

INTERIM REPORT
1 January - 30 June 2006

Lagardère



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In addition to the media operations which constitute the Group's core business, Lagardère has a strategic investment in EADS N.V. (European Aeronautic Defence and Space Company).

In the field of the **Media**, the Lagardère Group's major assets include an international presence, strong brand names (Elle, Europe 1, Hachette, Octopus, Relay, Virgin, etc.), control of editorial content (book publishing, audiovisual and new media), world leadership in the businesses of mainstream magazines and distribution of cultural/leisure products and services. It is the Group's strategy to capitalise on these key assets to consolidate its presence and performance in all major sectors related to the publishing and distribution of contents.

In the field of High Technologies, EADS is an exemplary model of European integration (Aerospatiale Matra in France, DASA in Germany and CASA in Spain). Since its inception, EADS has skilfully capitalised on the advantages afforded by its transnational profile. Its portfolio of internationally-renowned brands, such as Airbus, Eurocopter and Astrium, places it in the leading ranks of the global aeronautics, space and defence industries.

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SIGNIFICANT EVENTS

The first half-year of 2006 was marked by three important events:

1) CanalSat / TPS

Lagardère, Vivendi Universal and Canal+ Group signed an agreement on 14 March 2006. Under the terms of this agreement, Lagardère, which is already a partner of Canal+ Group through CanalSat, is to join Canal+ Group, TF1 and M6 in holding Canal+ France¹, a new company combining all the French pay TV assets of Canal+ Group and TPS.

By becoming the second-largest shareholder of Canal+ France, Lagardère would significantly strengthen its pay TV operations in France.

The new company would be owned:

- 65% by Canal+ Group,
- 20% by Lagardère,
- 9.9% by TF1,
- 5.1% by M6.

Vivendi Universal would have exclusive control of the new company through Canal+ Group.

This agreement was approved by the competent anti-trust authorities on 30 August 2006.

The project is organised as follows:

- Lagardère is to acquire a 20% interest in Canal+ France by transferring its 34% shareholding in CanalSat and paying an amount of €525 million² in cash.
- Lagardère will also benefit from a call option covering a further 14% of the new company, exercisable three years after completion of the transaction. The exercise price of this option will be equal to market value, with a floor of €1.05 billion corresponding to a valuation of €7.5 billion for 100% of Canal+ France.
- Lagardère will hold rights to veto certain operations (IPO of Canal+ France, external investments in major Canal+ France subsidiaries), and governance rights (two members of the Supervisory Board would be appointed upon Lagardère's proposal). In the event control of Canal+ France is transferred, Lagardère would hold a pre-emptive bid right guaranteeing the power to acquire Canal+ France if Lagardère is the highest bidder.
- Lagardère will also have a liquidity clause (as long as it holds only 20% of Canal+ France) to expire eight years after completion of the operation, allowing it to proceed to a stock exchange listing for Canal+ France. If Lagardère wishes to exercise this option, Vivendi Universal would have a pre-emptive right over the shares held by Lagardère.

The formation of Canal+ France should be finalised by the end of 2006.

2) Time Warner Book Group

On 6 February 2006, Time Warner Inc, Hachette SA, Hachette Livre SA and Hachette Livre UK Limited signed an agreement for a takeover by the Lagardère Group of 100% of the shares of Time Warner Book Group Inc and Time Life Entertainment Group Limited.

Completion of the transaction was subject to the approval of the competent anti-trust authorities. Once this approval had been given, the transaction was completed on 31 March 2006.

¹ Canal+ France would essentially comprise all the following assets: CanalSat, Canal+, Canal+ Distribution, TPS, multiThématiques, MediaOverseas, Sport+ and Kiosque. StudioCanal, Cyfra+, the advertising company, and i>TELE are not part of Canal+ France and would continue to be held by Canal+ Group.

² At the time these transactions are completed, €150 million of CanalSat's accumulated undistributed profits are due to be transferred to Lagardère.



The total acquisition price was €423 million, generating provisional goodwill of €273 million in the financial statements at 30 June 2006. This figure is based on provisional values attributed to the assets, liabilities and contingent liabilities of the entities acquired, and may be modified as a result of adjustments to be identified and applied during the second half-year of 2006.

Time Warner Book Group is a major trade publisher with many bestselling authors, and also publishes illustrated, religious, children's and audio books.

It is also a leading distributor for other publishers such as Disney and Microsoft.

