Lagardère

Press release

2009 FIRST-HALF RESULTS

**Operating results to end June 2009 confirm
our ability to meet our full-year guidance**

- **Consolidated recurring EBIT before associates: down 27.0% at €186m**
- **Media recurring EBIT before associates excluding Active: up 14.5% at constant exchange rates, at €172m**
- **Adjusted net income excluding EADS: down 18.9% at €129m**
- **Net debt reduced by €476m relative to December 31, 2008**

Paris, August 27, 2009 – Lagardère SCA has today published its 2009 first-half results, which show the following trends:

- **Net sales down** 2.2% on a reported basis at €3,720m, equivalent to a like-for-like fall of 3.5%: changes in the scope of consolidation (mainly the full consolidation of WSG from January 1, 2009) had a positive effect of €93m, partly offset by an unfavorable foreign exchange effect of €48m.

- **Mixed picture in recurring EBIT before associates for the various divisions.** Consolidated recurring EBIT before associates totaled €186m, a fall of 27.0%, virtually all of which was due to the impact of the contraction in advertising revenues. Excluding Lagardère Active, Media recurring EBIT before associates[(1)] proved highly resilient, rising by 19.4% (14.5% at constant exchange rates) to €172m. This performance makes us even more confident that we can deliver on the guidance we issued in March 2009: a fall in full-year Media recurring EBIT before associates excluding Active of between zero and 10% at constant exchange rates.

- **Lower contribution from non-recurring/non-operating items than in the first half of 2008.** Although these items still made a positive contribution thanks to the €539m gain on the sale of EADS shares, the overall contribution was €120m lower than in the first half of 2008 due to a higher level of impairment losses against intangible assets.

- **Reduction in net interest expense** from €79m in the first half of 2008 to €44m, reflecting reduced interest expense on the EADS Mandatory Exchangeable Bond and the effect of lower interest rates.

- **Net income** was €318m, compared with €572m in the first half of 2008. Excluding the contribution from EADS, and after stripping out non-recurring/non-operating items and the effect of the EADS Mandatory Exchangeable Bond on net interest expense, adjusted net income fell by €30m to €129m.

- **Reduction in net debt** to €2,143m (versus €2,619m at December 31, 2008), with gearing cut from 58.9% to 50.4%.

(1) Effective January 1, 2009, Lagardère SCA has been charging a new royalty to the divisions for user rights to the brands owned by it. The 2008 financial statements have been restated on a pro forma basis.

CONSOLIDATED NET SALES

Lagardère SCA consolidated net sales for the first half of 2009 were €3,720m, down 2.2% on a reported basis and 3.5% on a like-for-like basis.

- Lagardère Publishing – Very strong growth in first-half sales (11.1% on a reported basis, 11.5% on a like-for-like basis) to €1,009m, driven by a surge in net sales in the United States on the back of the Stephenie Meyer phenomenon. Growth was also robust in the United Kingdom, but less so in France and Spain where educational books represent a larger share of our business. Partworks, which are more sensitive to economic conditions, saw a decline in sales except in Germany and Italy.

- Lagardère Active – Net sales down 17.7% like-for-like and 18.3% on a reported basis, at €831m.

    1. Net sales for the Magazines business fell by 18.7% on a reported basis (18.5% on a like-for-like basis), as advertising revenues shrank by 14% in France and over 25% internationally. Trends in advertising revenues varied widely between regions. Circulation revenues fell by around 5% on a same-titles basis, with an improvement in the trend during the second quarter of 2009.

    2. First-half net sales for the Broadcast business (Radio and Television) were down 17.1% on a reported basis and 15.0% on a like-for-like basis. As in the case of magazines, revenues were more resilient in France (especially at Europe 1) than internationally, where the contraction exceeded 20%.

    3. Digital activities accounted for 7.4% of Lagardère Active revenues in the first half of 2009, versus 6.4% in the first half of 2008.

- Lagardère Services – First-half net sales were €1,619m, a fall of only 2.6% on a like-for-like basis or 3.7% on a reported basis. Retail (which accounts for two-thirds of Lagardère Services revenues) held steady, while press distribution reported a decline of some 10%.

- Lagardère Sports – First-half net sales were 31.9% higher on a reported basis at €261m, but fell by 7.6% on a like-for-like basis. More than €80m of the difference between the reported and like-for-like figures was due to the full consolidation of WSG effective January 1, 2009. In the first half of 2009, the non-recurrence of the revenues generated by the African Cup of Nations and Euro 2008 football tournaments was only partly offset by the positive effect of the World Handball Championships and qualifying matches for the 2010 Football World Cup.

