January 88** China Southern Airlines orders five A380s.

**February 12** Successful launch of the new Ariane 5 ECA.

**April 5** New Zealand opts for the NH90 helicopter.

**April 27** Maiden flight of the Airbus A380: Taking off from Toulouse airport at 10:29 a.m. local time, the largest commercial airliner in the world completes its inaugural flight with aplomb.

**May 20** The government of Spain selects the NH90 in a move to modernize its armed forces.

**June 17** Airbus announces that orders from the Le Bourget air show hit USD 33.5 billion overall.

**June 25** Thomas Enders and Noël Forgeard are appointed EADS' new Co-CEOs.

**October 6** EADS gives Airbus the green light to launch production of the A350.

**November 5** Launch of the Immarsat-4 satellite, designed by EADS Astrium.

**December 7** Major successes for EADS in China • Firm commitment from the CASC for the acquisition of 150 planes from the A320 family • Co-development and manufacturing contract with Chinese company AVIC II for a new six-tonne helicopter.

**December 8** EADS signs a contract with Malaysia for the purchase of four A400Ms.

**December 21** Paradigm signs a two-year extension to the Skynet 5 contract and orders a third Skynet 5 satellite.

**December 30** ThyssenKrupp Technologies and EADS undertake the joint acquisition of Atlas Elektronik.

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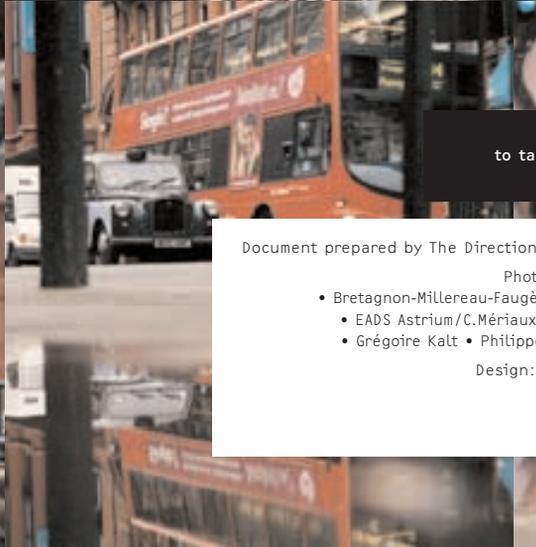
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To illustrate "Milestones 2006", we invited Frédéric Froument to take photographs in the Group's subsidiaries in Detroit, London, Madrid, New York, Prague, Tokyo and Toronto.

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MILESTONES 2006