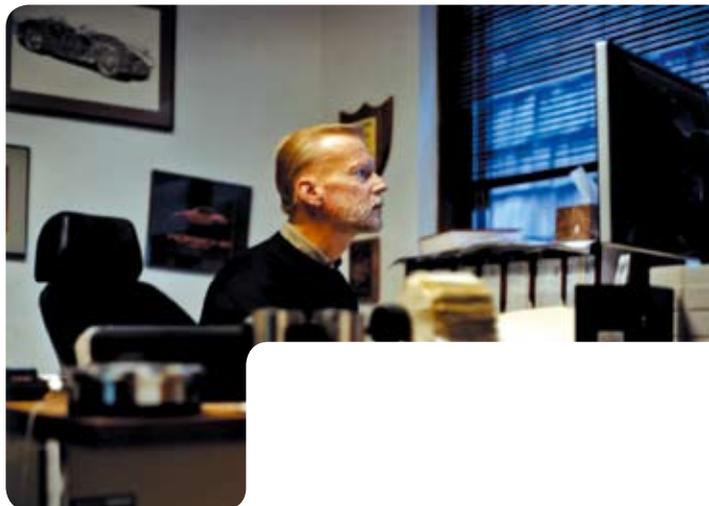
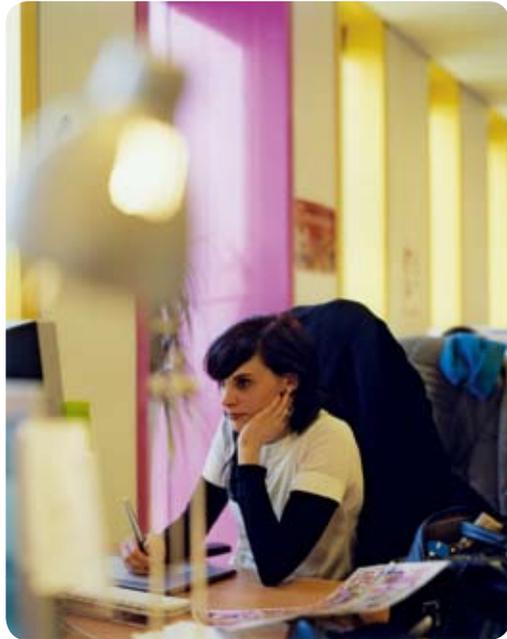


Milestones 2007

Lagardère

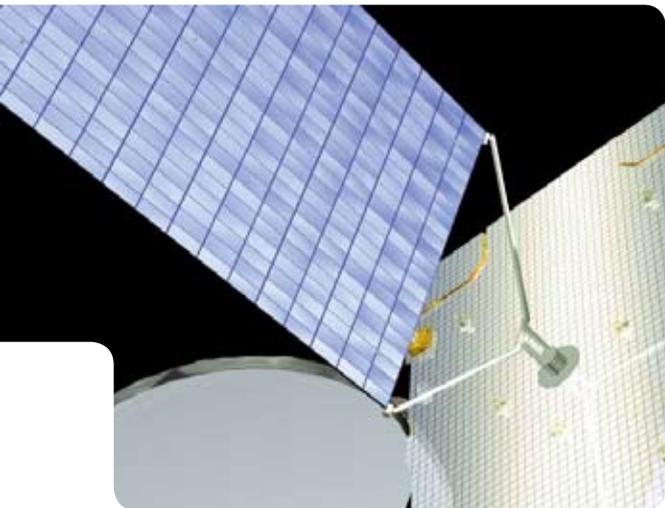


Lagardère



Profile

With operations in more than 40 countries, Lagardère is a French group and a world leader in two sectors - the media and advanced technology. Its media activities represent a stable core business for Lagardère, built on distinct and complementary operating sectors. Lagardère's 14.98% strategic interest in the European company EADS underlines its presence in the high-tech market. The communications and aerospace industries fall within the scope of national sovereignty, requiring Lagardère to assume specific responsibilities. Above all, however, they represent two opportunities to achieve one key objective: to be responsive, successful and modern. Led by Arnaud Lagardère since 2003, the Group continues to pursue its mission of promoting and disseminating culture worldwide, while making every effort to conserve and promote its independence, boldness and creativity, which have always defined the company and comprised its unique vision.





Governance

Message from Arnaud Lagardère

Lagardère is an international group for which media activities constitute its core business. After starting out as an entrepreneurial adventure more than a century and a half ago, our Group has developed a distinctive identity, based on its history and values. An appetite for risk, an enterprising spirit, and a strong sense of independence are central to its philosophy.

While remaining faithful to its achievements, which represent a source of strength, the Group must nevertheless continue to evolve. Given our rapidly changing media environment, and the emergence of new modes of consumption alongside our products, it's an essential step forward. The changes brought about by these underlying trends have an impact on our daily lives. They also open up new horizons by profoundly altering previously dominant economic models.

As our media markets move in a new direction, our Group is moving with them. Lagardère's media activities are now divided into four operating divisions, each of which bears its name: *Lagardère Publishing*, *Lagardère Services*, *Lagardère Active* and *Lagardère Sports*. Each of these corporate brands is clearly identifiable and devoted to the same, core strategy, making content the focus of the Group's activities.

Although *Lagardère Publishing* and *Lagardère Services* represent new names for the Books and Distribution divisions, *Lagardère Active* covers a very different range of activities from those that previously fell within its scope. Formed through the merger of the Group's press and audiovisual activities, it combines the skills of both divisions to create a global content offering, structured around headline subjects in which the Group enjoys proven expertise. This content offering will be

deployed across all of our media, including television, radio, print media and, of course, digital media.

We have taken an identical approach to the creation of *Lagardère Sports*. Due to their emotional impact and universal appeal, Sports – or, more precisely, sporting events – are and will continue to be occasions that have an enormous power to bring people together. Through its acquisition of Sportfive, the Group has acquired the marketing and television rights to major sporting events, and positioned itself in a sector that gives it access to media content with high growth potential and which offers, most importantly, exclusive access.

Taken as a whole, these developments provide a picture of a Group that is resolutely in tune with its age, conscious of its strengths and determined to make the most of them. Lagardère continues to be managed with the prudence and moderation for which it is known. In addition, I am personally responsible for the development these strategic choices and the determination to carry them through. They stand as a guarantee of our credibility and our ability to surprise and to succeed.



Governance Message from Arnaud Lagardère

Management team 2006

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 50,000 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
Chief Financial Officer,
Lagardère SCA
Member of the Executive
Committee



Arnaud Molinié
Chief of Staff,
Lagardère SCA
Executive Committee
Secretary



Thierry Funck-Brentano
Chief Human Relations and
Communications Officer,
Lagardère SCA
Member of the Executive
Committee

Jean-Paul Gut
Chief Operating Officer,
EADS
Member of the Executive
Committee

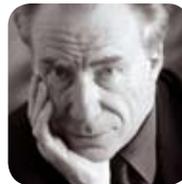


Arnaud Lagardère
General and Managing Partner,
Lagardère SCA
Chairman and Chief Executive
Officer, Lagardère Media
Chairman of the Board
of Directors, EADS

Philippe Camus
Co-Managing
Partner



Pierre Leroy
Co-Managing
Partner



Jean-Louis Nachury
Chairman and Chief
Executive Officer,
Lagardère Services



Didier Quillot
Chairman of the Board
of Directors,
Lagardère Active



Arnaud Nourry
Chairman and Chief
Executive Officer,
Lagardère Publishing



Trend chart 2006

Legal characteristics of French limited partnerships with shares

A French limited partnership with shares (*société en commandite par actions* – SCA) has two categories of partners:

- one or more general partners (*associés commandités*) – they are indefinitely liable for the company's liabilities;
- limited partners (*associés commanditaires* or *shareholders*) – their situation is the same as that of shareholders in a corporation (*société anonyme*). They are represented by a Supervisory Board.

A limited partnership with shares is managed by one or more managing partners (*gérants*), who may be individuals or corporate entities. They are selected from amongst the limited partners or third parties, but may not be shareholders.

Because of the two categories of partners, corporate decisions are taken at two different levels: by the limited partners in general meetings, and by the general partners. Members of the Supervisory Board are appointed only by the limited partners. If a general partner is also a limited partner he cannot take part in the vote. Both French law and the specificities of its by-laws give Lagardère SCA, a French limited partnership with shares, a very modern structure that is perfectly suited to meet the demands of corporate governance as it answers in the best possible way the two basic principles of establishing a clear distinction between management and control while associating very closely shareholders to the Company's operations and progress.

This structure is characterized as follows:

- It establishes a very clear distinction between the Managing Partners, who are responsible for the running of the business, and the Supervisory Board which represents the shareholders.
- The Supervisory Board is entitled to oppose the appointment of a Managing Partner or the renewal of his appointment by the general partners. The final decision is vested in the shareholders.
- The two general partners' unlimited liability to the full extent of their assets is evidence of the proper balance between financial risk, power and responsibility.
- The Supervisory Board wields the same powers as the Statutory Auditors.



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, Chief Operating Officer

Pierre Leroy,

Director and Chief Operating Officer

Statutory Auditors

Ernst & Young et Autres

Mazars & Guérard

Supervisory Board in 2006

Chairman of the Board – Chairman of the Audit Committee

Raymond H. Lévy

Members of the Board

Bernard Arnault

Hubert Burda ⁽¹⁾

René Carron

Georges Chodron de Courcel

Groupama SA *represented by Mr Helman le Pas de Sécheval**

Pehr G. Gyllenhammar ^{*(2)}

Pierre Lescure

Christian Marbach *

Bernard Mirat *

Didier Pineau-Valencienne *

Henri Proglio

Felix G. Rohatyn

François Roussely

Censor

Bernard Esambert ⁽³⁾

Secretary

Laure Rivière-Doumenc

* Also a member of the Audit Committee

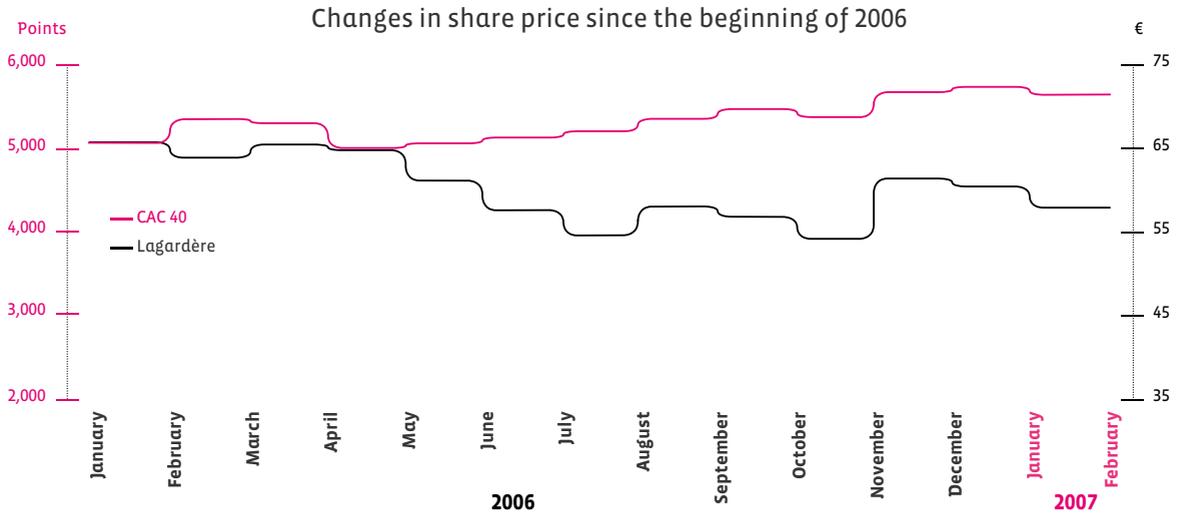
(1) Mr Hubert Burda resigned on 19 December 2006.

(2) Mr Pehr G. Gyllenhammar resigned at the end of the Combined General and Special Shareholders' Meeting of 2 May 2006.

(3) Mr Bernard Esambert's term of office expired at the time of the Combined General and Special Shareholders' Meeting of 2 May 2006.

Trend chart 2006

continued



Per share data in €

| | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | |
|---|--------|------------------------|-------|------------------------|----------------------------|------------------------|-------|------------------------|-------|------------------------|
| | Basic | Diluted ⁽¹⁾ | Basic | Diluted ⁽¹⁾ | Basic | Diluted ⁽¹⁾ | Basic | Diluted ⁽¹⁾ | Basic | Diluted ⁽¹⁾ |
| Profit attributable to holders of the parent, per share | (2.16) | (2.16) | 2.47 | 2.42 | 3.65 | 3.44 | 4.88 | 4.74 | 2.13 | 2.09 |
| Equity attributable to holders of the parent, per share | 27.32 | 27.31 | 28.75 | 28.86 | 28.68 | 31.28 | 31.45 | 33.72 | 34.47 | 34.63 |
| Cash from operations, per share | 4.41 | 4.34 | 6.02 | 5.88 | 8.75 | 8.76 | 9.52 | 9.23 | 9.58 | 9.42 |
| Market price at 31 December | 38.71 | | 45.77 | | 53.10 | | 65.00 | | 61.00 | |
| Dividend | 0.82 | | 0.90 | | 1.00 + 2.00 ⁽²⁾ | | 1.10 | | 1.20 | |

(1) Dilution reflecting the exercise of employees share options.