Time Warner Book Group also operates in the U.K., Australia and New Zealand.

3) Transaction involving Lagardère's investment in EADS relating to 7.5% of EADS share capital

On 10 April 2006, Lagardère issued 61,110 Mandatory Exchangeable Bonds redeemable in EADS shares, with a mechanism giving Lagardère the benefit of any increase in the EADS share price ("upside exposure mechanism"). The Bonds were subscribed for in full by IXIS CIB. Details are as follows:

- The proceeds of the issue (€1,992 million) are redeemable in EADS shares up to a maximum of 61,110,000 shares (representing approximately 7.5% of the capital of EADS) in three equal deliveries of shares (subject to any adjustments relating to the upside exposure mechanism described below) on 25 June 2007, 25 June 2008 and 25 June 2009.
- The reference EADS share price used to calculate the proceeds of the issue is €32.60, which is the price for the market placement, also for 7.5% of the capital of EADS, entered into simultaneously by DaimlerChrysler, co-shareholder holding 30% of EADS.
- Lagardère will retain ownership of the EADS shares and continue to receive EADS dividends attached to those shares until they are delivered in redemption of the Bonds.
- Under the terms of the bond issue, Lagardère is entitled to receive the full benefit of any increase in the EADS share price, up to a maximum of 115% of the reference price, i.e. €37.49. The upside exposure mechanism may result in fewer shares being delivered on redemption of the Bonds. However, in the event of a decline in the EADS share price, Lagardère has the guarantee that it will sell all the underlying shares at the reference price.
- The Mandatory Exchangeable Bonds pay an annual coupon of 7.7%.

As the transfer of ownership of the shares concerned by the issue will only take place as the Bonds mature, subject to any adjustments that may be made in application of the upside exposure mechanism, Lagardère's interest in EADS will remain at approximately 15% until June 2007, when it will be reduced to approximately 12.5%, and subsequently to approximately 10% in June 2008, then approximately 7.5% in June 2009.

Within the controlling ownership structure of EADS, the balance of power between the French State and Lagardère within the French bloc, and between the French and German blocs, will remain strictly unchanged.

Gains on sale of EADS shares will be recognised at the date of delivery for the portion remitted in exchange of Bonds upon each of the three deliveries. Based on the value of Lagardère's investment in EADS as stated in the Lagardère consolidated financial statements at 30 June 2006, and excluding the impact of any application of the upside exposure mechanism, the total gain to be recognised over the years 2007 to 2009 amounts to €1,234 million.

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CONSOLIDATED RESULTS

The consolidated financial statements at 30 June 2006 have been prepared in compliance with International Financial Reporting Standards (IFRS) under the same accounting principles as those applied for the year ended 31 December 2005.

The consolidated income statements are summarised below.

<i>(in millions of euros)</i>	First half 2006	First half 2005	Year 2005
Net sales	6,615	6,152	13,013
Profit before finance costs and tax	494	464	920
Finance costs, net	(72)	(33)	(76)
Income tax expense	(133)	(121)	(142)
Net profit	289	310	702
<i>Attributable to equity holders of the parent</i>	<i>280</i>	<i>294</i>	<i>670</i>
<i>Attributable to minority interests</i>	<i>9</i>	<i>16</i>	<i>32</i>

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



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

LAGARDÈRE MEDIA

The major change in this segment's structure during the first half of 2006 was the acquisition by Hachette Livre of Time Warner Book Group, which comprises Time Warner Book Group Inc in the U.S. and Time Life Entertainment Group Ltd in the U.K. These new entities, now respectively renamed Hachette Book Group Inc and Little Brown Book Group Ltd, have been fully consolidated since 1 April 2006. Other changes in structure had no significant impact on the consolidated financial statements.

Summarised statements of income and cash flows of Lagardère Media are as follows:

INCOME STATEMENT

(in millions of euros)

	First half 2006	First half 2005	Year 2005
Net sales	3,793	3,734	7,901
Recurring operating profit before associates	206	195	503
Income from associates	41	33	63
Non-recurring items	8	(3)	(67)
Profit before finance costs and tax	255	225	499
Finance costs, net	(30)	(25)	(52)
Profit before tax	225	200	447