Excluding Lagardère Active, 2009 first-half consolidated net sales were €2,889m, up 3.7% on a reported basis and 1.7% on a like-for-like basis.

RECURRING EBIT BEFORE ASSOCIATES

Lagardère SCA generated recurring EBIT before associates of €186m in the first half of 2009, compared with €255m in the first half of 2008.

Media activities saw recurring EBIT before associates fall by 29.2% to €181m. Nevertheless, there was a very mixed picture across the divisions: excluding Lagardère Active, Media recurring EBIT before associates actually rose by 19.4% (or 14.5% at constant exchange rates) to €172m. This performance illustrates the resilience of our other activities in a challenging environment and confirms the guidance we issued in March 2009 of a fall in full-year Media recurring EBIT before associates excluding Active of between zero and 10% at constant exchange rates.

- Lagardère Publishing recorded an excellent performance, with recurring EBIT before associates up 61.1% at €112m – all the more remarkable given that the publishing sector is actually contracting slightly in all the markets where we operate. Much of this growth was due to the success of the Stephenie Meyer saga, not only in the United States but also in France, the United Kingdom and Australia. On the down side, a reduction in the contribution from Partworks and (more marginally) Education had a negative effect on recurring EBIT before associates for the first half of 2009.

- Lagardère Active reported recurring EBIT before associates of €9m, compared with €112m in the first half of 2008. This was largely due to the substantial drop in advertising revenues, with the fall in circulation revenues having a much smaller effect.

    1. Over half of the contraction in recurring EBIT before associates at Lagardère Active was due to a lower contribution from Magazines, which saw a sharp deterioration in profitability in the United States, Japan and Spain.

    2. In the Broadcast business, Radio recorded a decline in recurring EBIT before associates, due to falling advertising revenues (in a business with a high fixed cost base) and to the non-recurrence of the reversals of provisions for litigation booked in 2008. In Television, the contribution from TV channels improved, while the Lagardère Entertainment contribution was lower year-on-year due in particular to the adverse timing of deliveries.

    3. The Active 2009 and One Step Further cost-cutting plans, intended to deliver an estimated €90m of cost savings in 2009, are proceeding in line with our expectations. By end June 2009, Lagardère Active had reduced its operating expenses by around €50m under these plans. These cost savings should go some way towards offsetting the impact of lower revenues: each 1% drop in advertising revenue reduces recurring EBIT before associates by between €8m and €10m over a full year before any cost savings.

- Lagardère Services generated recurring EBIT before associates of €27m, compared with €46m in the first half of 2008. This fall was due to lower print media sales (in both retail and distribution), and to reduced levels of air passenger traffic. Profits were also dented by the impact of start-up costs for the many new outlets opened during the period. Finally, the bankruptcy of the American wholesaler Anderson resulted in a net loss of nearly €5m in the first half of 2009. In response to these adverse conditions, a cost-cutting plan was launched, which was expected to have an impact of €25m on 2009 full-year recurring EBIT before associates. The target for this cost cutting plan is now €35m, of which nearly half had been achieved by end June 2009.

- Lagardère Sports reported a 12.7% rise in recurring EBIT before associates to €33m in the first half of 2009. The impact of the full consolidation of WSG outweighed the reduced contribution from Sportfive due to the non-recurrence of major sporting events such as the Euro 2008 and African Cup of Nations football tournaments. In addition, bad doubt provisions of €11m were booked at end June 2009 in light of the difficulties faced by some of the division's clients.

Non-media activities improved their contribution from -€1m in the first half of 2008 to +€5m in the first half of 2009 thanks to substantial cuts in corporate costs and a gain arising from the final settlement of a claim relating to the Taipei VAL subway system contract. With effect from January 1, 2009, Lagardère SCA has been charging the divisions a new royalty for user rights to the brands owned by it. The 2008 financial statements have been restated on a pro forma basis to include this royalty: this restatement increases the costs recorded by the group's Media activities for the first half of 2008 by €4m, and generates a profit of the same amount for Non-Media activities.