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

Consolidated balance sheet in M€

| | 2005 | | | 2006 | | |
|---|--------------------------|--------------|---------------|--------------------------|--------------|---------------|
| | Media & Other Activities | EADS | Total | Media & Other Activities | EADS | Total |
| Non-current assets | 5,802 | 4,654 | 10,456 | 6,461 | 4,661 | 11,122 |
| Current assets | 3,463 | 5,070 | 8,533 | 4,967 | 5,291 | 10,258 |
| of which short term investments & cash | 849 | 1,498 | 2,347 | 1,648 | 1,353 | 3,001 |
| TOTAL ASSETS | 9,265 | 9,724 | 18,989 | 11,428 | 9,952 | 21,380 |
| Stockholders' equity | 3,143 | 1,318 | 4,461 | 3,433 | 1,415 | 4,848 |
| Non-current liabilities | 2,170 | 3,671 | 5,841 | 3,140 | 3,875 | 7,015 |
| of which financial debt | 1,280 | 627 | 1,907 | 2,310 | 534 | 2,844 |
| Current liabilities | 3,952 | 4,735 | 8,687 | 4,855 | 4,662 | 9,517 |
| of which financial debt | 644 | 659 | 1,303 | 1,361 | 328 | 1,689 |
| TOTAL STOCKHOLDERS' EQUITY & LIABILITIES | 9,265 | 9,724 | 18,989 | 11,428 | 9,952 | 21,380 |

Consolidated profit & loss statement in M€

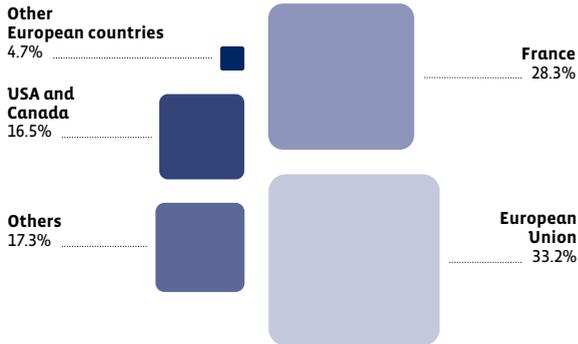
| | 2004 | | | 2005 | | | 2006 | | |
|--|--------------------------|--------------|---------------|--------------------------|--------------|---------------|--------------------------|--------------|---------------|
| | Media & Other Activities | EADS | Total | Media & Other Activities | EADS | Total | Media & Other Activities | EADS | Total |
| Net sales | 7,501 | 4,795 | 12,296 | 7,901 | 5,112 | 13,013 | 8,092 | 5,907 | 13,999 |
| EBIT | 544 | 345 | 889 | 500 | 420 | 920 | 567 | 31 | 598 |
| Finance costs, net | (52) | (45) | (97) | (53) | (23) | (76) | (174) | (18) | (192) |
| Income tax expense | (132) | (108) | (240) | (16) | (126) | (142) | (97) | 12 | (85) |
| Net income | 360 | 192 | 552 | 431 | 271 | 702 | 296 | 25 | 321 |
| Attributable to equity holders of the parent | 335 | 160 | 495 | 404 | 266 | 670 | 268 | 23 | 291 |
| Attributable to minority interests | 25 | 32 | 57 | 27 | 5 | 32 | 28 | 2 | 30 |

Trend chart 2006

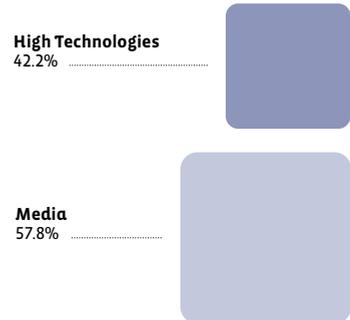
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Lagardère SCA

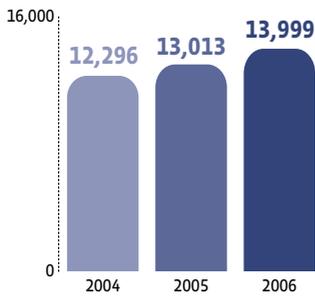
Breakdown of sales by geographical area (as a %)



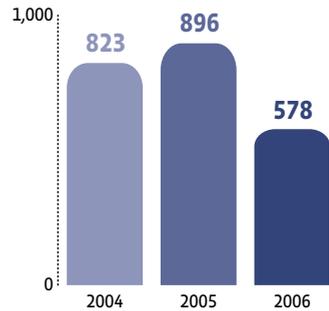
Breakdown of sales by segment (as a %)



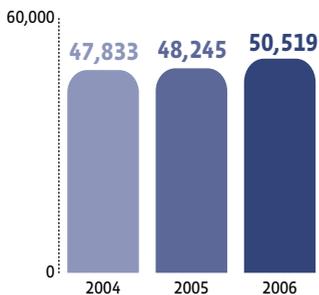
Sales (in M€)



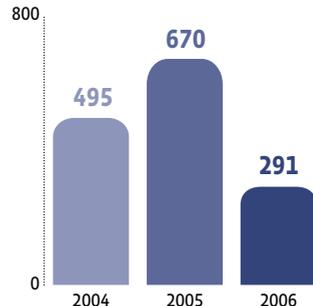
Recurring EBIT before associates* (in M€)



Staffing levels*



Net income as a share of group income* (in M€)

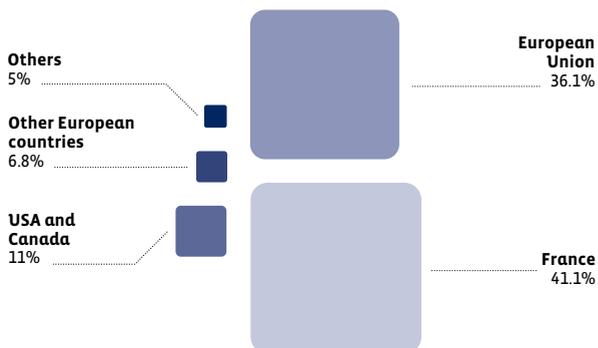


* Table figures account for Other Activities

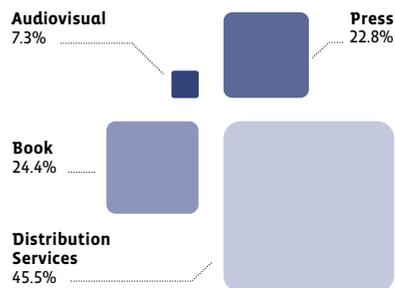


Media segment

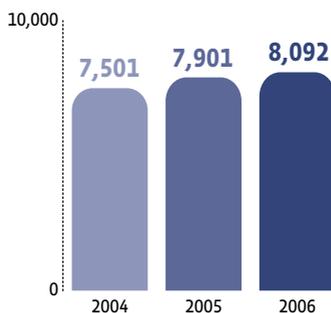
Breakdown of sales by geographical area (as a %)



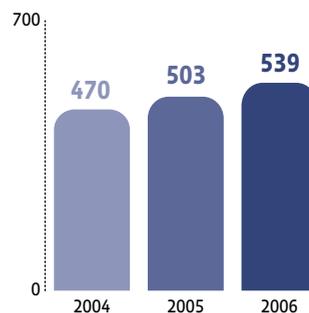
Breakdown of sales by division (as a %)



Sales (in M€)

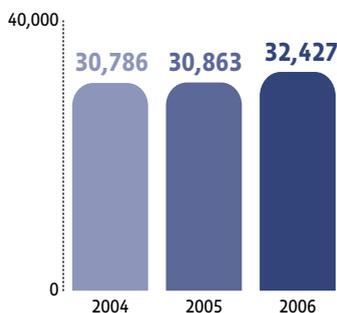


Recurring EBIT before associates (in M€)

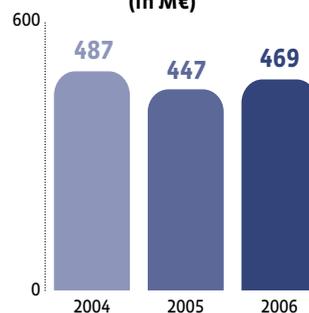


- Media division net sales up 2.4% at €8,092M (up 0.9% like-for-like).
- Media division recurring EBIT before associates up 7.0% at €539M.

Staffing levels



Earnings before taxes (in M€)



- Consolidated net income for Lagardère (excluding EADS) down from €404M in 2005 to €268M in 2006 due to non-recurring items (in both 2005 and 2006) and the 2006 charge relating to the EADS Mandatory Exchangeable Bond. After stripping out these factors, adjusted consolidated net income (excluding EADS) was up 5% at €378M.

A group in tune with its times

For Lagardère, 2006 was an action-packed year. The Group successfully reinforced the leading positions it holds worldwide, which ensure its sound foundations. But in parallel with this basic trend, it reorganized its structure, rolling out an ambitious strategy to become more firmly rooted in its times and rise to all the associated challenges.

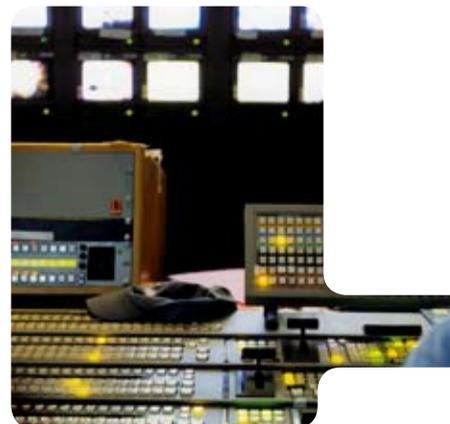
Sound assets

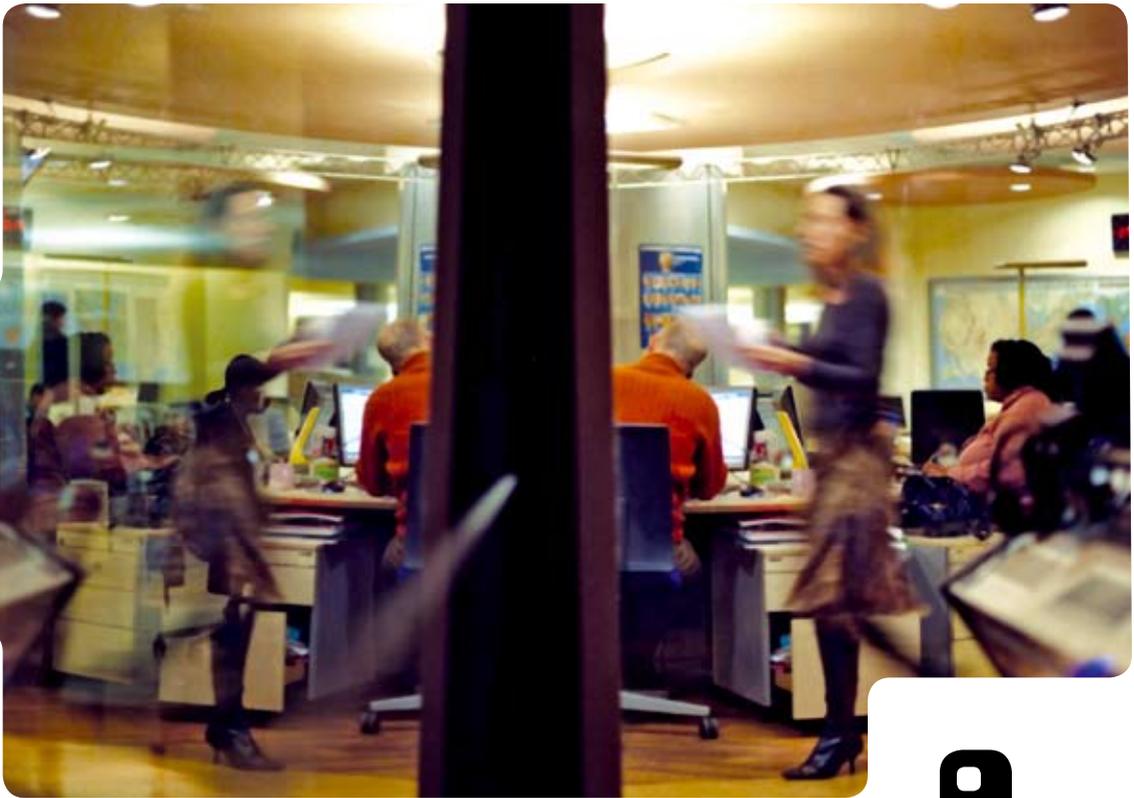
In all its specialist fields, Lagardère holds leading positions. Their maintenance and reinforcement are a priority for the Group and its flagship companies, which enjoy a strong reputation both in France and internationally.

In the publishing trade, 2006 saw the realization of significant developments in the United States with the takeover of Time Warner Book Group in February, making Lagardère the third biggest book publisher worldwide. In the print media sector, it is the leading publisher in the world, publishing almost 260 titles in some 40 countries. It is also a world leader in press distribution, as well as running the biggest international network of stores selling communications, cultural and entertainment products, with 4,000 stores. Lastly, in the audiovisual sector, it holds front-line positions in radio, both in France and internationally, as well as in TV themed channels and new media.