CASH FLOWS

	First half 2006	First half 2005	Year 2005
Cash flows from operations before change in working capital	329	277	662
Change in working capital requirement	(213)	(136)	2
Cash generated from operations	116	141	664
Interest paid and received and income taxes paid	(103)	(108)	(219)
Net cash from operating activities	13	33	445
Cash used in investing activities	(600)	(109)	(223)
- Intangible assets and property, plant and equipment	(69)	(71)	(161)
- Investments	(531)	(38)	(62)
Proceeds from disposals of non-current assets	168	32	65
- Intangible assets and property, plant and equipment	37	5	14
- Investments	131	27	51
(Purchases) sales of short-term investments	(1)	582	582
Net cash from investing activities	(433)	505	424
Total cash from operating and investing activities	(420)	538	869

	First half 2006	First half 2005	Year 2005
Capital employed (*)	4,620	4,228	4,163

(*) Non-current assets less non-current liabilities (excluding debt) and working capital requirement.



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The first six months of 2006 were marked by vigorous advertising investments in the audiovisual segment, sustained levels of book sales, the continued recovery in air traffic which favoured the development of retail sales in airports, and a drop in magazine press distribution. Hachette Filipacchi Médias therefore has to contend with difficult market conditions in an environment that is increasingly competitive in terms of new title launches and in terms of prices.

Lagardère's recent acquisitions and developments in Russia, Eastern Europe and the Asia Pacific region are showing a sustained level of business and good prospects for the future.

In this context, sales revenues for media operations rose by 1.6% compared to first-half 2005 including changes in group structure and exchange rates. The impact of exchange rate fluctuations (average rates for the period) is negligible due to the stability of the euro/pound sterling rate, despite a slight rise in the US dollar against the euro during the half-year. The Book Publishing division benefited from the €98 million impact of consolidation of the newly-acquired Time Warner Book Group publishing activities from the second quarter, although this was counterbalanced by a negative €84 million impact in the Distribution Services division resulting from significant amendments to certain distribution contracts in Belgium. In application of these amendments, income on these contracts is now recognised only on the basis of distribution commissions received.

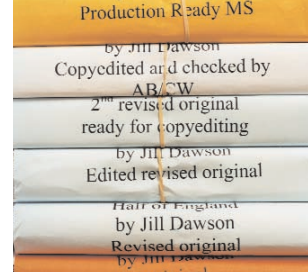
Excluding the effect of changes in group structure and exchange rates, sales growth was 1%. Growth was recorded in Book Publishing, Distribution Services and in all areas of the audiovisual business, with the expected exception of theme channels (due to the impact of the stoppage of Match TV) and film & television production (two exceptional full-length feature films were delivered in the first half of 2005). Print Media sales faltered slightly, as the good level of advertising revenue of a number of magazines was not able to fully offset weak newsstand sales and pressures in the automobile magazine advertising market.

Recurring operating profit before associates amounted to €206 million, a rise of €11 million or 5.4% compared to the first half of 2005 based on constant group structure and exchange rates.

Recurring operating profit before associates changed as follows for each division:

- Recurring operating profit for the Book Publishing division rose by €15 million, still supported by the well-balanced development of all publishing and distribution activities in France. This rise was achieved despite the high comparison basis related to the exceptional success of Dan Brown's novels "Da Vinci Code" and "Angels and Demons" in 2005. In Spain, Hodder Headline also performed well. Lastly, the newly-consolidated activities of Time Warner Book Group contributed an additional €12 million, offset to the amount of €3 million by the disposal of publishing house Dalloz.
- Recurring operating profit for the Print Media division declined by €13 million, as a consequence of strong pressure in distribution and magazine sale prices, as well as the fall in advertising revenue in certain segments. Given this situation, HFM intensified investments in websites which, in the first six months of 2006, further deteriorated profitability.
- In Distribution Services, recurring operating profit rose by €2 million, driven by brisk business at airport outlets in many countries, particularly France, and the Australia-Asia Pacific zone. With the support of a dynamic product diversification policy, other activities resisted well against falling print media sales and new regulations concerning tobacco sales.
- Lagardère Active registered recurring operating profit growth of €7 million, mainly due to the excellent performance of radio outside France.

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Income from associates amounted to €41 million, an increase of €8 million over the first half of 2005, largely thanks to good performances by CanalSatellite (impact of +€5 million) and Amaury.

Non-recurring items included in the profit before finance costs and tax for the half-year to 30 June 2006 resulted in a net gain of €8 million, including:

- A gain of €11 million on disposals, including €8 million on the sale of the German distribution subsidiary Saarbach.
- A €5 million profit relating to negative goodwill recorded in connection with acquisition of minority shareholders' interests.
- €8 million restructuring costs, mainly incurred in the Print Media division as part of the cost-cutting drive for Magazine publishing in France and discontinuation of certain titles in the U.S. and England.

