INTERIM REPORT

January 1 – June 30, 2005

Lagardère

INTERIM REPORT 2005

Lagardère is a media group with a strategic shareholding in EADS (European Aeronautic Defence and Space company).

In the field of the Media, Lagardère Group's ambition is to capitalize on its major advantages – international presence, strong brand names (Elle, Europe 1, Hachette, Octopus, Relay, Virgin,…), control of content publishing (book publishing, radio broadcasting, TV operation, film and television production, 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 contents.

In 2005, the Media segment's main objective is to pursue growth by concentrating on two major strategic areas: the active pursuit of international development, especially in Europe and the United States, and the building of leadership positions on the Group's flagship themes: the world of women, education, youth and travel. Lagardère Group will therefore continue to conscientiously assess any opportunities likely to help achieve increased presence in the field of television.

In the High Technologies business, EADS is considered to be an example of a successful European integration: this objective has been met by uniting French (Matra Hautes Technologies and Aerospatiale), German (DASA) and Spanish (CASA) players. Thus, after inheriting thirty years of partnership between its founding members, EADS has been able to capitalize on the advantages procured by its transnational profile in just five years.

The formation of this European corporation resulted in considerable increases in the business volumes of the newly organized group and in significant savings derived from the synergies thus generated. Today, EADS has sales of around € 32 billion and employs more than 100,000 people working in some seventy different locations. With a portfolio of internationally reputed brands, such as Airbus, Eurocopter and Astrium, EADS is one of the largest aeronautics, space and defense groups in the world, providing Europe, through the extensive reach of the business activities thus combined, with the capacity to compete effectively with major players in these industries.

CONSOLIDATED RESULTS

As required by the European regulation of July 19, 2002, Lagardère Group's interim consolidated financial statements have been prepared in accordance with IFRS as from January 1, 2005. These standards have been applied retrospectively to the opening balance sheet at January 1, 2004, except for IAS 32 and IAS 39 on financial instruments which have been applied only from January 1, 2005. Comparative pro forma figures have been prepared for 2004 on the same basis as at June 30, 2005, except for the application of IAS 32 and IAS 39.

Operations of the Group's main business segments are analyzed in the following pages.

Summarized consolidated income statements are as follows:

Statement of income

(in millions of euros)	First half 2005	First half 2004	Year 2004
Net sales	**6,152**	**5,692**	**12,296**
Earnings before interest and tax	**464**	**361**	**889**
Finance cost, net	(33)	(41)	(97)
Income tax expense	(121)	(100)	(240)
Net profit	**310**	**220**	**552**
Attributable to equity holders of the parent	267	192	495
Attributable to minority interests	43	28	57

LAGARDĒRE MEDIA

The main trends to emerge in the first half of 2005 included brisk business conditions in Book Publishing and sustained growth in the Audiovisual division, despite a flagging advertising market. Hachette Filipacchi Médias was able to hold its own in difficult market conditions, both in distribution and in advertising, but the bold policy of new magazine launches continued to confirm its success with titles such as "Public" and "Choc". Hachette Distribution Services took advantage of the return to normal levels of air traffic and the sustained growth in Eastern Europe and Australia.
Lagardère Media's sales for the first half of 2005 increased by 6.6%. The fluctuations in exchange rates only had a marginal effect on sales growth, as the rise of the euro against the dollar (compared to first-half 2004) was globally offset by the rise of other currencies against the euro, except in the Print Media division, where business activities outside the euro zone were focused in those areas where exchange rates remain unfavorable (USA, Japan, Great Britain, China…). Furthermore, the increase in sales in the Media segment can partially be explained by the consolidation of the British publishing group Hodder Headline (€ 106 million).

Excluding the effect of changes in group structure and exchange rates, sales growth was 2.8%. Sales increased in all the divisions, but were particularly strong at Hachette Livre, and at Lagardere Active which recorded two-digit internal growth as in 2004.