A modern strategy

Building on all its assets, Lagardère is determined to develop further, and this development corresponds to the implementation of a clear, assertive strategy to steer the group toward content production and aggregation, focusing on content with high growth potential and of an exclusive nature. To achieve this, Lagardère has reorganized its structure along two key lines of approach: first, bringing together its former Press and Audiovisual divisions to create a new division under the name of Lagardère Active, pooling its employees' skills and capitalizing on their expertise to produce a shared, genuinely multimedia content offering with a focus on the digital sector. Then,





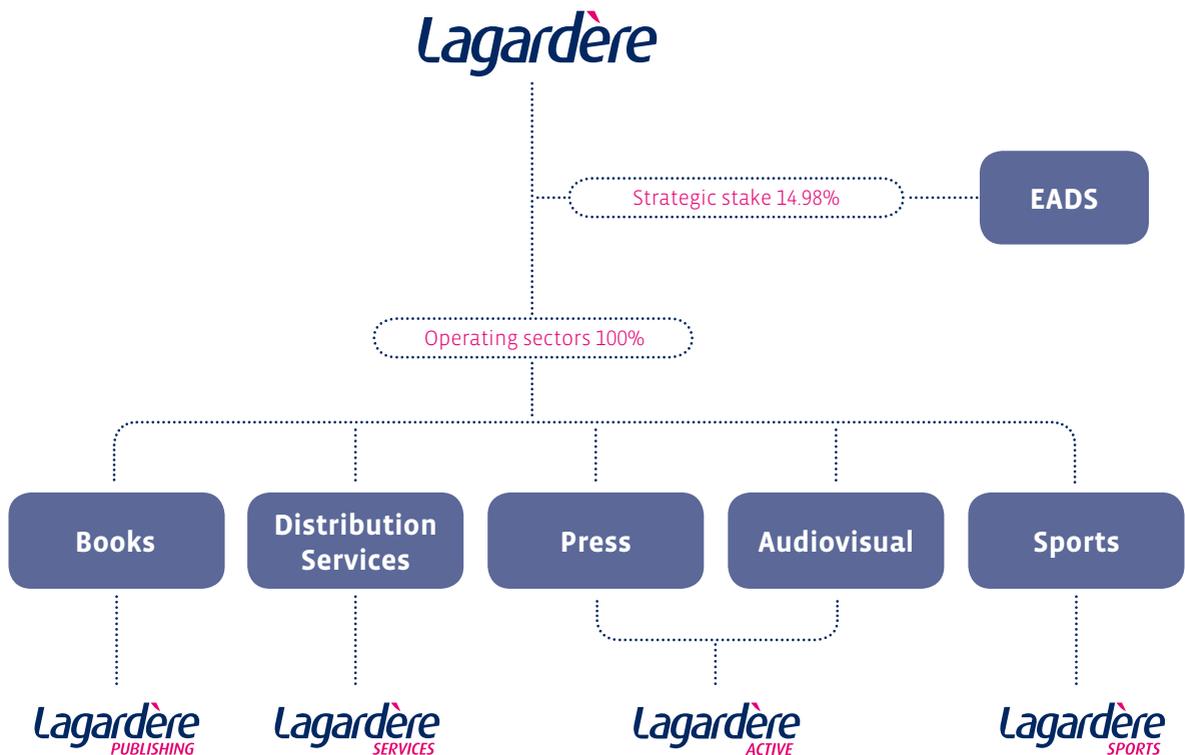
creating a new institutional brand, Lagardère Sports, establishing the Group's entry into a new activity sector – the management and marketing of sporting rights, via the acquisition of Sportfive.

A clearer organization

Although faithful to its past, Lagardère has nevertheless now become a media group fully in tune with its times. In order to offer its shareholders and the public total legibility, it has now clarified its structure. By renaming its Books division *Lagardère Publishing*, and its Distribution and Services division *Lagardère Services*, it is completing the action plan launched with the creation of *Lagardère Sports* (management and marketing of sporting rights) and *Lagardère Active* (Press and Audiovisual). It has therefore become a Group coordinating four distinct and clearly identifiable operational entities.

Strategy A group in tune with its times

Group organization 2007



On 13 March, Arnaud Lagardère announced the reorganization of the group's media division according to four major corporate brands, aiming to clarify the structure of Lagardère SCA (a listed company) and to integrate within it four divisions of media activity. The brands are quoted on the stock market: *Lagardère Publishing* (books), *Lagardère Services* (distribution), *Lagardère Active* (press and audiovisual) and *Lagardère Sports* (management and marketing of sporting rights).

Media activity brand universe



Through its four brands, the group consolidates each of its components and provides them with the means to solidify their leadership position in their respective markets. With powerful support from a shared identity and firm roots in the values of Lagardère, these four brands thus find themselves further strengthened as they prepare to confront the challenges presented by their particular sector of activity.



Strategy A group in tune with its times

A group in tune with its times

continued

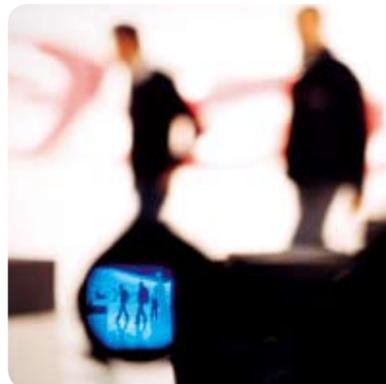
Lagardère Active

Lagardère Active was established as a new entity in 2006, uniting the Group's magazine publishing activities and audiovisual and digital divisions.

Lagardère Active aims to become a leader in the production and aggregation of multimedia content in France and internationally. It also aims to capitalize on its expertise acquired in specific sectors – involving women, youth and music, for example – and to extend this know-how across a complete range of media, including radio, television, print, Internet, and telephone.

With its existing talent, resources, content and brands, Lagardère Active already possesses significant assets in France and around the world. They will be boosted by the implementation of an ambitious strategy to combine internal and external growth, if and when opportunities arise.

The merger of Lagardère's two advertising sales agencies, Interdeco and Lagardère Active Publicité, to become Lagardère Publicité, enabled the Group to create the second largest agency in France in terms of total managed advertising sales. It also supports the growth of advertiser demand by developing a more complete and innovative cross-media offering.

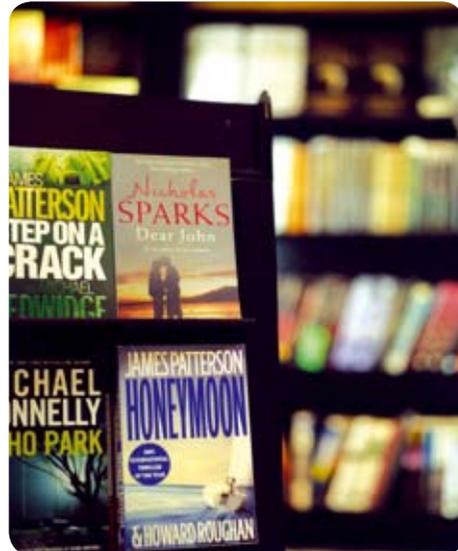


Key events 2006-2007

February 2006

Time Warner Book Group

The Lagardère Group announced an agreement to acquire Time Warner Book Group, the fifth largest US book publisher (popular literature, illustrated, religious, and children's books and an audio-book imprint). This acquisition makes Lagardère Publishing the world's third largest book publisher and strengthens its presence in the English-speaking market, one of the core language markets in which the Group aims to expand its activities.



February 2006

Canal+ France

Lagardère, Vivendi Universal and Canal+ Group announced a draft agreement on pay TV services. On 4 January 2007, Lagardère subsequently joined Canal+ Group, TF1 and M6 in holding a stake in Canal+ France, combining all the French pay TV assets of Canal+ Group and TPS. Lagardère holds a 20% stake, confirming its long-term aim of becoming a major player in the audiovisual sector.



Key events 2006-2007

continued

April 2006

Cellfish Media

Lagardère announced that it would unite its mobile activities for North America (Lagardère Active North America), France (Plurimedia) and Germany (Legion) under the Cellfish Media brand. One of the largest mobile content publishing and distribution companies in the world, Cellfish Media is headquartered in New York, where the company creates original branded content for mobiles designed especially for consumption via mobile telephones.



July 2006

La Croix Catelan

The Group was awarded a 20-year concession on La Croix Catelan following a call for bids by Paris City Hall. This historic and distinguished Parisian sporting venue, along with the Rue Eblé sports centre, also in Paris, form part of a strategy to make Lagardère Paris Racing an international multisport club.

August 2006

Digital kiosk

HDS Digital launched a new distribution channel: press downloads in digital format. This format enables readers to leaf through a magazine from cover to cover, extend their reading through interactive links and enjoy digital bonuses such as video and music clips, wallpaper for their computer, and more. Readers can access all magazines by logging onto www.relay.fr or www.virginmega.fr.



September 2006

Lagardère Active

Lagardère announced the creation of a new operating division combining its activities in the magazine (Hachette Filipacchi Médias) and audiovisual and digital (Lagardère Active) sectors. The new entity will operate under the name *Lagardère Active*. The division aims to take advantage of new digital opportunities to become the world leader in content aggregation - one of the Group's benchmark activities (women's, children's and motoring sectors) - and to be in a position to provide a multimedia offering (print media, radio, TV, Internet, telephone) for a wide customer base.

Commitments

The Jean-Luc Lagardère Foundation

The Jean-Luc Lagardère Foundation exists to promote the values of the man whose name it bears, on a day-to-day basis. Extending the Group's missions within a social context, it adopts a three-pronged approach, encouraging creativity by enabling young people with artistic projects to realize them through the award of Talent Grants. It supports research and takes up the digital challenge by awarding grants to young doctoral candidates, a project illustrated by the introduction of a partnership with the Supélec Foundation. Lastly, the Foundation aims to develop solidarity by giving hospital environments a more human feel (creation and facilitation of the Maison de Solenn multimedia library based on the organization of exhibitions and workshops). It also uses sports as a vector of social integration in cities and as a driving force for success in high schools.



Strategy Key events 2006-2007

Key events 2006-2007

continued

November 2006

Sportfive

The Lagardère Group announced an agreement to acquire Sportfive, Europe's leading football marketing and television broadcast rights management company. This acquisition marks the Group's entry into the international market for sports broadcasting rights management and marketing, and forms part of a long-term strategy to increase its presence in exclusive-access media content with high growth potential.

**Sustainable development**

The Lagardère group's goals as a business are based on a long-term strategic vision. The group therefore takes a Social and Environmental Responsibility (RSE) approach to defining its corporate, societal and environmental policies. But Lagardère also proclaims its determination to exercise its business with full honesty and impartiality, in accordance with the deontological and ethical principles entailed in particular by its adherence to the United Nations Global Compact.

While the Group's RSE approach is implemented by each of its operational units, a cross-functional Steering Committee (the RSE Committee) has particular responsibility for its continuous improvement, in consultation with the agencies' Human Relations divisions, General Secretariats and Technical divisions.

Commitments



December 2006

Newsweb

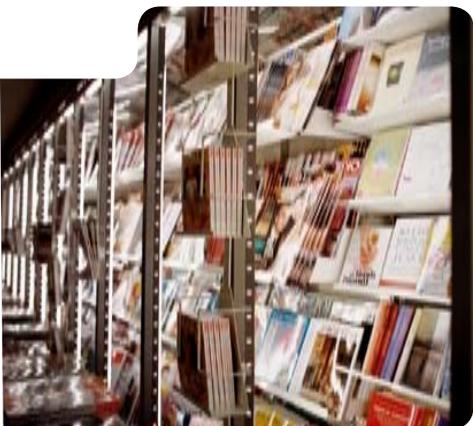
The Group announced an agreement to acquire Newsweb, increasing its footprint in fast-growing new media activities. One of France's leading web content producers, Newsweb sells real-time information produced by its in-house editorial staff and monetizes traffic generated by websites in three areas: sports, automotive activities and the stock exchange. The company operates via five websites: Sports.fr, Sport4fun.com, Football.fr, Autonews.fr and Boursier.com.



December 2006

A350: launch of a new aircraft

EADS announced the industrial launch of the A350 XWB, a new range of aircraft designed from the outset by Airbus as a comprehensive family of long haul medium-capacity aircraft with XWB – Extra Wide Body. Measuring 5.9 m in diameter, the A350 XWB features the widest body in its category, offering unprecedented levels of comfort in this market segment. It will also offer the lowest operating and seat-mile costs of any aircraft in this category.



December 2006

Goals achieved

Lagardère SCA reported an increase in turnover of 7.6% for the fiscal year ending on 31 December 2006. The Media division's target recurring EBIT before associates was up 7.0%, on a like-for-like basis. Excluding the effects of the sale of Dalloz, the acquisition of Time Warner Book Group and investment in digital terrestrial television (DTT), and based on a €/€ exchange rate of 1.25, growth was 4.8%, in line with the 3% – 7% objective announced in March 2006.



Strategy Key events 2006-2007

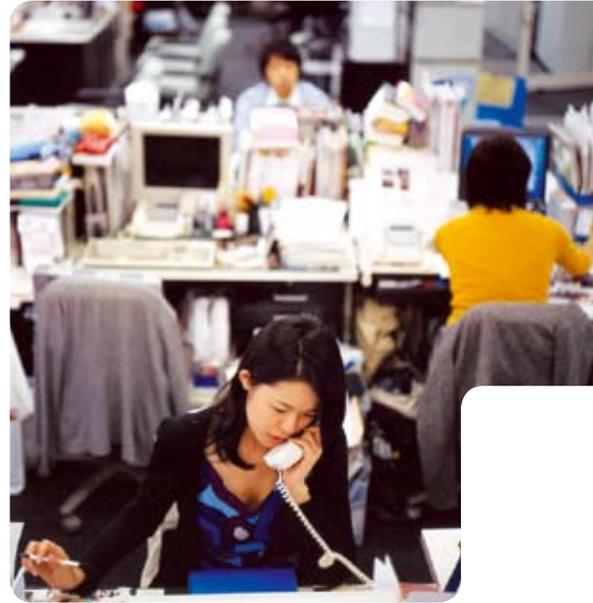
Key events 2006-2007

continued

March 2007

Lagardère Publicité

Audiovisual and print sales agencies Lagardère Active Publicité and Interdeco have joined forces to become Lagardère Publicité. A truly diverse sales agency with over 140 media brands, Lagardère Publicité offers a range of solutions aimed at fully responding to the needs of advertisers and media and advertising agencies. The new sales agency will have the most diverse offering on the market, with a variety of media (press, radio, TV, Internet, podcasts, web radio, street marketing and more) to provide genuine 360° coverage of the most diverse media consumption habits.



