Interim report

First half 2002

LAGARDERE

Interim report

Lagardère is a media group with a strategic shareholding in EADS N.V. (European Aeronautic Defence and Space company – EADS) and total control of an automotive business.

In the field of the Media, Lagardère Group's ambition is to capitalize on its major advantages – international presence, strong brand names (Elle, Première, Paris Match, Europe 1, Hachette, Virgin, Canal J), control of content publishing (book publishing, film & TV production and new media), and world leadership in the businesses of consumer magazines and distribution of cultural/leisure products and services – in order to consolidate its presence and performance in all the major sectors related to the publishing and distribution of high quality contents.

In the High Technologies business, the grouping of national players (contribution of Matra Hautes Technologies to Aerospatiale), followed by European players (merger of Aerospatiale Matra's activities with those of the German group DASA and the Spanish group CASA, forming EADS N.V.) has created a situation of exemplary European integration.

The formation of EADS also resulted in considerable increases in the business volumes of the newly organized group and in significant savings derived from the synergies thus generated.

CONSOLIDATED RESULTS

Lagardère's business activities in the first half of 2002 resulted in sales growth of 3.1% and a 6% increase in operating income, which rose from € 196.6 million to € 208.3 million.

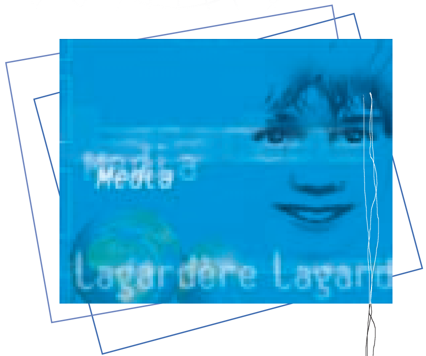
Summarized consolidated income statements are as follows:

(in millions of euros)	**First half 2002**	**First half 2001**	**Year 2001**
Sales	***6,475***	*6,277*	*13,295*
Operating income	*208*	*197*	*514*
Interest income (expense), net	*(183)*	*39*	*(15)*
Operating income after interest	**25**	**236**	**499**
Non-operating income (loss)	*(9)*	*290*	*353*
Other items (including corporate income tax)	*87*	*(117)*	*(225)*
Net income before minority interests	*103*	*409*	*627*
Net income	**104**	**404**	**616**

Period-to-period changes in net income must be considered in the light of the major exceptional operations that took place at EADS and had a significant positive effect on consolidated results for the first half of 2001. This was of course not repeated in the first half of 2002.

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

Media



This business segment comprises the Book Publishing, Print Media, Distribution Services and Lagardere Active divisions.

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

(in millions of euros)	**First half 2002**	**First half 2001**	**Year 2001**
Net sales	***3,906***	*3,631*	*7,668*
Operating income	*143*	*140*	*353*
*Interest expense, net**	*(175)*	*(198)*	*(240)*
Operating income (loss) after interest	**(32)**	**(58)**	**113**
Non-operating expenses, net	*(22)*	*(41)*	*(46)*
Net income from companies accounted for by the equity method	*13*	*13*	*59*
Net income (loss) before tax	**(41)**	**(86)**	**126**
** including provision for write-down of T-Online securities*		*(157)*	*(157)*

Sales for the first half of 2002 increased 7.6% over the corresponding period in 2001. Excluding the effect of changes in group structure and exchange rates, this increase was 6.7%.

In a global context marked by the persistent weakness of the advertising market, Lagardère Media's sales showed a sharp increase. Once again, the qualities of its business portfolio were an advantage: first rate competitive positions, extensive internationalization, and a balance between cyclical and non-cyclical activities.

Operating income totalled € 143 million, up 2% over the first half of 2001 before recording changes in group structure and exchange rates.