As a result of the above, profit before finance costs and tax increased by €30 million.

Net finance costs were €5 million higher than in the first half of 2005. This reflects the higher level of interest-bearing debt at Lagardère Media, following the acquisition of Time Warner Book Group and the increase in average interest rates.

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Cash flows

Cash flows from operations before change in working capital amounted to €329 million, the increase of €52 million from the first half of 2005 being mainly attributable to Lagardere Active and Hachette Livre. Under the agreements signed in early 2006 concerning the changes in Lagardère's investment in the Canal+ France group, Lagardere Active received a dividend of €71 million from CanalSatellite, an increase of €43 million over the 2005 dividend.

The working capital requirement increased by €213 million during the first six months of 2006, largely as a result of business in the Print Media division and Time Warner Book Group.

After interest and taxes paid, net cash from operating activities stood at €13 million, compared with €33 million in first-half 2005.

Purchases of intangible assets and property, plant and equipment (net of disposals) totalled €32 million in first-half 2006, €34 million lower than in first-half 2005, mainly following the sale of a British-based business by Hachette Livre in 2006.

Purchases of investments in the first half of 2006 amounted to €531 million, the main acquisition concerning the publisher Time Warner Book Group (€423 million). Lagardere Active also acquired four Russian radio stations during the period.

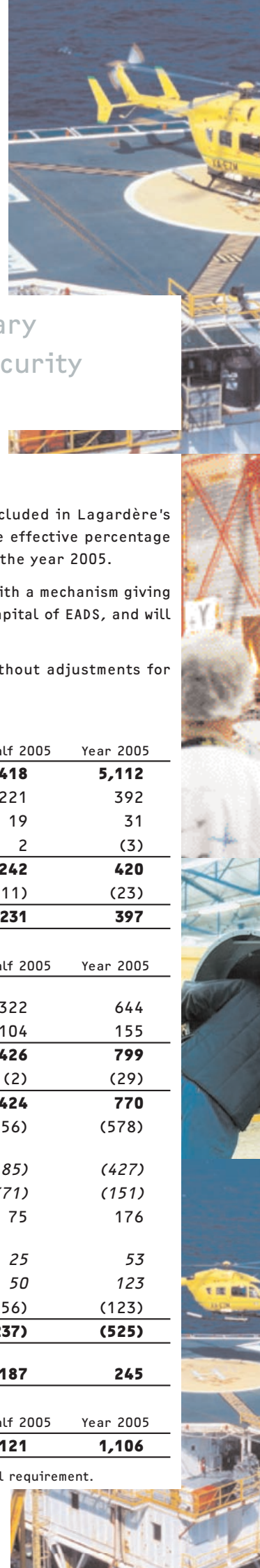
Sales of investments, at €131 million, mainly include the sale of 90% of the publisher Dalloz.

Short-term investments were practically stable (increase of €1 million) after the €582 million decrease of first-half 2005, the price received for the sale of most of the portfolio of T-Online shares.

As a result of the above items, total cash of €420 million was used in operating and investing activities, compared with total cash generated of €538 million in the first half of 2005.

At 30 June 2006, capital employed totalled €4,620 million, up by €457 million from 31 December 2005. This was largely due to investments made during the half-year.





EADS comprises the business activities of Airbus, Military Transport Aircraft, Eurocopter, Space, Defence and Security Systems.