March 2007

New Group organization

Lagardère's media activities have been organized into four distinct operating divisions under four new corporate brands: *Lagardère Publishing* (books), *Lagardère Services* (distribution and services), *Lagardère Active* (press and audiovisual) and *Lagardère Sports* (management and marketing of sports broadcast rights). Positioned as a provider of content services, Lagardère has signalled its goal of becoming the world leader in the media sector.

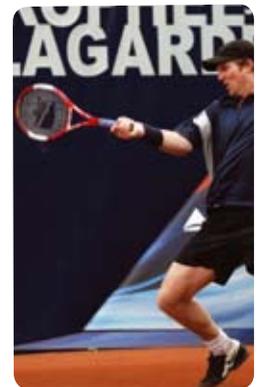
Sports sponsorship

Lagardère's history and identity are profoundly linked to sports and sporting values. The group now operates a global strategy in this field, focused on several key projects.

First and foremost is TeamLagardère. Created in 2005, TeamLagardère is a training and scientific expertise centre applied to very high level sports, aimed at optimizing performance preparation methods for all sportspeople who want access to know-how unequalled in France. It was followed by the creation of the sporting club Lagardère Paris Racing, founded on obtaining the

concession for La Croix Catelan in July 2006, which has developed its activities at the sports centre in Rue Eblé, Paris, the site of its head office. In this way the Group has ensured that it has access to some of the most prestigious sporting facilities in Paris in which to implement its ambitions. Lagardère Paris Racing completes an overall programme that also includes the Jean-Bouin stadium in Paris, the Sophia Antipolis sports centre and certain operations conducted by the Jean-Luc Lagardère Foundation.

In this field the Group is acting as a driving force, bringing together a growing number of high level sports personalities around its projects, together with federations and clubs (Rugby, Athletics, Table Tennis, Club Paris Judo, etc.) and economic partners, including Sony, Subaru and Le Coq Sportif. Lastly, conscious of the symbolic value of sporting events, Lagardère is co-organizing a certain number of tournaments, such as the Jean-Luc Lagardère Cup and the Paris World Juniors - Lagardère Cup. It has also become one of the main official partners of the Roland Garros international championship.





Lagardère

Activities 2006–2007

Books page 28

Distribution Services page 38

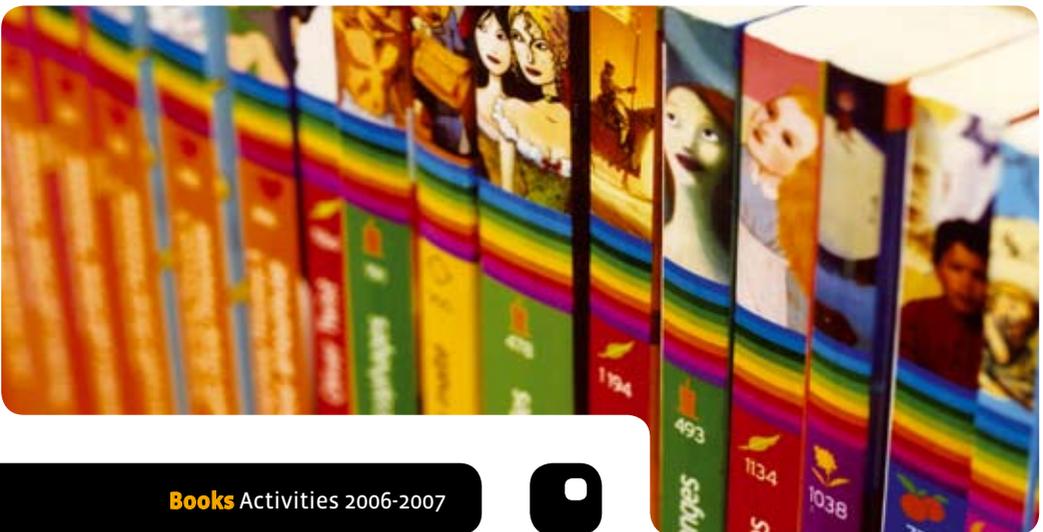
Lagardère Active

Press page 48

Audiovisual page 58

High Technologies page 68





Books Activities 2006-2007



Lagardère
PUBLISHING

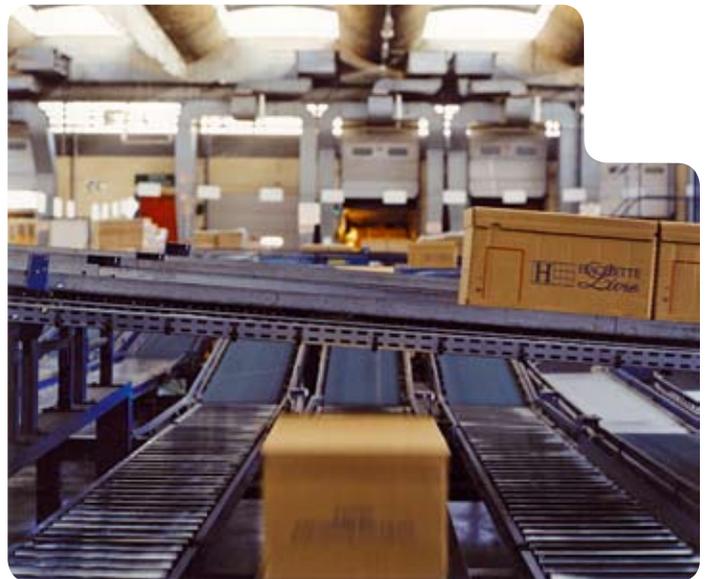
Lagardère Publishing is represented
in over 70 countries across
all its core activities

Books

Lagardère Publishing, a subsidiary of Lagardère Media, is a major player in the publishing world, with three core language markets: French, Spanish and English. It pursues its mission as a publisher of high quality works for all audiences in the general literature, education and illustrated-work market segments. In addition to publications sold in bookshops, it sells serial books, published in instalments, at kiosks.



Books Activities 2006-2007



For Lagardère Publishing, 2006 was a year of geographical expansion in the United States, with the acquisition of Time Warner Book Group, making Lagardère Publishing the third biggest publisher in the world. At the same time, 2006 was a year of organic growth in publishing and distribution in the French, Spanish and English-speaking core language markets.

With sales of €1,975 million and activities in over 70 countries, Lagardère Publishing earns almost 63% of its turnover abroad and remains true to its model mix of profitable growth and a balanced portfolio of activities.

In France

Literature: After an exceptional year in 2005, with literary prizes awarded to Grasset, Stock and Fayard authors and the success of Dan Brown's bestsellers at Lattès, 2006 saw healthy maintenance of business with the continuing success of Dan Brown at Lattès and best-selling titles at Fayard and Grasset, such as *La Touche Etoile* by Benoitte Groult. This year Grasset was awarded the Médicis prize for *Une promesse* by S. Chalandon, the Interallié prize for *Marilyn, dernières séances* by M. Schneider and the Fémina Essai prize for *Qui dit Je en nous* by C. Arnaud. The year also marked a return to growth for Livre de Poche.

Education: Both publishing houses have increased their market share, with a school market on the increase thanks to primary and above all high school activity, which has benefited from the impact of free schoolbooks in Ile-de-France. Hachette Education has also achieved healthy performance figures, particularly in junior high and high schools as well as on the encyclopaedia market, while the Alexandre Hatier group has had a record year with very strong growth in primary and high school at Hatier, and junior high at Didier. Youth continues to develop, with new collections from Rageot and some fine successes in new CDs and albums at Didier Jeunesse.



On the popular **Illustrated Books** publishing market, **Hachette Illustré** has maintained a constant level of activity despite a significant reduction in business at Disney Jeunesse, linked to the lack of an end-of-year film and increased competition on a falling market in tourism. The editorial strategy fully demonstrated its relevance on the practical sectors, with some fine successes at Hachette Pratique and Marabout, and at Hachette Jeunesse, which benefited from the impact of marketing operations on the occasion of the 150th anniversary of La Bibliothèque Rose and achieved some excellent results in the new series and the development of “Fantasy” in large format.

In **Reference** (Encyclopaedias) and **Dictionaries**, 2006 was a turning point, with a sharp reduction in activity at Larousse and the definition of corrective measures at both organizational and editorial levels.

On the **University and Professional** market, 2006 saw finalization of the sale of Dalloz to Editions Lefebvre Sarrut, and Armand Colin is continuing its growth on the Books market thanks to the attractive nature of its publishing programme, while Dunod has had a more varied year on a falling university market.

In **Distribution**, 2006 was marked by the successful integration of new publishers, both at group level with Larousse and outside the group with Payot-Rivages and Tonkam, as by well as by preparations for resuming distribution of university publications as of 1 January 2007.

In Great Britain

In **Literature**, 2006 was a year of strong growth for Hodder Headline on the Adult and Youth markets alike, following the successful merger with Watts. Orion and Little Brown Book Group have also performed extremely well.

In **Education**, Hodder Headline strengthened its position with the acquisition of Philip Allan, despite the sale of its magazines business.

On the **Illustrated Books** market, 2006 was a year of reorganization at Octopus in response to the drop in the maps market and co-publications in different languages.

Business in **Australia** developed strongly in 2006 with Watts and Octopus in distribution, plus numerous bestsellers.



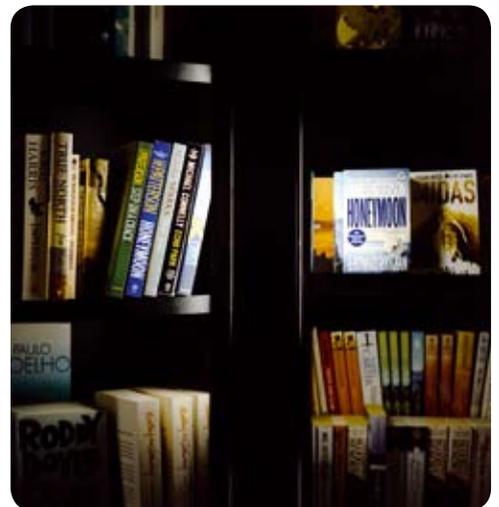


Time Warner Book Group

The acquisition of American publisher **Time Warner Book Group** in February 2006 gives Lagardère Publishing a balanced position on three core language markets: French, English and Spanish.

Time Warner Book Group publishes popular literature, with such best-selling authors as Nelson DeMille, Nicholas Sparks, James Patterson, David Baldacci and Malcolm Gladwell. It also publishes illustrated books, religious works, literature for young people and audio books. In addition, it is an important distributor for third-party publishers, such as Disney and Microsoft. Since the **Time Warner Book Group** was also established in the United Kingdom, Australia and New Zealand, this acquisition makes Lagardère Publishing a leading publisher in these three countries.

Books Activities 2006-2007



In Spain

In **Education**, Anaya turned in an excellent performance on a growing schoolbooks market, thanks in particular to extension of the free books scheme in Andalusia.

Bruno's distribution and back office were transferred to Anaya during the course of the year.

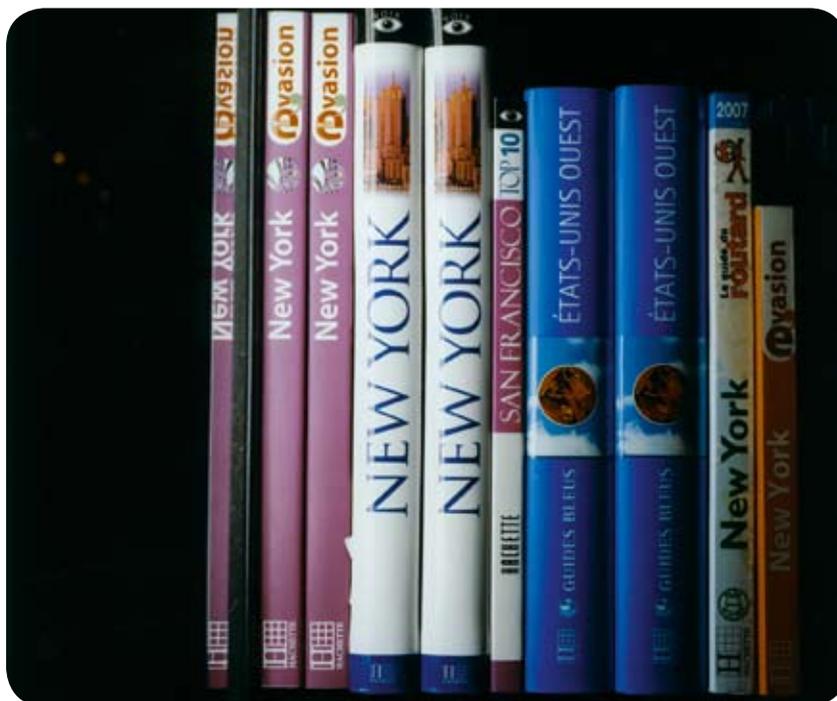
In the United States

For its first year in the group, Hachette Book Group USA exceeded its targets, putting over 70 titles on the bestseller lists with fine performances from such top authors as James Patterson, Nicolas Sparks, David Baldacci and Michael Connelly.

