



LAGARDERE MEDIA OPERATING INCOME

UP + 14.2% IN THE FIRST HALF OF 2004

FORECAST FULL YEAR GROWTH IN LAGARDERE MEDIA

OPERATING INCOME RAISED TO "+ 7% - + 10%"

At its September 8, 2004 meeting, the Supervisory Board reviewed the **LAGARDERE SCA** consolidated accounts as presented by Arnaud Lagardère, General Partner, Philippe Camus and Pierre Leroy, co-Managing Partners.

CONSOLIDATED REVENUES

The 2004 first half group consolidated revenues amounted to €6,250 M (compared with €5,802 M in the first half of 2003).

- **Lagardère Media revenues up + 3.3% on a like-for-like basis**

Lagardère Media posted revenues of €4,060 M, up + 3.3% on a like-for-like basis. All the divisions made a positive contribution to growth. "Lagardere Active" posted organic growth of + 15.9%, buoyed by a turnaround in radio advertising.

Reported revenues posted by **Lagardère Media** were up + 5.2%. The *Editis* operations retained accounted for a revenue increase of €+ 130 M. However, the rise in the value of the euro over most currencies had a negative impact of € - 85 M.

- **Sharp increase in EADS revenues**

EADS revenues surged over + 12% despite the weak dollar. The *Airbus* division delivered more aircrafts and with a more favorable product mix (higher proportion of aircraft in the A330/340 family). The *Space* division benefited from the growth enjoyed by *Paradigm* – a subsidiary offering satellite military communications services.

CONSOLIDATED OPERATING INCOME

- **Strong growth in Lagardère Media's operating income**

The **Lagardère Media** division posted an operating income of € + 196.8 M, up + 14.2% over the first half of 2003.

"Lagardere Active" turned in an excellent performance with operating income soaring + 130.5%, or €+ 20 M, to €+ 35.7 M. The radio business (up + 74.7% to €+ 33.9 M) was boosted by a recovery in advertising. All the television activities (a loss of € - 8 M at year-end 2003) showed improvement with the division as a whole returning to breakeven during the first half.

The "Book" division once again turned in an excellent performance, largely driven by income from France and the success of partworks sales abroad. First half operating income surged + 26.6% (or €+ 7.9 M) to €+ 37.6 M. Owing to the highly seasonal nature of its business, *Editis's* retained assets will generate their entire operating income for the year in the second half 2004.

"Hachette Distribution Services" grew its operating income by + 14.7% (to €+ 40.1 M) bolstered by a strong performance in Spain and North America and an improvement at *Virgin*.

The "Press" division's operating income, which was dampened by a particularly high number of product launches combined with major promotional campaigns in France and UK, came in at €+ 83.4 M, down - 9.5%. In the second half, operating income is expected to return to growth. It will be helped in particular by the success, confirmed over the summer, of the French new launches.

- **EADS operating income soared**

In first half 2004, **EADS** was proportionately consolidated into the accounts of **LAGARDERE SCA** at a rate of 15.036%.

EADS accounts were also restated to comply with French accounting standards as applied by **LAGARDERE SCA**.

EADS posted a sharp increase in EBIT (Earnings Before Interest and Taxes, pre-goodwill amortization and exceptionals) which rose from €+ 66 M in 2003 to €+ 147 M in the first half of 2004. This improvement is due mainly to *Airbus* (increase in sales volumes combined with an improved product mix) and to the *Space* division, which nearly reached breakeven during the first half, up from a steep loss in first half 2003.

- **Overall, the Group operating income amounted to €+ 337 M (up from €+ 229 M in the first half 2003), a 47.2% increase.**

INTEREST INCOME/EXPENSE

Interest expense in first half 2004 amounted to €- 32 M, compared with an expense of €- 31 M in first half 2003.

NON-OPERATING INCOME

The non-operating loss amounted to €- 17 M, of which €- 11 M were attributable to EADS (restructuring of the *Defense and Communications Systems* business).

INCOME TAXES

For the group as a whole, the total income tax expense came to €- 102 M, compared with an expense of €- 69 M, reflecting the increase in income from ordinary activities.