EADS

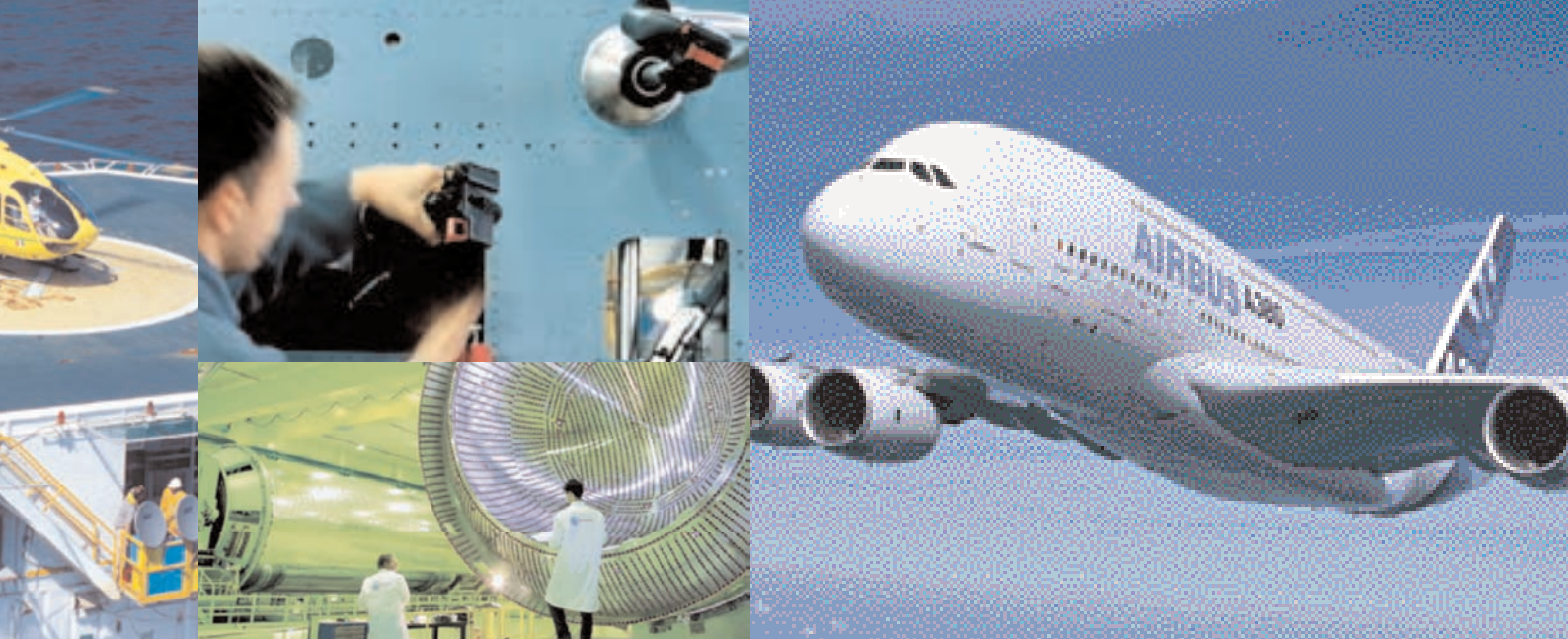
Lagardère is present in the High Technology industry through its interest in EADS, which is included in Lagardère's consolidated financial statements using the proportionate method of consolidation, based on the effective percentage interest of 14.87% in the first half of 2006, compared to 15.09% in first-half 2005 and 14.95% for the year 2005.

On 10 April, 2006, Lagardère issued Mandatory Exchangeable Bonds redeemable in EADS shares, with a mechanism giving Lagardère the benefit of any increase in the EADS share price. This issue concerns 7.5% of the capital of EADS, and will lead to transfer of 2.5% of the capital in each of the years 2007, 2008 and 2009 (see above).

Summarised statements of the Lagardère Group's share in earnings and cash flows of EADS, without adjustments for changes in group structure and based on the share attributable to Lagardère, are as follows:

INCOME STATEMENT			
<i>(in millions of euros)</i>	First half 2006	First half 2005	Year 2005
Net sales	2,822	2,418	5,112
Recurring operating profit before associates	236	221	392
Income from associates	7	19	31
Non-recurring items	(9)	2	(3)
Profit before finance costs and tax	234	242	420
Finance costs, net	(8)	(11)	(23)
Profit before tax	226	231	397
CASH FLOWS			
	First half 2006	First half 2005	Year 2005
Cash flows from operations before change in working capital	292	322	644
Change in working capital requirement	(190)	104	155
Cash generated from operations	102	426	799
Interest paid and received and income taxes paid	(7)	(2)	(29)
Net cash from operating activities	95	424	770
Cash used in investing activities	(184)	(256)	(578)
- <i>Intangible assets and property, plant and equipment</i>	(168)	(185)	(427)
- <i>Investments</i>	(16)	(71)	(151)
Proceeds from disposals of non-current assets	150	75	176
- <i>Intangible assets and property, plant and equipment</i>	46	25	53
- <i>Investments</i>	104	50	123
Purchases of short-term investments	(55)	(56)	(123)
Net cash from investing activities	(89)	(237)	(525)
Total cash from operating and investing activities	6	187	245
	First half 2006	First half 2005	Year 2005
Capital employed (*)	1,294	1,121	1,106

(*) Non-current assets less non-current liabilities (excluding debt) and working capital requirement.