On Serial books markets

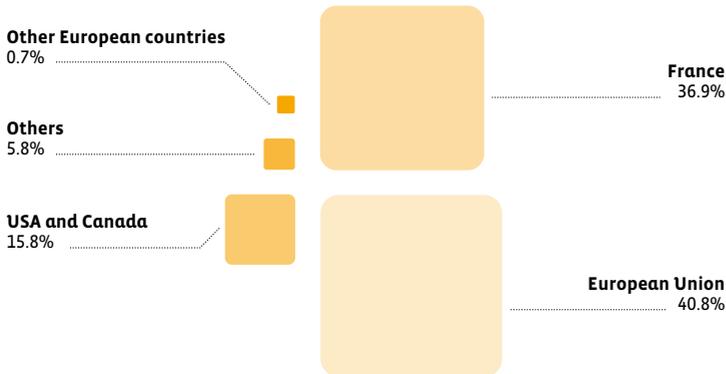
On **Serial Book** markets, 2006 was another record year with successful development on the German, Spanish, Japanese and Latin American markets, added to the performance of backlists in long-established countries.

Books Activities 2006-2007



Books Trend chart 2006

Breakdown of sales by geographical area (as a %)

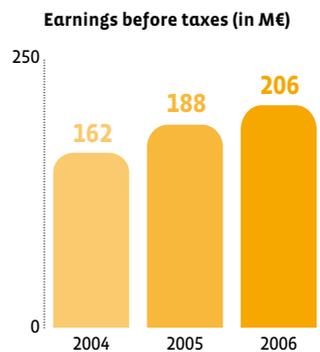
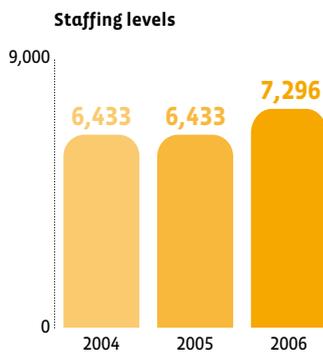
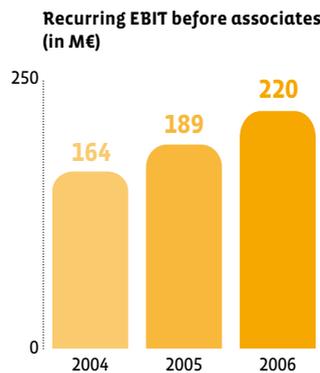
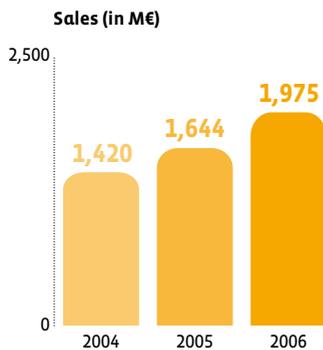


Key figures

- Over 12,000 new titles published in 2006.
- The Group is represented in over 70 countries across all its core activities, with 6,430 personnel including 3,204 in France, 1,353 in the United Kingdom and 1,228 in Spain.

Leading positions

- No. 1 in France and Great Britain, No. 2 in Spain, No. 5 in the United States.
- Livre de Poche: market leader with 4,500 titles in its catalogue.
- Lagardère Publishing, leader on the education market in France with almost 1,200 new titles published per annum.
- Hachette Tourisme, leader on the travel guide market.



DEUX COGS D'OR

chêne

LAROUSSE



Hachette Book Group USA

fayard

HACHETTE Littératures



H
A
Z
A
N

Editions 1^{N°}

calmann-lévy

JC Lattès

éditions Harlequin

Grasset

Stock

Books Principal brand names 2006

HATIER

Didier



HACHETTE Livre

THE WATTS PUBLISHING GROUP LTD

Bruño

Didier Jeunesse

DUNOD
EDITEUR DE SAVOIRS

HACHETTE Jeunesse

little, brown
BOOK GROUP

HACHETTE Children's Books

LES EDITIONS FOUCHER

HACHETTE Collections

SALVAT

HACHETTE Pratique



Gautier-Languereau

MARABOUT

HACHETTE Tourisme

HACHETTE Partworks

ARMAND COLIN

HACHETTE Éducation

OCTOPUS Publishing Group

RAGEOT

HACHETTE Fascicoli

istra

ANAYA

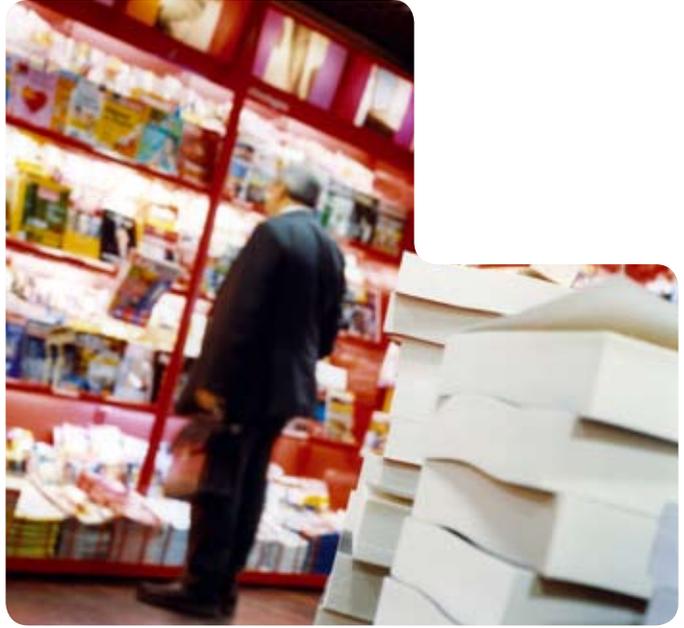


Hodder Headline

The acquisition in March of British school publisher **Philip Allan Updates** has enabled Hodder Headline to reinforce its positions on the Education market.

Key dates

- **October 2001:** Takeover of Octopus in England.
- **September 2001:** Launch of Hachette.com and Hachette-diffusion.fr.
- **December 2003:** Lagardère announces the takeover of 40% of Editis assets: Larousse, Armand Colin, Dalloz, Dunod and Anaya will join Lagardère Publishing.
- **September 2004:** Takeover of Hodder Headline.
- **June 2005:** Sale of Dalloz.
- **2006:** Takeover of Time Warner Book Group.



Distribution Services Activities 2006-2007



Lagardère Services:
a unique network of
4,000 stores in
17 countries worldwide.



Distribution Services



Lagardère Services' mission is to promote access for everyone to a diverse range of ideas and cultures. World leader in press distribution, Lagardère Services runs the foremost international network of stores (4,000) selling communications, cultural and entertainment products under international banners (Relay, Virgin) or with a strong local identity (Payot, Le Furet du Nord, Inmedio).



Distribution Services Activities 2006-2007



In 2006, Lagardère Services developed its retail sales activities, tested new commercial concepts, and renewed many concession contracts in transport locations. Its subsidiaries concluded new press distribution contracts in Europe as well as North America and Asia, thereby reinforcing their unique expertise as a specialist distributor of communications products. In 2006, Lagardère Services also launched a magazine downloading platform: HDS DIGITAL.

Lagardère Services is basing its development on three key areas: marketing services for travellers, marketing cultural and entertainment products and press distribution to points of sale.

Marketing services for travellers

The world leader in marketing services for travellers *via* such enterprises as Relais H, Newslink and Aelia, Lagardère Services is setting up new establishments in airports and stations in the 17 countries where its tradenames are established. With Relay, Lagardère Services operates the leading international network of press stores. Thanks to the opening of new points of sale (Germany, Canada, Poland, Czech Republic, Romania, Russia and more) Relay offers a growing number of travellers a wide range of products to buy for their journeys: newspapers, magazines, books, confectionery, souvenirs, and service products.

The brand name's different forms, Relay Livres and Relay Services, complete its traditional offering in several countries (including France, Switzerland, Poland and Belgium), supplying travellers with a variety of convenience items, take-away food and beverages and special services. In airports, in addition to Relay outlets in some 60 international locations and Newslink stores in Australia and Singapore, Lagardère Services also operates specialty outlets through Aelia.

French leader in airport marketing, Aelia manages over 100 points of sale in 11 metropolitan platforms as in well as in Great Britain (Luton and Belfast). In addition to franchised chains such as Virgin and Hermès,



Aelia also has a portfolio of its own trade names, such Pure & Rare, Beauty Unlimited, French Days, The Gourmet Shop and Cosmopole. SDA, a 50/50 subsidiary of Aelia and Aéroports de Paris, operates the alcohol, tobacco and perfume concessions in Orly (south and west) and CDG (T1, T2 and T3) and gastronomy concessions in certain terminals. In stations and airports, Lagardère Services also runs numerous stores selling music, print media and small electronic goods under the Virgin banner (in France, Australia, Germany and the United States). Lastly, Découvrir/Discover outlets in France, America and Australia offer tourists products specifically linked to local sites or regions.

Specialized marketing of communications products

In France, under the Virgin Megastore banner, Lagardère Services manages 33 culture and multimedia stores, which welcomed over 11 million people in 2006. In addition, the trade names Le Furet du Nord in the north of France and Payot Libraire with its 12 stores and over a third of the book market in French-speaking Switzerland, are genuine regional references.

Virgin is also continuing to develop the site VirginMega.fr, the second French platform for legal downloading.

At the same time, Virgin is extending its geographical coverage, through the development of a network of franchisees in the Middle East (Kuwait, Lebanon, Egypt, United Arab Emirates, Saudi Arabia), in Turkey and in La Réunion.

National press distribution and import-export of press publications.

Supplying points of sale with newspapers and magazines is an essential function of print media marketing. Lagardère Services exercises this activity in 15 countries, operating at two levels:

World leader in national press distribution, Lagardère Services is number 1 in the United States, Belgium, French-speaking Switzerland, Spain and Hungary, and also operates this business in Poland. In many countries, Lagardère Services serves networks of neighbourhood outlets: Lapker in Hungary (13,000 points of sale, including 1,000 in-store) and SGEL in Spain (18,000 points of sale). In North America, Curtis Circulation

E-commerce: virginmega.fr and HDS digital



Opened in 2004, the fee-charging online music site virginmega.fr recorded nearly 7 million downloads in 2006. It now offers one and a half million titles and is the No.2 legal music download operator in France.

In 2006, virginmega.fr strengthened its offering by launching Video On Demand (VoD) as well as virginmega-classic.fr, dedicated to classical music downloads.

In 2006, Lagardère Services also launched a magazine download platform. A veritable electronic kiosk supported by various trading sites (relay.fr, virginmega.fr), the site enables Internet users to download over 140 magazine publications.



Distribution Services Activities 2006-2007

Company, the leading national distributor of magazine publications on the continent, runs a network of independent wholesalers and manages sales of the magazines it represents to the biggest retail chains.

Lagardère Services is also a leading company in the international press import-export sector, established in 12 countries (Belgium, Bulgaria, Canada, Spain, the United States, Hungary, Czech Republic, Romania, Russia, Serbia-Montenegro, Slovakia, Switzerland).

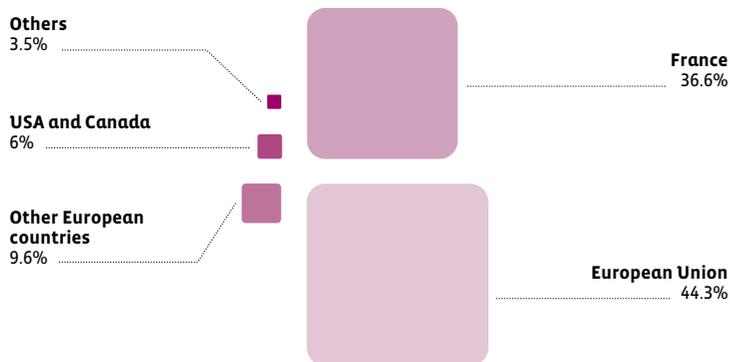


Distribution Services Activities 2006-2007

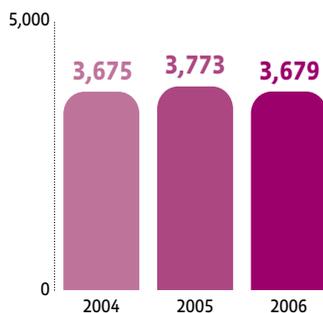


Distribution Services Trend chart 2006

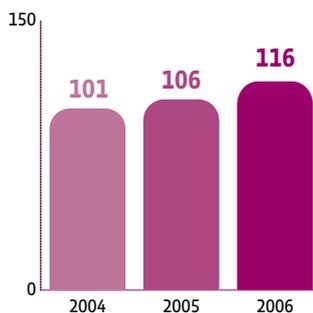
Breakdown of sales by geographical area (as a %)



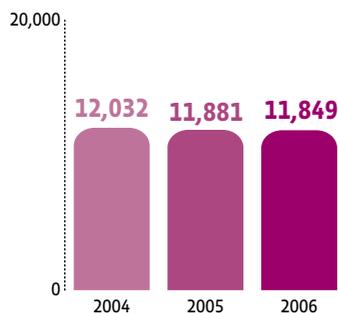
Sales (in M€)



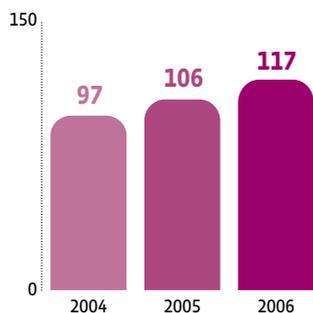
Recurring EBIT before associates (in M€)



Staffing levels



Earnings before taxes (en M€)



Key figures and leading positions

- **Lagardère Services:** a unique network of 4,000 stores in 17 countries worldwide.
- **Lagardère Services:** leading national press distributor in the United States (Curtis Circulation Company), Belgium (AMP), French-speaking Switzerland (Naville), Spain (SGEL) and Hungary (Lapker).
- **Lagardère Services:** leading international press distributor in Belgium, Canada, Spain, Hungary and the Czech Republic.
- **Over 50,000 press outlets** supplied every day by Lagardère Services in Europe and 180,000 in North America.
- **1,100 stores** under the Relay banner in 16 countries serve 1 million customers daily.
- **Virgin Megastore:** 3rd chain of cultural multimedia stores in France.
- **Virginmega.fr:** 7,000,000 music downloads in 2006.
- **Aelia:** French No. 1 in airport marketing.