No significant change was recorded in **GOODWILL AMORTIZATION**.

MINORITY INTERESTS in net income amounted to a charge of €- 24 M (compared with a charge of €- 7 M) owing to the increase in operating earnings.

INCOME FROM ASSOCIATES

Income from associates came in at €+ 39 M, up from €+ 33 M in the first half of 2003. **Lagardère Media and Others** jumped €+ 9 M to €+ 32 M, boosted by a further improvement in *Cana/Satellite* earnings which amounted to €+ 25 M (up from €+ 16 M in first half 2003).

In view of the above, **Group share of Consolidated Net Income** came in at **€+ 140 M up from €+ 74 M in 2003**. The consolidated net income of **Lagardère Media and Others** rose from €+ 70 M in 2003 to €+ 95 M in 2004.

MILLIONS OF EUROS	<u>1ST Half 2004</u>			<u>1ST Half 2003</u>		
	LAGARDÈRE MEDIA AND OTHERS	EADS	TOTAL LAGARDÈRE GROUP	LAGARDÈRE MEDIA AND OTHERS	EADS	TOTAL LAGARDÈRE GROUP
<u>Revenues</u>	4,060	2,190	6,250	3,861	1,941	5,802
Operating Income	190	147	337	163	66	229
Net Interest Income/Expense	(21)	(11)	(32)	(15)	(16)	(31)
Current Income	169	136	305	148	50	198
Non-Operating Income	(6)	(11)	(17)	(1)	(15)	(16)
Preferred remuneration, net				(4)		(4)
Income Taxes	(48)	(54)	(102)	(50)	(19)	(69)
Goodwill amortization	(38)	(22)	(60)	(39)	(22)	(61)
<u>Net Income before associates & minority interests</u>	77	49	126	54	(6)	48
Income from associates	32	7	39	23	10	33
Minority Interests	(13)	(11)	(24)	(7)		(7)
<u>Net income – Group share</u>	95	45	140	70	4	74

DEBT

At June 30, 2004, net bank debt totaled €- 1,265 M, a gearing of + 30.2%, compared with + 21.3% at year-end 2003.

This change is due to the amendment to the French accounting policy on securitized receivables (€- 230 M) and long-term investments (nearly €- 80 M).

The proceeds from the sale of the *Editis* assets should be received in the second half of the year.

CASH FLOW FROM OPERATING ACTIVITIES

First half cash flows (operating activities less net capital expenditure) generated by **Lagardère Media and Others** declined from a net inflow of €+ 74 M in 2003 to a net outflow of €- 192 M.

This reduction may be explained by:

- Financial investments in Russia in Press and Radio as well as the “Press” division’s purchase of its head office.
- First-time consolidation of working capital within *Editis* assets retained.
- Proceeds from the sale of *Renault* shares in 2003 (€137.7 M) that toughened the comparison.

Excluding these non-recurring items, cash flow rose slightly above the 2003 level.

OUTLOOK FOR THE FUTURE

At the end of August, the uncertainties surrounding the global economy make any forecast for **Lagardère Media** difficult.

However, the few signs of economic improvement in most Western countries and Japan and the currency stability of the euro represent encouraging factors for the year end.

Lastly, in the second half, which generally contributes to 60% of the annual operating income, **Lagardère Media** is faced firstly with a very tough comparison for the corresponding period in 2003 in respect of its "Radio" business. Secondly, since its "Book" division largely depends on its Education segment, which, as in previous years, will not post growth due to the demographic situation, the Group cannot expect growth in the second half at the same rate as for the first half.

All told, buoyed by the strong operating income in the first half, **Lagardère Media** forecasts growth in operating income (prior to the impact of *Editis* and *Hodder Headline*) of between + 7% and + 10% for the full year 2004.

Paris, September 9, 2004

A leader in media (books, distribution, press and audiovisual), Lagardère Group is also present in high technology via its 15.036% stake in EADS.

The Group posted 2003 revenues of € 12,454 M and has 43,000 employees in over 40 countries. Lagardère Group is listed on the *Premier Marché* of the Paris Stock Exchange.

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