EADS' contribution to Lagardère's consolidated sales was €2,822 million, up by 17% from its contribution of €2,418 million in the first half of 2005.

The increase in EADS revenues was achieved across all divisions, in particular Airbus, Military Transport Aircraft and Eurocopter. The Airbus contribution to the group's increased revenues resulted mainly from higher aircraft deliveries reaching a record of 219 (189 in first-half 2005). Revenue growth in the Military Transport Aircraft division was supported by higher revenue recognition in the A400M programme, while Eurocopter benefited from strong commercial momentum leading to a volume increase. The Space business profited from the production of the Ariane 5 launch vehicle and advances in the Paradigm satellite services programme.

At the end of June 2006, EADS' total order intake amounted to €14.2 billion, a decrease which reflected the fact that Airbus received less orders compared to the same period of 2005. Nevertheless the group's order intake benefited from a strong order flow at the Space and Eurocopter divisions.

EADS' total order book stood at €235 billion (year-end 2005: €253 billion). The order book decreased versus year-end 2005 mainly due to an impact of around €12 billion from a less favourable €/US\$ exchange rate.

For the first half of 2006, EADS' contribution to Lagardère's recurring operating profit before associates stood at €236 million, up from €221 million for the same period in 2005. This performance is attributable to increased volumes and the current improvement in recurring operating profit across all the divisions.

Growth at Airbus was the result of the positive effect of increased deliveries, additional cost reductions achieved through the "Route 06" cost-saving programme, and increased funding from customers, which offset less attractive exchange rate risk hedging, rising research and development expenses and the A380 exceeding its budget.

For Airbus, the current operating priority consists in stabilising the A380 programme. Detailed reviews of the A380 production programme are currently being implemented by EADS and the management at Airbus. The review of the A380 delivery schedule, announced by EADS and Airbus on 13 June, is the result of industrial issues, mainly relating to the definition, manufacturing and installation of electrical systems and harnesses. Singapore Airlines recently confirmed its commitment to the A380 with the announcement of its intention to increase its order for the A380 by nine aircraft, with an option for an additional six aircraft.

Airbus has completed the design phase of the A350 XWB. This new family of aircraft was presented at the Farnborough airshow, where it received a first commitment. The specifications of the new product have now been completed and





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Airbus is currently planning the development and construction phases. The decision to launch the industrial production of the A350 XWB is expected in October 2006. The delivery schedule is for entry into service in June 2012.

Given that the decision to launch this new family of A350 aircraft has not yet been taken, and that the conclusions of the production programme reviews are not yet available, the half-yearly financial statements issued by EADS are not affected by the presentation of the new family of aircraft or by the review of the aeronautics production programmes.

The rise in recurring operating profit of the Military Transport Aircraft division reflects higher recognition of revenues generated by the A400M programme.

Eurocopter's recurring operating profit was higher than in the first half of 2005 due to volume increases in the production of standard helicopter families and to a buoyant customer support business.

The increase in the recurring operating profit of the Space division over the first six months of the year proves the division's capacity to make a much greater contribution to EADS' results in 2006.

For the first half of 2006, the recurring operating profit of the Defence and Security Systems division showed an improvement over first-half 2005, as a result of significant operational enhancements in communications systems and missiles. The gain related to the sale of EADS/LFK to MBDA was partially absorbed by restructuring costs in the Defence and Communications Systems Operating Unit.

For Other Businesses not attached to any division (ATR, EADS EFW, EADS Socata and EADS Sogerma Services) recurring operating profit was down overall from first-half 2005 despite the positive contributions by ATR, EADS EFW and EADS Socata. The loss registered by EADS Sogerma Services was more accentuated than anticipated.

Almost all income from associates was contributed by Dassault Aviation.

Cash from operating and investing activities totalled €6 million. This considerable decrease compared to June 2005 was mainly due to the decrease in cash flows from operations before change in working capital requirement and a greater working capital requirement, partly offset by a lower level of expenditure on intangible assets and property, plant and equipment.

OTHER ACTIVITIES

"Other Activities" include interest expenses for borrowings obtained by the Group and not directly attributable to business activities, the results of holding companies, the results of the spare parts activities of the former Automobile division, and all expenses incurred in operations related to innovative sports projects.

Recurring operating profit recorded by Other Activities stood at €5 million, compared to a loss of €1 million in first-half 2005.