Multimedia Stores



MEGASTORE



Travel Retail



Regional Banner Stores



Distribution Services Major businesses 2006

Press Distribution

LAPKER



Neighborhood Stores

Press Shop

inmedio



Boutique de la Prensa

N NAVILLE

curtis



Sustained development in Central Europe

In Central Europe, Lagardère Services is continuing to develop its marketing activities aimed at services for travellers at a sustained pace, in particular:

- In Poland, with 62 stores opened in 2006, bringing the network to a total of 422 outlets;
- In the Czech Republic, with 21 new points of sale, including 11 *via* the acquisition of an independent network;
- In Romania, where the year finished with the opening of the 55th outlet and sales up by 86%;
- In Hungary, where the network now totals 323 stores.

Lagardère Services also has retail outlets in Russia and Serbia-Montenegro.

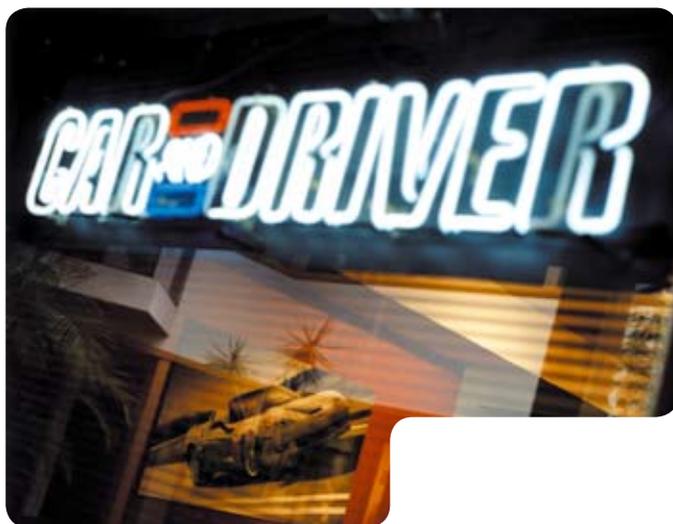


Key dates

- **11 January:** The first Relay opens in Asia (Hong Kong).
- **27 March:** AMP takes over distribution of Sanoma group publications.
- **19 April:** Virgin opens its VOD download service.
- **3 May:** Opening of the Relay Hub at Zaventem airport (Brussels).
- **29 May:** Inauguration of the first Virgin store in Germany at Lehrther Station (Berlin).
- **1st June:** SGEL takes over distribution of Edipresse magazines in Spain.
- **29 August:** Launch of the HDS Digital kiosk on Relay.fr and virginmega.fr.
- **23 November:** Launch of the platform virginmega-classiques.fr.
- **23 November:** HDS Inmedio opens its 50th store in Romania.



Distribution Services Activities 2006-2007





Lagardère
ACTIVE

Over 1 billion copies sold every year,
including over 203 million copies
sold by subscription.

Press

The leading magazine publisher in the world, Lagardère's Press division's activities are focused on magazines aimed at the general public on its licensing business, based on leading titles such as *Elle* and *Psychologies Magazine*. In France, the group has a Daily Press and Supplements division.

Lagardère Publicité, the leading French press advertising agency, has the support of a powerful international network, managing third party publishers' titles in addition to the group's own publications.

2006 was a year of transition for the Group's print media activities, with contrasting developments in its respective countries and markets, and the growing influence of Internet media.

The Group has responded to this trend with a strategy of digital development and content synergies, combined with the rationalization of its portfolio of titles and international operations.

In France, sales of our upmarket women's and special interest magazines enjoyed extremely healthy growth: single-copy sales of *Elle*, *Elle Déco* and *Elle à Table* rose in 2006, along with *Isa* and *Parents*.

The photo-magazine market was marked by a drop in sales for *Paris Match* following an exceptional 2005. However, its circulation reflects a measure of medium-term stability.

The weekly TV magazine market enjoyed a healthy start after two unsettled years. Set against this background, *Télé 7 Jours* recorded one of the best performances in its sector and ended the year in a near-stable position.

Public, launched in 2003, reenergized the French generational celebrity market. For the third consecutive year, the magazine recorded significant growth, both in circulation and readership.

Ici Paris and *France Dimanche* experienced a drop in circulation in 2006 on the conventional, and temporarily saturated, celebrity market.

Lastly, the men's magazine market (*Choc*, *Entrevue*) was hit by a steep decline, which impacted on sales in 2006.

The outstanding development of 2006 in the regional dailies sector was the modernization of *Nice-Matin*, *Var-Matin* and *La Provence*. A proposed merger with the Presse Quotidienne Régionale division of the Le Monde group was also initiated. Lastly, a drop in kiosk sales and a slowdown in advertising revenues were compensated, in part, by the



development of piggy-backing and a higher cover price for *La Provence*. It was also a year of growth for the supplements *Version Femina* and *TV Hebdo*.

Internationally, strong economic growth in Russia and China once again benefited the Group's subsidiaries, the development of which was reflected, in particular, by the 2006 launch of *Psychologies Magazine* in both countries and by the strengthening of business structures and support activities.

Several magazines (*For Me*, *Elle Girl*) closed in the US in 2006, which was marked by a drop in advertising revenues and circulation figures. This situation was due, in particular, to the growing influence of the Internet on the information media sector.

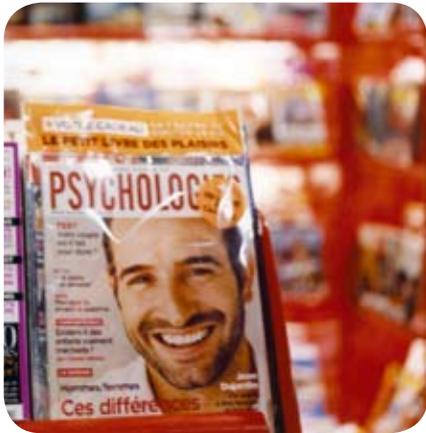
Set against this background, Lagardère Active expanded its Internet activities, in particular with the *Elle* and *Car&Driver* websites. The long-term objective is to offer a global solution to a complete range of advertisers.

In Europe, results improved in Italy, following the restructuring of the activities of Hachette Rusconi. Results also remained healthy in Spain, despite the expense incurred by the launch of *Psychologies Magazine* and the closure of *Xtreme Tuning* and *Maxim*. The goal of setting up operations in other major countries was achieved in July 2006, with the acquisition of the publishing house Quote Media, making the Group the fourth largest player in the Netherlands. The reorganization of activities in Poland with Burda resulted in the creation of a company in which Lagardère Active holds a 49% stake.

In Great Britain, the subsidiary embarked on a major restructuring plan and continued the rationalization of its portfolio of titles with the closure of the print editions of *B* and *Elle Girl*.

The Japanese subsidiary Hachette Fujingaho benefited from a similar title rationalization and restructuring process, enabling it to maintain strong results.

The advertising market ended 2006 with mixed results. Most major mature world markets remained stable, while China and Russia - emerging



JDD becomes a daily publication on the net!

Since March 2007, the French newspaper *Journal du Dimanche* has been available every day on the Internet. Offering direct news and a magazine and cultural section, lejdd.fr is also a site taking part in the “citizen’s media” project, with the development of a strong community dimension: debates, blogs, “live” barometers of French public opinion and so on. By becoming a player in the general daily press, lejdd.fr is following the Lagardère multimedia development strategy, associated with the dynamic created around the *Journal*: new layout in 2006, increased distribution and advertising revenue, and more.

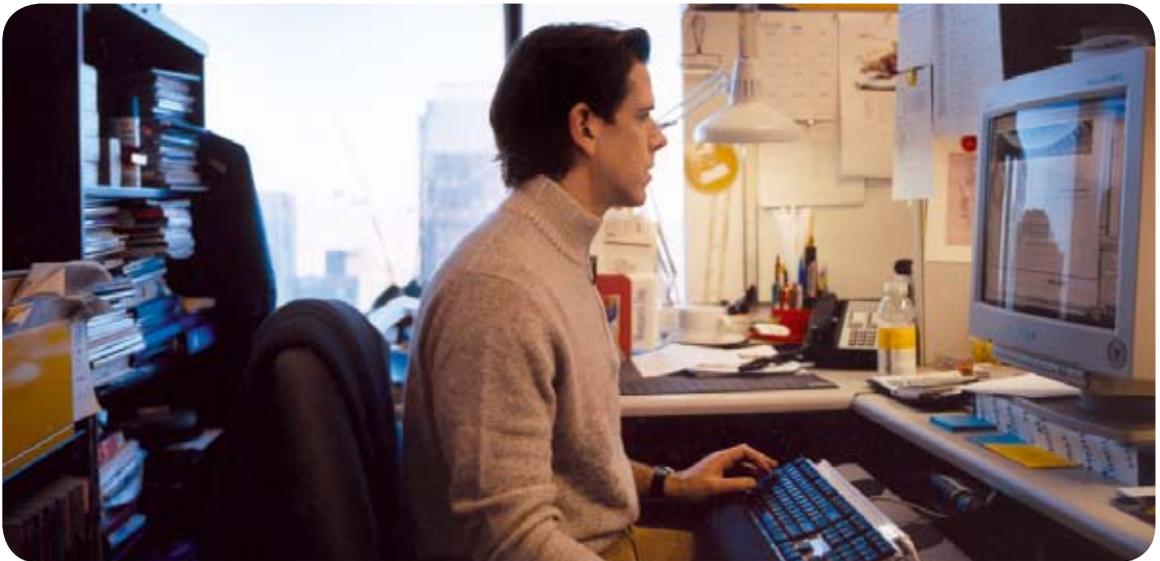


Press Activities 2006-2007

countries in the media sector – experienced strong growth. The year was also marked by exceptional growth in the Internet sector, which passed the symbolic 10% mark of total net advertising investment in the US for the first time in 2006.

This year will see the continued rationalization of the Group's portfolio of activities in response to a difficult advertising and circulation environment. Magazines reporting a decline in sales, combined with operating losses, will face closure, while excessively small and insufficiently profitable international operations will be wound-up.

Lastly, the relaunch policy will apply to segments displaying the strongest growth and will support the transition of our activities toward digital media.

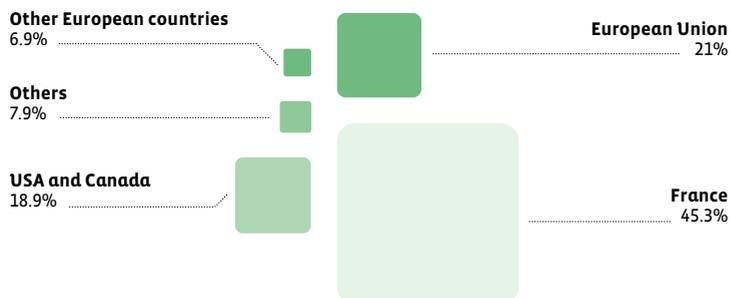


Press Activities 2006-2007



Press Trend chart 2006

Breakdown of sales by geographical area (as a %)



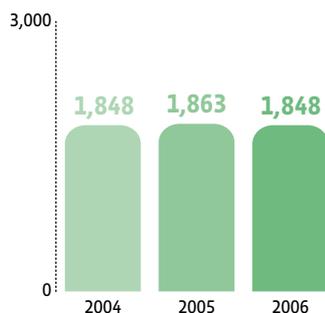
Key figures

- Almost **260 titles published**.
- Established in **41 countries**.
- Over a **billion copies sold** every year.

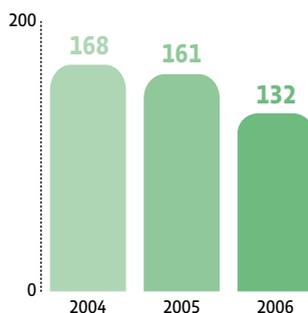
Leading positions

- **Top Magazine publisher** worldwide.
- **Number 1** in France⁽¹⁾ and Spain⁽²⁾.
- **Number 3** in Italy⁽³⁾ and Russia⁽⁴⁾.
- **Leading foreign publisher** in the United States⁽⁵⁾, Japan⁽⁶⁾ and China⁽⁷⁾.
- **Leader on the TV guide market** in Russia (14 million readers).
- **Version Femina**, leading women's magazine in Europe, with over 3.7 million copies distributed by 38 daily newspapers.
- **Lagardère Publicité**, leading French press advertising agency, 30% of market share, over 130,000 pages of advertising sold.