After restatement to include Lagardere Active Broadcast's operating income for the calendar six-month period from January 1 to June 30, 2001 instead of operating income for the six months from October 1 to March 30, 2001 included in the published financial statements (thus reflecting the change of this company's year-end from September 30 to December 31), the actual increase was 7.5%. This increase can be broken down as follows:

• In Book Publishing, where half-yearly results are relatively meaningless given the highly seasonal nature of the business, Hachette Livre recorded operating income of € 12 million in the first half of 2002 (€ 11 million in the same period in 2001), as a result of satisfactory levels of business in literature and distribution in France and the United Kingdom.

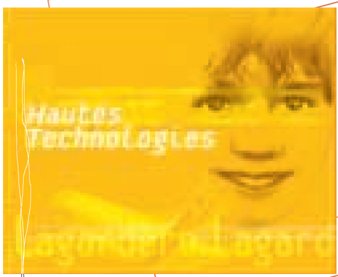
• The continuing poor advertising context in the United States again affected the Print Media division, which recorded a 3.8% fall in operating income, similar to the 3.6% decrease in sales after recording the effect of changes in group structure and exchange rates. Nonetheless, operating income was up in Italy, Spain and Asia.

• Distribution Services registered a 3.5% increase in operating income. Performance levels of the activities remained high despite the negative impact of reduced traffic at airports, the introduction of the 35-hour week in the Relay stores and the non-recurring costs related to the opening of the new Virgin stores.

• Within the Lagardere Active division, operating income rose by € 4 million following significant reductions in losses recorded in both interactive television and the Internet, and despite the costs of launching Match TV. However, if Lagardere Active Broadcast's results for the first half of 2001 were adjusted to include the results earned in the period from January 1 to June 30, 2001, the above € 4 million increase would stand at € 11 million.

Net interest expenses amounted to € 175 million in the first half of 2002. This included a € 132 million provision to write down the investment in T-Online, now valued at € 7.85 per share instead of € 9.75 at December 31, 2001. In the first half of 2001, a € 157 million provision was established to write down the purchase price of those shares (€ 12.01) to € 9.75 each. Excluding these items, net interest expenses were stable despite the cost of financing the acquisitions of Virgin Stores and British publisher Octopus.

Non-operating expenses, € 22 million in the first half of 2002, primarily included restructuring costs and the costs of closing down certain operations in the Lagardere Active and Print Media divisions.



High Technologies

The EADS Group comprises five major divisions: Airbus, Aeronautics, Military Transport Aircraft, Space and Civil Systems and Defense.

The results of EADS for the first half of 2002 are included in Lagardère's consolidated results using the proportional method, based on the 15.10% interest now held by Lagardère in the EADS group. In 2001 this percentage interest was 15.14%; it was diluted as a result of a share capital increase reserved for employees which took place in December 2001.

Summarized income statements included in Lagardère's consolidation are as follows:

(in millions of euros)	**First half 2002**	**First half 2001**	**Year 2001**
Net sales	***2,019***	*2,028*	*4,486*
Operating income	*50*	*29*	*104*
Interest income (expense), net	*(27)*	*8*	*(11)*
Operating income after interest	**23**	**37**	**93**
Non-operating income	*7*	*344*	*463*
Net income from companies accounted for by the equity method	*8*	*6*	*18*
Net income before tax	**38**	**387**	**574**

The consolidated financial statements of EADS were restated in accordance with accounting methods used in the previous years, in order to conform to French accounting standards applied by Lagardère Group. Foreign currency transactions were translated using the rates of exchange at which the corresponding cash flows had been hedged. Accordingly, fair value adjustments recorded by EADS on certain of its foreign exchange hedging instruments were eliminated. Value adjustments made by EADS in respect of the contributions received from Aerospatiale Matra and Dasa were also eliminated, so that these contributions were included in Lagardère's consolidated financial statements at historical cost.

Despite an economic recession, particularly in air transport, business levels were maintained by the steady performance of Airbus which delivered 160 aircraft in the first half of 2002, only two less than for the same period in 2001. The Aeronautics division also made a contribution to this stability, with particularly good levels of deliveries of helicopters and military aircraft, despite the decline in business in civilian aero structures and maintenance services.

The Space division slowed down slightly compared to June 2001, mainly as a result of a sluggish market, particularly in the field of telecommunication satellites. Civil and Defense Systems also experienced a drop, mainly due to time lags in the invoicing of services by the missiles division and the effect of seasonality.