Compared to 2005, first-half 2006 saw a €37 million increase in finance costs, mainly due to interest on the Mandatory Exchangeable Bonds redeemable in EADS shares, issued in April 2006.

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OVERVIEW OF CONSOLIDATED RESULTS

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

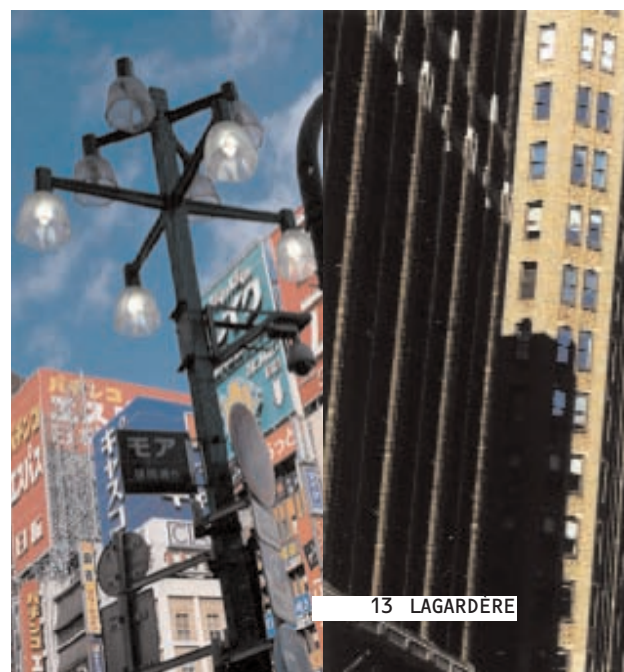
CONTRIBUTIONS TO CONSOLIDATED PROFIT (in millions of euros)	First half 2006	First half 2005	Year 2005
LAGARDERE MEDIA	225	200	447
EADS	226	231	397
Total business segments profit	451	431	844
OTHER ACTIVITIES	(29)	0	0
Profit before tax	422	431	844

The income tax expense was €133 million, an increase of €12 million compared to the first half of 2005, reflecting an overall €25 million increase (excluding EADS) offset by a €13 million reduction generated in the EADS group. Excluding EADS, two major factors explain the increase in the tax expense:

- the additional finance costs incurred in connection with the Mandatory Exchangeable Bonds redeemable in EADS shares increased the Group's tax loss without conferring any tax saving;
- the current tax due on disposals of consolidated businesses generated capital gains that are higher in fiscal terms than for accounting purposes.

Consolidated net profit after tax was as follows:

(in millions of euros)	First half 2006	First half 2005	Year 2005
Profit before tax	422	431	844
Income tax expense	(133)	(121)	(142)
Consolidated profit for the period	289	310	702
<i>Attributable to equity holders of the parent</i>	<i>280</i>	<i>294</i>	<i>670</i>
<i>Attributable to minority interests</i>	<i>9</i>	<i>16</i>	<i>32</i>



FINANCING AND CONSOLIDATED NET CASH

In the first half of 2006, net cash flows from the Group's operating activities amounted to €123 million. There was a decrease of €328 million from the first half of 2005 in cash generated by EADS, which contributed €95 million after the particularly high €424 million contribution in the first half of 2005.

Net cash used in investing activities totalled €531 million in first-half 2006, while in first-half 2005, investing activities provided net cash of €264 million. This €795 million change (€938 million attributable to Lagardère Media) reflects the significant investments made in the first half of 2006 (and includes €423 million for the acquisition of Time Warner Book Group), while the first-half 2005 figure included the proceeds from the sale of T-Online shares (€582 million).

Net cash of €1,574 million was generated by financing operations in the first half of 2006 (€1,612 million excluding EADS), essentially comprising:

- the proceeds of Lagardère's issue of Mandatory Exchangeable Bonds redeemable in EADS shares (€1,971 million net of costs), partly offset by repayment of the €250 million syndicated credit facility for 2005, and redemption of the five-year tranche of the U.S. private placement (€141 million);
- an increase in external financing at the Print Media and Book Publishing divisions (€81 million and €41 million respectively);
- dividends distributed (€196 million).

As a result of the above cash flows, including the effect of translation adjustments and reclassifications, net cash and cash equivalents increased by €1,130 million from 31 December 2005 to total €3,028 million at 30 June 2006.