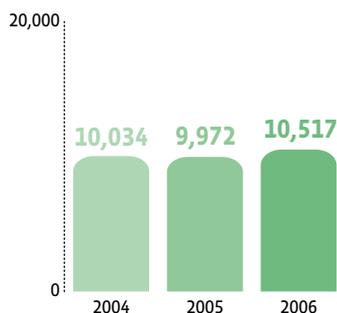
Sales (in M€)



Recurring EBIT before associates (in M€)



Staffing levels



Earnings before taxes (in M€)



(1) Sources: OJD for distribution and TNS-MI for advertising.

(2) Sources: total revenues published by INFO ADEX; total number of copies sold (OJD); total number of readers (EGM).

(3) Source: accounts officially published by publishers (total sales).

(4) Source: distribution revenues at public price (distributors).

(5) Sources: Ad Age Top Consumer Magazine Company (total sales); TNS Media Intelligence Report (advertising revenues).

(6) Source: Tokyo "Tax Bureau".

(7) Ranking of foreign publishers benefiting from "copyright cooperation" with direct control.

ISA

à table **E L L E**

E L L E

marie claire

Woman's Day

PSYCHOLOGIES

Metropolitan Home

25ans
ヴァンサンカン

J J

PARIS MATCH

Version
femina

GENTE

G I O I A

Le Journal du Dimanche

Press Principal brand names 2006

ENTREVUE

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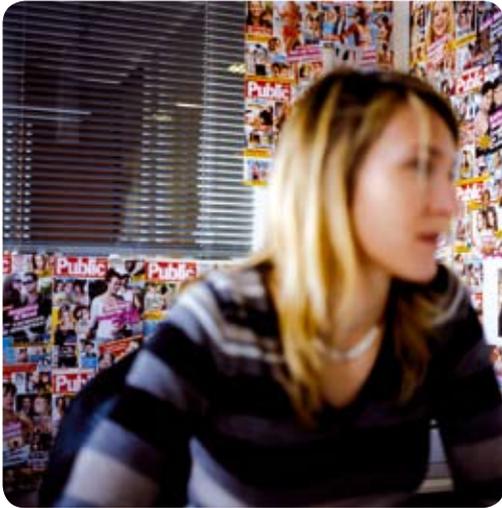
TV hebdo

DIEZ MINUTOS

Disney PRESSE HACHETTE

LE JOURNAL DE MICKEY

ELLE DECOR



Public – constant and significant growth

A weekly publication launched in 2003, *Public* has shown constant growth in distribution ever since, and achieved the highest total distribution in its category in 2006. Positioned in the women's celebrity market, with a provocative but intimate tone and a specific approach based on scripting, interviews, reporting, quizzes, games and more, as well as a TV guide, *Public* is aimed at the 15-34 age group. A leader with this new generation of readers, since March 2006 *Public* has offered a revamped website, with new functions for real-time tracking, in pictures and sound, of the top news stories about celebrities and the first celebrity TV channel on the web, launched with *Yahoo Public TV*.

Key dates

- **February:** Launch of *Elle Collections UK*; launch of a digital version of *Elle Girl* in Holland.
- **April:** *Télé 7 Jours* changes its look.
- **May:** *Onze Mondial* celebrates its 30th birthday.
- **June:** Launch of *Elle Oriental*; *TV Hebdo* changes its look; launch of *Elle Déco* Hungary, 22nd edition; Chinese launch of *Psychologies Magazine*; launch in India of the 26th international edition of *Marie-Claire*.
- **July:** Launch of the American version of the French “*Choc*”: *Shock*.
- **September:** Launch of the 23rd international edition of *Elle Decoration* in Romania.
- **October:** *Elle Decoration* changes its look; *Première* celebrates its 30th birthday.
- **November:** *Paris Match* celebrates its 30th edition; launch of *ChinePlus* in France.
- **December:** *Elle Decor Italy* launches a theme supplement, *Elle Decor Blow up*.





Audiovisual Activities 2006-2007





Audiovisual

Lagardère
ACTIVE

Lagardère Active Radio International:
18 radio stations in eight countries, with over
30 million listeners daily.

Lagardère's audiovisual activities are based on a diversified portfolio. On the radio market, Lagardère Active is a major player in France. On an international scale, it owns radio stations broadcasting in Eastern Europe, Germany and South Africa. In television, the group is responsible for 10 special-interest channels in the music and youth fields. It also produces and broadcasts drama, documentaries, magazine programmes, entertainment and more. Lastly, the group has a multimedia advertising sales agency and offers mobile services in France and internationally.



Audiovisual Activities 2006-2007



Lagardère Active was able to take advantage of opportunities in each of its markets in 2006, both in France and around the world, based on its diversified and rationalized portfolio. The Audiovisual division achieved healthy overall performance by building on its capacity for innovation, recognized expertise in its various core activities, marketing power and management excellence.

In radio *Europe 1* upheld its position as a general-interest radio station in 2006, with a focus on current events and news accessible to a diverse audience, wherever they happen to be, thanks to podcasts and blog-based initiatives. And *Europe 2* launched a new morning programme which recorded the biggest year-to-year rise, both in terms of cumulative audience and audience share. Lastly, *RFM* became the leading adult-contemporary music station with 7% audience share in the 35-49 age group. It was the only adult music radio station to increase its audience share from 2005 levels.

Internationally, Lagardère Active Radio International (LARI) consolidated its audience in the countries where it operates. In early 2006, LARI acquired a 100% stake in four radio stations in which the Warburg Pincus investment fund in Russia held a majority share, and one Polish radio station, in line with its strategy.

In television, in the field of special-interest channels, 2006 was marked by the finalization of a strategy to refocus the company's activities on youth and music, with the closure of *La Chaîne Météo*. The excellent audience figures achieved⁽¹⁾ underline the healthy performance of the group's channels, despite an increasingly competitive environment. Canal J is now the fourth largest cable and satellite network, while Tiji rose one place to become the sixth largest cable and satellite network.

(1) Source: MédiaCabSat survey December 2005 – June 2006.



Lastly, the group joined an initiative to combine the assets of Canal+ and TPS.

In the same way, audiovisual production and distribution continued, with some 880 hours produced in 2006 and 12 of the 100 best prime-time audiences of the year, for all programmes combined⁽²⁾. So, for the 5th year in succession, the group is in 1st place in the annual rankings for prime-time drama⁽³⁾.

Julie Lescaut and *Diane Femme Flic* (GMT Productions), *Joséphine ange gardien* (DEMD Productions), *Père & Maire* (Aubes Productions), *Mafiosa* (Image & Compagnie) and *David Nolande* (GMT Productions), honoured with an award at the Festival de la Fiction in Saint-Tropez, featured among the most popular series. The most popular live programmes included *C' dans l'air* (Maximal Productions), *Nous ne sommes pas des anges* and *Sagas* (Angel Productions), *La grande course* (Léo Vision) and *Ripostes* (Image et Cie). Lastly, Lagardère Images was behind a number of prestigious one-off productions, dramas and mini-series, including *De Gaulle* (GMT Productions) and *Joseph* (GMT Productions).

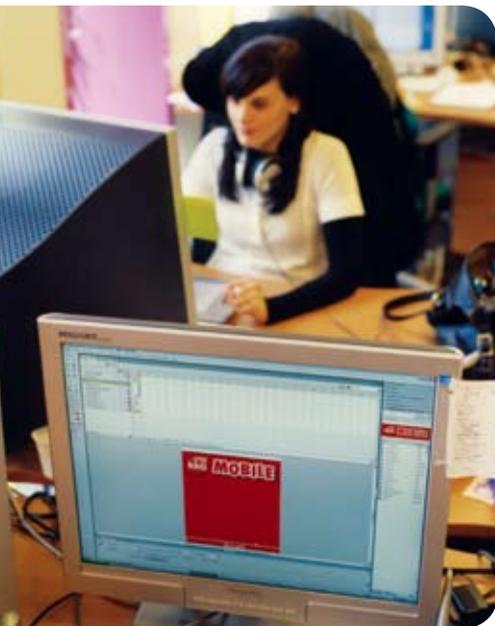
As regards **new media**, 2006 was marked by the combination of the group's North American, French and German mobile activities under a single brand - Cellfish Media. The entity is now one of the largest mobile content publishing and distribution companies in the world (ring tones, wallpaper, animations, games, community services, etc.).

Looking ahead, radio activities in France remain heavily dependent on the advertising market, which offers limited visibility for 2007, and must take into consideration the opening of television to Distribution advertisers. Broadcast networks remain the division's main medium-term challenge: development of a new frequencies plan for FM radio in France, the rollout of digital radio, and the emergence of new listening media (Internet, etc.). On an international level, LARI will continue with its strategy of rationalizing its geographical locations.

(2) Source: Mediamétrie / Médiamat, 4-and-up target group.

(3) Source: Ecran Total no. 576 of 14 September 2005, hourly volume report.





Lagardère takes 20% of the capital stock of Canal+ France

On 17 February 2006, the Lagardère group, Vivendi Universal and Canal + Group announced a planned agreement aimed at grouping together all the pay TV activities of the Canal + Group and TPS in France. Through this agreement, Lagardère becomes the second-ranking shareholder of Canal + France, strengthening its presence in pay TV in France. In addition, the resulting new entity becomes a leading player on the French audiovisual scene, in a position to confront foreign competition and cable and Internet operators. The merger became effective in January 2007, after authorization by the competent authorities.

Audiovisual Activities 2006-2007

Lagardère's new advertising brokerage, Lagardère Publicité, puts the accent on diversity

The audiovisual and press advertising brokerages, Lagardère Active Publicité and Interdeco, have merged to form Lagardère Publicité. Thanks to this merger, the new brokerage is able to offer a coherent and efficient multiple-media platform, while improving synergy and streamlining costs. With over 140 brands in a wide range of media (press, radio, TV, Internet, podcasts, web radio, street-marketing, etc.), Lagardère Publicité can now offer its customers a rich, varied media offering and intelligent media solutions.

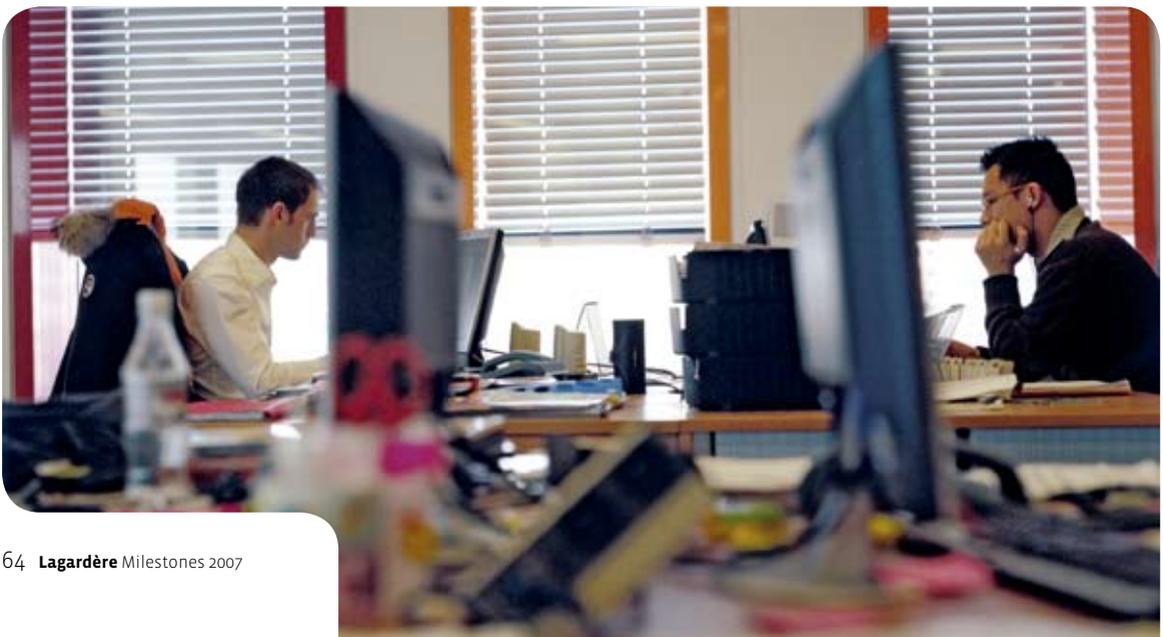


As regards the television sector, the rollout of Digital Terrestrial Television will provide Lagardère Active channels with an opportunity to strengthen their leadership in the fields of music and youth broadcasting.

Lastly, Lagardère Active is expected to take full advantage of the numerous opportunities offered by the rapid changes taking place in the digital media sector.