Recurring EBIT before associates of the Media segment totaled € 195 million, an increase of € 18 million or 10.8% over the first half of 2004, it being understood that:

– Starting from January 1, 2005, Lagardère changed the rules used for billing corporate costs incurred by the Other Activities segment in the management of media activities. This increased the fees charged to operating units in the Media segment while at the same time increasing operating results of the Other Activities segment (this change had no impact on the consolidated financial statements). Comparative data for the first half of 2004 and for the year 2004 have been restated assuming a cost allocation calculated using the rules adopted for 2005. Consequently, Lagardère Media's results include additional pro forma expenses of € 13 million and € 27 million respectively for the six months ended June 30, 2004 and the year ended December 31, 2004.
– An expense of € 10 million was recognized in the first half of 2005 representing the benefits granted to employees in the Media segment under stock option plans, compared to € 4 million in the earlier period.

The increase results from the fact that in the first half of 2004 only the costs arising from the December 18, 2003 plan were recognized; in the first half of 2005, a further expense was recognized in respect of the November 20, 2004 plan.
Excluding the effect of stock option plans, recurring EBIT before associates increased by 13.8%.

Lagardère Media comprises the Group's Book Publishing, Print Media, Distribution Services and Lagardere Active divisions.

Changes are analyzed below:

• In Book Publishing, recurring EBIT for Hachette Livre increased by € 19 million, again reflecting well-balanced development in all publishing and distribution activities in France and the excellent performance of part works in Europe. The increase was also linked to the "Dan Brown" phenomenon, with sales of the novels "The Da Vinci Code" and "Angels and Demons" still exceptionally high in the first half of 2005. The newly consolidated activities of Hodder Headline contributed € 10 million.
• The Print Media division recorded a € 4 million fall in recurring EBIT, of which € 3 million was due to unfavorable trends in exchange rates and to the increased costs of stock option plans. The group's excellent results in France (excluding TV program guides), China and Russia did not offset the lack of advertising revenue in the majority of countries and the costs incurred for new magazine launches in Spain and the United States.
• Hachette Distribution Services' recurring EBIT was unchanged. Increases in the Eastern European countries and points of sale in airports were cancelled out by a fall in income in Spain (this was to be expected, as the first half of 2004 was exceptional) and the deteriorating performance of Virgin, penalized by a further decline in sales of audio CDs.
• For the Lagardere Active division, recurring EBIT rose by € 4 million, attributable to outstanding performance in audiovisual production and broadcasting.

Income from associates amounted to € 33 million, an increase of € 1 million over the first half of 2004.

Non-recurring items included in earnings before interest and tax for the period ended June 30, 2005 were a net loss of € 3 million, which includes € 9 million of restructuring costs incurred by the Print Media division related to the closing down of "OhLà" and the rationalization plans in the photo agencies and at "Télé7Jours".

As a result of the above, earnings before interest and tax increased by € 14 million.

Net finance cost was stable at € 25 million, compared with € 26 million in first-half 2004.

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

Statement of income

(in millions of euros)	First half 2005	First half 2004*	Year 2004*
Net sales	**3,734**	**3,502**	**7,501**
Recurring EBIT before associates	195	177	470
Income from associates	33	32	41
Non-recurring items	(3)	2	35
Earnings before interest and tax	**225**	**211**	**546**
Finance cost, net	(25)	(26)	(59)
Profit before tax	**200**	**185**	**487**

** After reallocation of corporate costs to Lagardère Media based on the rates used in 2005*

EADS comprises the business activities of Airbus, Military Transport Aircraft, Eurocopter, Space, Defense and Security Systems. [1]

(1) *The Aeronautics division was closed down at the end of June 2005.*

EADS

Lagardère's presence in the High Technology industry is represented by its interest in EADS, which is included in Lagardère's consolidated financial statements using the proportionate method of consolidation based on Lagardère's interest of 15.09% for first-half 2005, 15.04% for first-half 2004, and 15.10% for the year 2004.