PARENT COMPANY RESULTS

Lagardère SCA's results for the first half of 2006 showed an operating loss of €12 million and a net loss of €22 million (compared to a loss of €13 million and a profit of €88 million for the first half of 2005).

OUTLOOK

2006 is expected to be a good year for the Book Publishing division, with Education making a higher relative contribution from the third quarter onwards.

No improvement is anticipated in the business environment of the Print Media division, and restructuring has been intensified. Future growth drivers (international brands, internet, new launches, and emerging countries) are now established and developing at an acceptable pace, but their bases are still too narrow to compensate for the current weakness in traditional businesses. Recurring operating profit before associates is expected to regress further overall in the second half-year.

Prospects are satisfactory for the Distribution Services division, although some uncertainty remains over the potential impact of the tighter airport security measures introduced since August 2006.

At Lagardère Active, the outlook is uncertain for Radio operations in France, but good for TV production and Radio internationally.

The better-than-expected performance by the Book Publishing, Distribution Services and Lagardère Active divisions compensated for the Print Media division's current weakness.

The Group therefore confirms its growth objective of +3% to +7% for Lagardère Media's recurring profit, as announced previously, with unchanged assumptions as follows:

- an exchange rate of €1 = US\$ 1.25;
- a constant group structure;
- excluding the impacts of investments in Digital Terrestrial Television licences (-€7 million in 2005 and -€€21 million in 2006).

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CONSOLIDATED BALANCE SHEET AT 30 JUNE 2006

ASSETS (in millions of euros)	30 June 2006	31 December 2005
Intangible assets	1,709	1,745
Goodwill	2,749	2,649
Property, plant and equipment	2,670	2,689
Investments in associates	1,508	1,542
Other non-current assets	1,299	1,194
Deferred tax assets	471	505
Assets held for sale		132
Total non-current assets	10,406	10,456
Inventories	3,223	2,874
Trade receivables	2,008	2,039
Other current assets	2,266	1,273
Short-term investments	243	253
Cash and cash equivalents	3,213	2,094
Total current assets	10,953	8,533
Total assets	21,359	18,989
EQUITY AND LIABILITIES (in millions of euros)	30 June 2006	31 December 2005
Share capital	868	866
Reserves	3,954	2,783
Profit attributable to equity holders of the parent	280	670
Minority interests	123	142
Total equity	5,225	4,461
Provisions for employee benefit obligations	702	725
Non-current provisions for contingencies and losses	588	624
Non-current debt	2,839	1,907
Other non-current liabilities	1,826	1,815
Deferred tax liabilities	858	761
Liabilities associated with assets held for sale		9
Total non-current liabilities	6,813	5,841
Current provisions for contingencies and losses	663	673
Current debt	2,042	1,303
Trade payables	2,666	2,707
Other current liabilities	3,950	4 004
Total current liabilities	9,321	8,687
Total equity and liabilities	21,359	18,989

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CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

<i>(in millions of euros)</i>	First half 2006	First half 2005	Year 2005
Net sales	6,615	6,152	13,013
Other income from ordinary activities	269	256	519
Revenue	6,884	6,408	13,532
Purchases and changes in inventories	(3,747)	(3,450)	(7,210)
Capitalised production	3		6
Production transferred to inventories	235	237	349
External charges	(1,232)	(1,107)	(2,291)
Payroll costs	(1,515)	(1,444)	(2,949)
Depreciation and amortisation expense	(167)	(160)	(334)
Other operating income and expense	(15)	(72)	(277)
Income from associates	48	52	94
PROFIT BEFORE FINANCE COSTS AND TAX	494	464	920
Finance costs, net	(72)	(33)	(76)
PROFIT BEFORE TAX	422	431	844
Income tax expense	(133)	(121)	(142)
PROFIT FOR THE PERIOD	289	310	702
Attributable to equity holders of the parent	280	294	670
Attributable to minority interests	9	16	32
<i>Basic earnings per share attributable to equity holders of the parent</i>	<i>2.02</i>	<i>2.16</i>	<i>4.88</i>
<i>Diluted earnings per share attributable to equity holders of the parent</i>	<i>1.97</i>	<i>2.06</i>	<i>4.74</i>

Lagardère

Lagardère SCA

A French limited partnership with shares with capital stock of €866,456,932 divided into 142,042,120 shares of €6.10 par value each
 Head office: 4, rue de Presbourg - 75116 Paris (France) - Tel. +33 (0)1 40 69 16 00 - Commercial Register: RCS Paris 320 366 446
www.lagardere.com

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