Global orders booked were down slightly over December 2001, partly due to the expected drop in orders for Airbus and the influence of the falling dollar on the value of the order portfolio. Orders were nonetheless maintained at an exceptionally high level, with more than 5 years work assured, which demonstrates the excellent competitiveness of EADS products. The outlook therefore remains extremely satisfactory and recent successes should further strengthen the position of EADS, with, in particular, selection for the British Skynet 5 program (military telecommunications satellites), pre-selection of Eurofighter for an export contract to Austria, the A400M program and Fedex' order for ten A380 aircraft that are not included in the portfolio as at June 30, 2002.

As far as Airbus is concerned, despite the unfavorable economic context, 104 orders were booked (net of cancellations) during the first half of 2002. At the end of June, 2002, the order book stood at 1,519 aircraft. The A380 program confirmed its commercial success with 85 firm orders and 12 intentions to buy on this same date.

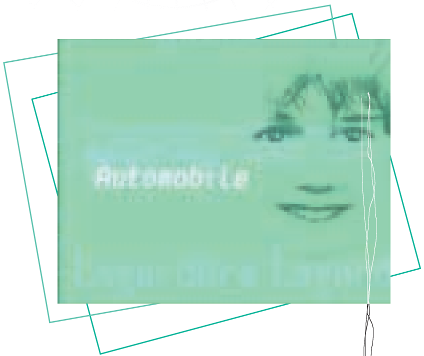
In the first half of 2002, operating income rose to € 50 million, from € 29 million in the corresponding period of 2001, despite difficult market conditions in civil aeronautics and space and an expected increase in research and development costs.

Interest expenses increased significantly from June 2001, principally due to the reduction, although less than anticipated, in average cash available during the first half of 2002. The cash surplus was nevertheless kept at a high level as a result of actions taken by management after the September 11 events. The payment of interest on refundable advances received (not included in borrowings) also contributed to the rise in interest expenses.

Non-operating income principally comprises the gain realized by Airbus on the sale of its long-term investment in Aircelle. At June 30, 2001, non-operating income included a € 349 million dilution gain recorded on the occasion of the contribution of Airbus UK by BAe Systems to the newly founded Airbus SAS company.

Net income from companies accounted for by the equity method again arose mainly from Dassault Aviation's contribution.

Automobile



Summarized income statements of the Automobile segment are as follows:

(in millions of euros)	**First half 2002**	**First half 2002**	**Year 2001**
Net sales	***550***	*618*	*1,141*
Operating income	*27*	*38*	*66*
Interest income, net	*5*	*4*	*8*
Operating income after interest	**32**	**42**	**74**
Non-operating expenses, net	*(6)*	*(6)*	*(21)*
Net income before tax	**26**	**36**	**53**

In the first half of 2002, Matra Automobile sold 29,047 vehicles, which is a decrease of 16% compared to the first half of 2001. The decrease in orders for the Espace was expected, for the last year of a model that nonetheless kept a very respectable market share in the MUV segment, with 60% of registrations in France and second position Europe-wide.

Sales of the Avantime, which came on the market at the end of 2001, represented 3,603 vehicles in the first half of 2002, most of which were the first version commercialized, with a V6 engine and manual gearbox. A version with automatic transmission was later added to the range. The remaining 4-cylinder petrol engine and 2 liters turbo and diesel were introduced in April and May 2002. Now that the full range of engines is available, the true commercial potential of the vehicle will be appreciated in future periods.

Sales for the first half of 2002 totalled € 550 million, down 11% compared to the first half of 2001. This drop, which is smaller than in terms of volumes, can mainly be explained by the favorable product mix in vehicles and growth in other business activities (spare parts and engineering).

Operating income amounted to € 27 million, down € 11 million over first-half 2001. Growth in other business activities did not compensate for the negative impact of the fall in volumes. Operating income nonetheless represents nearly 5% of sales.