The published consolidated financial statements of EADS were restated prior to consolidation in order to eliminate the fair value adjustments to assets acquired by EADS from Aerospatiale Matra and Dasa in exchange for shares. As a first-time adopter of IFRS, Lagardère has elected not to restate business combinations recognized prior to January 1, 2004 and these contributions were therefore included in Lagardère's consolidated financial statements at historical cost in conformity with French GAAP then applying in France.

Presented below is a reconciliation of EADS' published income statement figures with the restated amounts included in Lagardère's consolidated statement of income for the first half of 2005.

(in millions of euros)	15.09% of EADS' published results	Reclassification of financial items	Reversal of fair value adjustments to non-current assets	Amount consolidated by Lagardère
Net sales	**2,418**			**2,418**
Earnings before interest and tax	223	15	4	242
Finance cost, net	4	(15)		(11)
Profit before tax	**227**	**0**	**4**	**231**

EADS' sales contribution amounted to € 2,418 million, a 10% increase on the figure of € 2,190 million for the first half of 2004.

All the divisions contributed to the increase. Major contributors to sales growth were Airbus, with a 12% increase in sales due to higher aircraft deliveries (189 aircraft delivered in 2005, compared to 161 in first-half 2004), Eurocopter, boosted by the NH90 and Tigre programs and by the increase in sales in civil aviation, and the A400M.

Total orders received by EADS during the first half of 2005 were higher than in 2004, and amounted to € 25.4 billion, as a result of a sharp increase in Airbus orders and such major contracts as MEADS, and the A400M in South Africa.

At June 30, 2005, EADS' total order book stood at € 204 billion, an increase of 11% over the previous year.

This increase can be partially explained by the relatively strong position of the dollar over the last six months. EADS still has the largest order book in the world in the aerospace and defense industries.

Summarized statements of income of EADS, without adjustments for changes in group structure and based on the share attributable to Lagardère, are as follows:

Statement of income

(in millions of euros)	First half 2005	First half 2004	Year 2004
Net sales	**2,418**	**2,190**	**4,795**
Recurring EBIT before associates	221	151	350
Income from associates	19	7	13
Non-recurring items	2	(11)	(18)
Earnings before interest and tax	**242**	**147**	**345**
Finance cost, net	(11)	(17)	(45)
Profit before tax	**231**	**130**	**300**

EADS' contribution to Lagardère's recurring EBIT before associates for the period ended June 30, 2005 rose to € 221 million, a significant increase on the figure of € 151 million for the first half of 2004. This outstanding performance was primarily attributable to Airbus and to the Space and Defense divisions.

Airbus benefited from increased deliveries and savings achieved under its cost cutting plan nicknamed "Route 06". The reduction in R&D expenses reflects the fact that higher development costs incurred for the A380 aircraft were capitalized, and the "passenger" version of the aircraft moving into the production phase.

In the first half of 2005, the Space division enjoyed a rise in recurring EBIT, a clear sign that restructuring operations are beginning to bear fruit, placing the division in an excellent position with respect to its profitability targets for 2005.

While the Defense and Security Systems division also boasted an increase in recurring EBIT, the Military Transport Aircraft division experienced a slight fall compared to first-half 2004, particularly due to a less favorable distribution of its business activities, which is expected to return to a better balance during the second half of the year.

The Aeronautics division was closed down at the end of June 2005, following recent changes in the structure of EADS. It suffered from the operating losses of EADS Sogerma Services, against a background dominated by the persistent low levels of activity in the aircraft maintenance industry.

The good performance of Eurocopter, now a fully-fledged division, could only partially compensate for this setback.

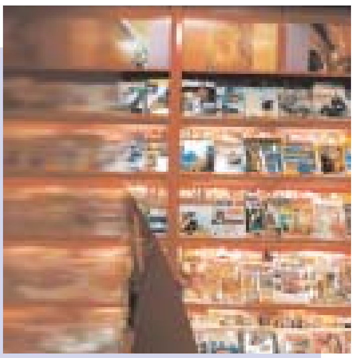
Income from associates corresponds essentially to the contribution of Dassault Aviation.