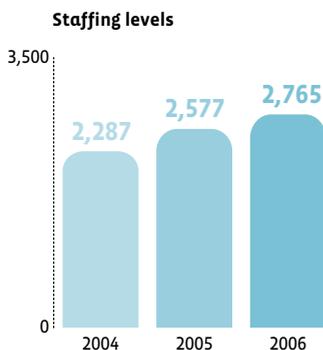
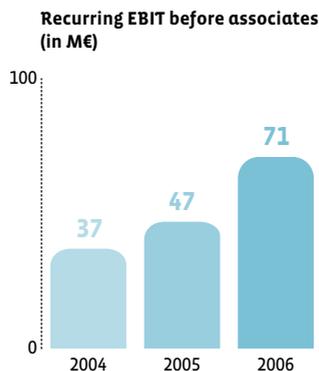
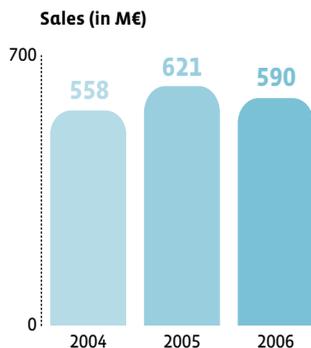
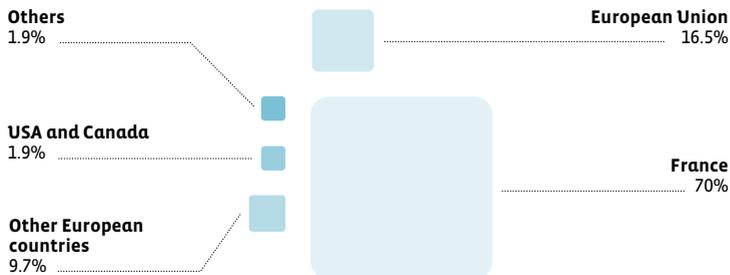


Audiovisual Activities 2006-2007



Audiovisual Trend chart 2006

Breakdown of sales by geographical area (as a %)



Key figures

- Europe 1 is has an average 4.5 million listeners aged 13 and over every day ⁽⁴⁾.
- 18 radio stations in eight countries; over 30 million listeners daily.
- Almost 7 million listeners daily in Russia for Europa Plus.
- In Poland, RadioZet has over 8 million listeners a day ⁽⁵⁾.
- 33.6% commercial audience share in the 13+ age group ⁽⁶⁾ for Lagardère Publicité.
- 4.1% audience share for Gulli.
- 10 special-interest TV channels.
- 880 hours of programmes broadcast.
- 12 of the best 100 prime-time audiences for all programmes combined ⁽⁷⁾, each attracting between 9 and 10.9 million TV viewers.

(4) Source: Médiamétrie 126000 survey, radio 13+, sweeps period Nov-Dec 2006.

(5) Source: SMG / KRC.

(6) Source: Médiamétrie 126000 survey, radio 13+, sweeps period Nov-Dec 2006.

(7) Source: Médiamétrie/Médiamat on the 4+ age group.

Audiovisual
Distribution



Radio



New Media



Audiovisual Principal brand names 2006

Audiovisual
Production



Television



Advertising Broker





Leading positions

- Leader in France in music and youth TV channels⁽⁸⁾.
- LARI: leading group in the Czech Republic, Romania, Saarland (Germany) and South Africa; No. 2 in Russia and Poland.
- In Russia, Europa Plus is the country's third private radio station in terms of audience⁽⁹⁾.
- Gulli, leading DTT channel for the 4+ age group in households equipped with a DTT adaptor (4.1% audience share).
- MCM, leading cable and satellite music channel for over 10 years and leading special-interest channel for the 15-24 age group.
- Lagardère Active, leading producer of primetime drama in France⁽¹⁰⁾ (in number of hours broadcast) and the 2nd live producer⁽¹¹⁾.
- Lagardère Publicité, leading advertising agency for radio airtime in France and leader on the special-interest channels market.

(8) Source: MédiaCabSat survey December 2005 – June 2006.

(9) Source: TNS Gallup Media.

(10) Source: *Ecran Total*.

(11) Source: *Ecran Total*.



Key dates

- **February:** Signature of an agreement between EMI Music Publishing and Plurimedia for the development of original creations under the BlingTones label.
- **April:** Acquisition by LARI of four radio stations in Russia.
- **November:** Opening of tiji.tv's online boutique.



Audiovisual Activities 2006-2007



High Technologies Activities 2006-2007



High Technologies

The European leader and the second-largest company in the world in the aerospace and defence industry, with well-known names such as Airbus, Eurocopter and Astrium.

EADS is a world leader in aerospace, defence and associated services. The EADS group includes Airbus, Eurocopter, the world's leading helicopter manufacturer, and EADS Astrium, European leader in space programmes, from Ariane to Galileo. EADS is also the major partner in the Eurofighter consortium, the architect of the A400M military transport plane, and part shareholder in MBDA, the world leader in missile systems.



High Technologies Activities 2006-2007



2006 was marked by a significant reduction in profitability, and costs related to the deterioration in the dollar exchange rate, the A380 and the launch of the A350 XWB. However, the financial situation of EADS remains healthy thanks to record deliveries of planes and the performance of its helicopter, defence and space activities. The group enjoyed record orders worth €262.8 billion at the end of 2006. EADS has risen to the challenge by taking the necessary steps to ensure its long-term development and profitability.

For the first time in its history, EADS failed to meet the targets it had set for itself. Despite some significant success stories, 2006 was a very difficult year for the group. In particular, the production difficulties encountered in installing the electrical harnesses on the A380 led to the initial delivery schedule for the programme being put back by 18 months, with the first plane now planned for delivery in October 2007.

The costs and charges related to these delays, and to the launch of the A350 XWB and the impact of less favourable foreign exchange coverage, will give rise to a substantial deterioration in the financial performance of EADS in the coming years. In response to this situation, EADS Management has announced the implementation of the Power8 recovery plan at Airbus. This plan should enable Airbus to cope with the challenges of a weak dollar, increased competition, cost overruns related to A380 delays and future development requirements.

A record order book

Despite these difficulties, the A380 successfully completed its flight test programme in 2006. The equipment therefore received its type certification from both the European Aviation Safety Agency (EASA) and the American Federal Aviation Authority (FAA), demonstrating its technical solidity. Airbus also launched its new offering on the long-haul market with the A350 XWB family, which will carry 270 to 350 passengers



depending on the version concerned. The first planes should be in service in 2013. On the commercial front, Airbus had a very good year, with a record number of deliveries of 434 aircraft and net orders taken for 790 aircraft, i.e. the second best score in its entire history, after the 1,111 orders of 2005. The backlog of orders is now 2,533 planes, a record level giving Airbus visibility for approximately 5 years.

Record year for Eurocopter

Eurocopter also had a very good year in 2006, maintaining its position as world number one in the civil and paragonovernmental helicopter market with a record 381 new deliveries, as well as record orders for 615 helicopters, with the backlog of orders standing at a historic total of €11 billion. Eurocopter made a decisive breakthrough into the American defence market when it was selected by the American Army to supply its new light multi-purpose helicopters. In addition, Eurocopter has accepted an order for 34 NH90 helicopters for Australia and received confirmation of New Zealand's order for nine NH90s. This brings the number of orders for this troop transport helicopter to 400, and the first three have already been delivered to Germany.

The A400M challenge

Another symbolic programme for the group, the A400M completed four industrial stages in 2006, in accordance with the contractual schedule. Nevertheless, EADS has conducted an internal review of the programme, in order to confirm the state of the current programme and guarantee transparency for the customer. This review confirmed that the A400M programme is advancing in accordance with the contractual deadlines. However, the challenges to be met before the first delivery in 2009 are considered significant.

Space activities have benefited from the full effect of the industrial reorganization undertaken in 2003. Astrium had a sound year in 2006 and increased its margins. The increased production rate on Ariane 5 and the progress on military communications satellite programmes such as Skynet 5 and SatcomBw were the main driving forces behind this success. The division has also taken seven orders for telecommunications satellites.

Winning strategy in the United States

EADS succeeded in making a strategic breakthrough on the American defence market when its American subsidiary won a contract from the American Army for its new light utility helicopter, intended for health and transport assignments. The contract specifies delivery of 322 UH-145 helicopters, a militarized version of the EC145 multi-purpose helicopter, for a total value of 2 billion dollars over the lifetime of the programme. 42 aircraft have already been officially ordered and the first three have already been delivered.

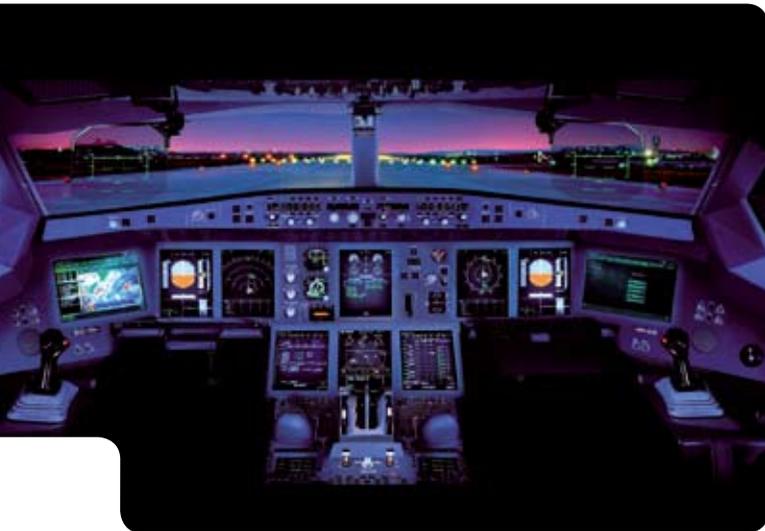
This very significant victory shows that EADS can succeed on the defence market in the United States.



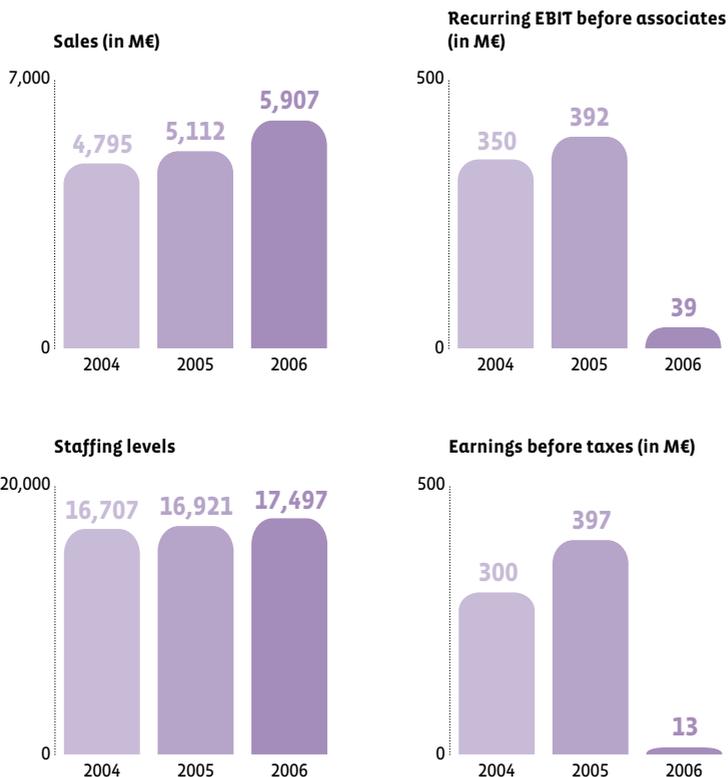
High Technologies Activities 2006-2007



High Technologies Trend chart 2006



High Technologies Trend chart 2006



EADS uses *EBIT prior to goodwill amortization and exceptional items* as its primary indicator of financial performance. The term “exceptional items” concerns items such as the amortization costs of revaluation of assets linked to the EADS merger, the regrouping of Airbus and the constitution of MBDA, together with exceptional depreciation of associated consolidated goodwill.



High Technologies The main events of the year

- 20 February 2006** Indian Airlines orders 43 aircraft from the A320 category.
- 13 April 2006** The South Korean government gives the go-ahead for the launch of the Korean Helicopter Programme (KHP).
- 25 April 2006** Switzerland orders 20 EC635/EC135 for its Armed Forces.
- 29 June 2006** Official signature of the Australian contract for the order for 34 NH-90 helicopters.
- 30 June 2006** The United States Army chooses the Eurocopter UH-145 as its light multi-purpose helicopter.
- 2 July 2006** The EADS Board of Directors appoints Louis Gallois as EADS Chairman and CEO.
- 17 July 2006** Airbus presents the new A350 XWB, its new category of extra wide-body jumbo jets for the 21st century, at the Farnborough Air Show.
- 21 July 2006** Singapore Airlines commits to 9 new A380s and 20 A350s.
- 28 August 2006** EADS wins the contract for the digital radio network for official services (BOS) in Germany.
- 9 October 2006** Louis Gallois is appointed new Airbus Chairman and CEO.
- 13 October 2006** EADS becomes 100% owner of Airbus.
- 26 October 2006** Airbus signs a historic order with the Chinese CASG for 150 aircraft in the A320 family.
- 1 December 2006** EADS gives Airbus the go-ahead to launch the A350 XWB.
- 12 December 2006** The Airbus A380 obtains type certification.



A new Airbus, more efficient and more competitive

Airbus has implemented the Power8 recovery plan, comprising nine modules. Organized around three key areas – cost reduction, reorganization of industrial plant, integration – this plan must enable Airbus to become more efficient and more competitive, so that it can offer its customers the most profitable cutting edge products. The transformation process will be phased in over several years.

The significant cost reductions introduced and optimized cash flow management should generate an annual contribution of €2.1 billion to the EBIT (Earnings Before Interest and Taxes) from 2010 and an additional €5 billion of cumulative cash flow from 2007 to 2010.



High Technologies The main events of the year

Contacts

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A French limited partnership with shares with capital stock of €818,191,517.70 divided into 134,129,757 shares of €6.10 par value each

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Lagardère

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