Non-operating expenses for the first half of 2002 include a € 6 million charge concerning the employment and skills management plan. In first-half 2001, this item included the cost of compensated voluntary redundancies. Other measures will be defined in the course of the second half of 2002, once the excess staff resulting from the closing down of the Espace assembly line and the production levels of the Avantime are known.

Other activities

Other Activities include interest expenses for borrowings obtained by the Group and not directly related to one of the above business segments, the operating costs of holding companies, and the results of companies not attached to any of the Group's business segments, principally Banque Arjil.

The € 12 million operating loss recorded by Other Activities in the first half of 2002 includes a € 3 million loss from Banque Arjil (€ 5 million in first-half 2001) and operating costs of holding companies.

Net interest income for the first six months of 2001 included the € 210 million net gain realized in January on the sale of excess EADS shares. For the first half of 2002, net interest income amounts to € 8 million, similar to that of the corresponding period in 2001 after excluding the above gain.

Non-operating income for the first half of 2002 amounts to € 12 million and principally includes gains realized by Banque Arjil on sales of long-term investments.

Net pincome before tax for Other Activities totals € 8 million.

Summary of consolidated results

Contributions of the Group's three main business segments and of Other Activities to consolidated income before tax, amortization and minority interests were as follows:

Contribution to consolidated income

(in millions of euros)	**First half 2002**	**First half 2001**	**Year 2001**
Lagardère Media	*(41)*	*(86)*	*126*
EADS	*38*	*387*	*574*
Automobile	*26*	*36*	*53*
Total income of business segments	**23**	**338**	**753**
Other activities	*8*	*200*	*204*
Income before tax, amortization and minority interests	**31**	**538**	**957**

After income tax, amortization and minority interests, net income was as follows:

(in millions of euros)	**First half 2002**	**First half 2001**	**Year 2001**
Income before tax, amortization and minority interests	**31**	**538**	**957**
Income tax	*133*	*(72)*	*(168)*
Amortization of goodwill and other intangibles	*(61)*	*(57)*	*(162)*
Net income before minority interests	**103**	**409**	**627**
Minority interests	*1*	*(5)*	*(11)*
Net income	**104**	**404**	**616**

• A € 133 million income tax gain was recorded in the first six months of 2002 following the release of € 166 million from the provision for taxes to be paid in future periods on the capital gain realized on the sale of Club-Internet in April 2000.
This release is explained as follows:
– € 139 million, resulting from the recalculation of the provision at the reduced tax rate applicable to long-term capital gains (20.2%), whereas the initial provision was booked at the normal rate (36.43%). The capital gain will only be taxed when the T-Online shares received in payment for Club-Internet are sold, and it is now clear that these shares will not be sold before April 2003, when the Group will be able to benefit from the reduced rate; and
– the balance, resulting from the tax effect of the provision established during the first half of 2002 to write down the investment in T-Online.

• Amortization of intangible assets totalled € 61 million in the first half of 2002 (€ 57 million in first-half 2001), and included no exceptional provisions in either period. This increase is attributable to acquisitions made after June 30, 2001 (Virgin Stores, Octopus, etc.).

• For the six months ended June 30, 2002, minority interests contributed € 1 million to net income, i.e. a € 4 million net income contribution from EADS, less € 3 million attributable to other minority interests in the Group.

Outlook

At the end of August, the possibility of a significant improvement in the American advertising market before the end of the year seems rather slim. In these conditions, Lagardère Media, who is actively continuing to implement its plan to reduce costs and boost growth, expects to experience a percentage change in operating income for the whole of 2002 similar to that achieved over the first half of the year.

Concerning the Group's sources of financing, on July 1, 2002 Lagardère received the proceeds of an issue of bonds exchangeable for T-Online shares, totalling € 767 million.
These funds, on which interest in 2.5%, will enable the Group to reduce the average cost of its financing, increase its financial strength and substantially raise the level of resources available to pursue its development.