OTHER ACTIVITIES

Other Activities include interest expenses for borrowings obtained by the Group and not directly attributable to business activities, the operating costs of holding companies, and the results of the spare parts activities of the former Automobile division. In the first half of 2004, Other Activities also included Banque Arjil's operations which were sold at the end of 2004.

Recurring EBIT recorded by Other Activities were a loss of € 1 million, compared to a profit of € 3 million in first-half 2004 (as restated retrospectively to include fees billed to the Media segment under the new rules and rates applied in 2005, representing a positive impact on Other Activities' results of € 13 million for first-half 2004 and € 27 million for the full year 2004).

Non-recurring expenses for the first half of 2005 amounted to € 2 million. Including € 3 million net financial income in the first half of 2005 (compared with € 2 million in the first half of 2004), the Other Activities segment ended the period at break-even.



SUMMARY OF CONSOLIDATED RESULTS

Contributions of the Group's two main business segments and of Other Activities to consolidated profit before tax were as follows:

Contributions to consolidated profit

(in millions of euros)	First half 2005	First half 2004	Year 2004
LAGARDÈRE MEDIA	200	185	487
EADS	231	130	300
Total business segments profit	**431**	**315**	**787**
OTHER ACTIVITIES	0	5	5
Profit before tax	**431**	**320**	**792**

After income tax, which increased due to higher earnings, total net profit was as follows:

Total net profit

(in millions of euros)	First half 2005	First half 2004	Year 2004
Profit before tax	**431**	**320**	**792**
Income tax expense	(121)	(100)	(240)
Net profit	**310**	**220**	**552**
Attributable to equity holders of the parent	267	192	495
Attributable to minority interests*	43	28	57

** Lagardère Media: € 16 million and EADS: € 27 million in the first half of 2005.*

FINANCING

Net cash provided by operations totaled € 451 million in the first half of 2005, up € 223 million over the first half of 2004 principally thanks to EADS' performance (+ € 180 million).

Net cash provided by investing activities totaled € 264 million in first-half 2005, while in first-half 2004, investing activities used net cash of € 369 million. The € 633 million favorable change essentially reflects the fact that the first-half 2005 figure includes the proceeds from the sale of T-Online shares (€ 582 million) while in the first half of 2004 a € 63 million cash outlay was made for the acquisition of head office premises by Hachette Filipacchi Médias.

Net cash of € 1,112 million was used in financing activities during the first six months of 2005, arising principally at the Parent Company, Lagardère SCA, which repaid the syndicated loan issued in 2003 (€ 700 million) and redeemed in advance € 707 million worth of bonds exchangeable for T-Online shares. A new syndicated loan was issued towards the end of June 2005 in the amount of € 2.2 billion, of which € 400 million was drawn at June 30, 2005. The first-half 2005 figure also includes ordinary dividends paid on June 19, 2005 (€ 140 million, or € 1 per share). An exceptional dividend of € 2 per share approved by the Annual General Meeting was payable on July 6, 2005, representing a total of € 274 million.

As a result of the above cash flows, including the effect of foreign exchange translation and reclassifications, net cash and cash equivalents decreased by € 373 million from December 31, 2004. At June 30, 2005, net cash and cash equivalents totaled € 1,950 million.

PARENT COMPANY RESULTS

Lagardère SCA's results for the first half of 2005 amounted to an operating loss of € 13 million and a net profit of € 88 million (compared to € – 6 million and € + 55 million for the first half of 2004).

Consolidated balance sheet at June 30, 2005 (in millions of euros)

ASSETS	June 30, 2005	December 31, 2004
Intangible assets	1,717	1,611
Goodwill	2,546	2,468
Property, plant and equipment	2,643	2,512
Investments in associates	1,507	1,523
Other non-current assets	1,280	620
Deferred tax assets	489	457
Total non-current assets	**10,182**	**9,191**
Inventories and work-in-progress	2,782	2,420
Trade receivables	1,907	1,935
Other current assets	1,363	1,049
Short-term investments and cash	2,353	3,371
Total current assets	**8,405**	**8,775**
TOTAL ASSETS	18,587	17,966

LIABILITIES AND EQUITY		
Capital	864	859
Share premium and reserves	3,421	2,537
Net profit for the period - Group share	267	495
Minority interests	358	272
Total equity	**4,910**	**4,163**
Provisions for employee benefit obligations	714	705
Other non-current provisions	638	578
Non-current financial debts	2,020	2,484
Other non-current liabilities	1,709	1,525
Deferred tax liabilities	815	529
Total non-current liabilities	**5,896**	**5,821**
Current provisions	676	687
Current financial debts	743	1,320
Trade payables	2,582	2,523
Other current liabilities	3,780	3,452
Total current liabilities	**7,781**	**7,982**
TOTAL LIABILITIES AND EQUITY	18,587	17,966

Consolidated statement of income for the six months ended June 30, 2005

(in millions of euros)	First half 2005	First half 2004 IFRS	Year 2004 IFRS
Net sales	6,152	5,692	12,296
Other income from ordinary activities	256	251	542
INCOME FROM ORDINARY ACTIVITIES	**6,408**	**5,943**	**12,838**
Purchases and changes in inventories	(3,450)	(3,064)	(6,602)
Capitalized production	–	(3)	2
Production transferred to inventories	237	97	(17
External charges	(1,107)	(1,066)	(2,127)
Payroll costs	(1,444)	(1,344)	(2,746)
Depreciation and amortization	(160)	(174)	(343)
Other operating income (expenses)	(72)	(67)	(170)
Income from associates	52	39	54
EARNINGS BEFORE INTEREST AND TAX	**464**	**361**	**889**
Finance cost, net	(33)	(41)	(97)
PROFIT BEFORE TAX	**431**	**320**	**792**
Income tax expense	(121)	(100)	(240)
NET PROFIT	**310**	**220**	**552**
Attributable to equity holders of the parent	267	192	495
Attributable to minority interests	43	28	57
Basic earnings per share - Group share	1.96	1.42	3.65
Diluted earnings per share - Group share	1.87	1.37	3.44

OUTLOOK

2005 is expected to be a good year for Book Publishing. Nonetheless, the Division's strong growth over the first half of the year cannot be extrapolated over the whole year. There are two reasons for this; firstly, the second half of the year will bear the weight of the slowing down in sales in the Education segment, which is experiencing only weak growth, and, secondly, the unfavorable comparison with the second half of 2004, which was exceptional in the general literature segment (Dan Brown) and in part works.

In the Print media sector, the advertising market is still struggling, and a significant improvement over the second half of the year does not seem probable at this time. In addition, the loss of the Philip Morris contract in the United States is expected to have a negative impact in the second half of the year, similar to that recorded in the first half. In all, recurring EBIT before associates is expected to decline in the second half of 2005, while 2006 should see a strong return to growth.

Distribution should be able to take advantage of the effects of the comparison with more favorable growth rates in Spain, and of the continuous efforts to optimize operating costs.

As far as Lagardere Active is concerned, visibility remains low in the domain of Radio. In TV production, the performance of the first half of the year is not expected to continue at the same level till the year's end.

This outlook and the satisfactory level of recurring EBIT before associates achieved in the first half of the year enable Lagardère to raise its growth forecast for the media business. Growth in Lagardère Media's recurring EBIT before associates (including Hodder Headline) should be in the 5%-9% range for the whole year 2005, up from an initial estimate of "between +4% and +8%", assuming, as in March last:

- an exchange rate of € 1 = US$ 1.30
- excluding the impact of stock options
- excluding the impact of investment costs related to digital terrestrial television.

Lagardère SCA
A French limited partnership with shares with capital stock of € 858,993,978.50 divided into 140,818,685 shares of € 6.10 par value each.
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