Consolidated balence sheets

Assets

(in millions of euros)	At June 30, 2002	At June 30, 2001	At December, 31, 2001
Current assets			
Cash	*809.1*	*965.3*	*1,043.6*
Marketable securities	*1,793.2*	*1,954.2*	*1,959.8*
Trade receivables, net	*2,047.4*	*2,002.5*	*2,068.4*
Inventories, net	*2,336.1*	*2,153.3*	*2,122.2*
Other receivables, prepayments and deferred charges	*2,122.3*	*1,997.0*	*1,957.6*
Total current assets	**9,108.1**	**9,072.3**	**9,151.6**
Investments accounted for bY the equity method	*1,539.4*	*1,477.5*	*1,518.9*
Other investments and non-current assets	*1,274.1*	*1,374.0*	*1,316.1*
Property, plant and equipment, net	*2,079.5*	*2,202.8*	*2,079.5*
Intangible assets, net	*3,817.8*	*3,762.2*	*3,946.7*
Fixed and other non-current assets	**8,710.8**	**8,816.5**	**8,861.2**
Total assets	**17,818.9**	**17,888.8**	**18,012.8**

Liabilities and stockholders' equity

(in millions of euros)	At June 30, 2002	At June 30, 2001	At December, 31, 2001
Liabilities			
Trade payables	*3,387.8*	*2,758.3*	*3,318.1*
Advances on contracts and deferred income	*2,281.4*	*2,279.7*	*2,199.7*
Borrowings	*2,987.7*	*2,790.8*	*3,071.5*
Other payables and provisions	*2,159.2*	*2,614.3*	*2,310.2*
Reserves for risks and charges	*2,277.5*	*2,659.3*	*2,369.5*
Total liabilities	**13,093.6**	**13,102.4**	**13,269.0**
Permanent funds			
Perpetual subordinated notes	*415.8*	*415.8*	*415.8*
Minority interests	*237.1*	*263.2*	*216.0*
Total permanent funds	**652.9**	**679.0**	**631.8**
Stockholders' equity			
Common stock	*847.3*	*841.2*	*845.9*
Additional paid-in capital and retained earnings	*3,225.1*	*3,266.2*	*3,266.1*
Total stockholders' equity	**4,072.4**	**4,107.4**	**4,112.0**
Total permanent funds and stockholders' equity	**4,725.3**	**4,786.4**	**4,743.8**
Total liabilities and stockholders' equity	**17,818.9**	**17,888.8**	**18,012.8**

Consolidated statements of income

(in millions of euros)	Half year to June 30, 2002	Half year to June 30, 2001	Year to December 31, 2001
Operating revenues			
Net sales	*6,474.6*	*6,276.9*	*13,295.6*
Other operating revenues	*346.2*	*254.0*	*608.9*
Total operating revenues	***6,820.8***	***6,530.9***	***13,904.5***
Operating expenses			
Purchases and changes in inventories	*(3,856.8)*	*(3,476.2)*	*(7,496.4)*
Payroll costs	*(1,274.6)*	*(1,256.2)*	*(2,624.5)*
Depreciation, amortization and provisions	*(228.3)*	*(321.1)*	*(656.8)*
Other operating expenses	*(1,252.8)*	*(1,280.8)*	*(2,612.9)*
Total operating expenses	***(6,612.5)***	***(6,334.3)***	***(13,390.6)***
Operating income	**208.3**	**196.6**	**513.9**
Interest income (expense), net	*(182.9)*	*39.4*	*(14.9)*
Operating income after interest	**25.4**	**236.0**	**499.0**
Non-operating income (loss), net	*(9.4)*	*290.0*	*353.0*
Preferred remuneration	*(5.5)*	*(7.0)*	*(13.7)*
Amortization of goodwill	*(61.5)*	*(56.5)*	*(120.6)*
Income taxes	*133.2*	*(71.8)*	*(167.7)*
Net income from companies accounted for by the equity method	*21.3*	*18.5*	*77.1*
Net income before minority interests	**103.5**	**409.2**	**627.1**
Minority interests	*0.7*	*(5.1)*	*(11.0)*
Net income	**104.2**	**404.1**	**616.1**

Lagardère SCA

A french limited partnership with shares with capital stock of € 845,878,899.20
divided into 138,668,672 shares of € 6.10 par value each.

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