NON-RECURRING/NON-OPERATING ITEMS

Non-recurring/non-operating items represented a net gain of €205m, against a net gain of €325m in the first half of 2008. Although the gain on the disposal of EADS shares was higher than that recorded in 2008, the overall contribution from these items was lower due to the recognition of substantial impairment losses on certain intangible assets. The main non-recurring/non-operating items in the period were:

- A gain of €539m on the partial disposal of the interest in EADS (2.5% stake).
- Impairment losses of €274m against intangible assets, relating mainly to American magazines and digital activities.
- €25m of amortization of acquisition-related intangible assets.
- €33m of restructuring costs, primarily at Lagardère Active and Lagardère Services.

CONTRIBUTION FROM ASSOCIATES

The contribution from associates was €85m, compared with €98m[(2)] in the first half of 2008, reflecting a drop of €18m in the contribution from EADS. On the other hand, the contribution from Canal+ France was sharply higher, rising from €30m in the first half of 2008 to €48m.

Earnings before interest and taxes (EBIT) totaled €476m (versus €678m for the first half of 2008); over three-quarters of this fall was due to the higher level of impairment losses charged against intangible assets.

NET INTEREST EXPENSE

Consolidated net interest expense was €44m in the first half of 2009, compared with €79m in the first half of 2008. This marked improvement was due to a reduced level of interest expense on the EADS Mandatory Exchangeable Bond and to lower interest rates.

INCOME TAX EXPENSE

Income tax expense for the first half of 2009 was €96m, after an abnormally low level in the first half of 2008 due mainly to the reversal of deferred tax liabilities recognized in parallel with the recognition of impairment losses on magazine titles in the United States.

With the 70%-owned WSG now fully consolidated, **MINORITY INTERESTS** in net income increased from €14m to €18m despite the drop in profits at some of our other subsidiaries.

As a result of the factors described above, **NET INCOME** for the period amounted to **€318m**, compared with €572m for the first half of 2008.

[(2)] *Before amortization of acquisition-related intangible assets and impairment losses.*

(€ million)	H1 2008 (pro forma)			H1 2009		
	Media	Non-Media & EADS	Total Lagardère Group	Media	Non-Media & EADS	Total Lagardère Group
Net sales	**3,804**		**3,804**	**3,720**		**3,720**
Recurring EBIT before associates [(2)]	**256**	**(1)**	**255**	**181**	**5**	**186**
Non-recurring/non-operating items	(141)	466	325	(334)	539	205
Contribution from associates[(2)]	46	52	98	51	34	85
EBIT	**161**	**517**	**678**	**(102)**	**578**	**476**
Net interest expense	(85)	6	(79)	(41)	(3)	(44)
Income tax expense	(19)	6	(13)	(115)	19	(96)
Net income before minority interests	**57**	**529**	**586**	**(258)**	**594**	**336**
Minority interests	14	0	14	18	0	18
Net income	**43**	**529**	**572**	**(276)**	**594**	**318**

ADJUSTED NET INCOME (excluding equity-accounted contribution from EADS)

Adjusted net income, calculated as described below, eliminates the net effect of non-recurring/non-operating items and the equity-accounted contribution from EADS. Adjusted net income for the first half of 2009 was down 18.9% at €129m.

(M€)	H1 2008	H1 2009
Net income	**572**	**318**
Equity-accounted contribution from EADS	(52)	(34)
Amortization of acquisition-related intangible assets, net of tax	28	23
Net income excluding EADS, before amortization of acquisition-related intangible assets	**548**	**307**
Restructuring costs, net of tax	5	22
Net gains on disposals, net of tax	(453)	(526)
Impairment losses on goodwill and intangible assets, net of tax		
- Consolidated entities	53	316
- Associates		4
Impact of Mandatory Exchangeable Bond on interest expense, net of interest income calculated at market rates	6	6
Total non-recurring/non-operating items, net of tax	**(389)**	**(178)**
Adjusted net income excluding EADS	**159**	**129**

(2) *Before amortization of acquisition-related intangible assets and impairment losses.*

NET CASH GENERATED BY/USED IN OPERATING AND INVESTING ACTIVITIES

In the first half of 2009, operating and investing activities generated a net cash inflow of €662m, a marked improvement on the net outflow of €34m recorded in the first half of 2008.

The main factors underlying this year-on-year improvement were:

- A 4.9% increase in cash flow from operations before interest, taxes and changes in working capital to €277m. This performance reflects the high level of cash outflow on restructuring under the Active 2009 plan in the first half of 2008, and an increase in the operating cash flow contribution from Lagardère Sports.

- A net cash inflow from operating activities (after interest, taxes and changes in working capital) of €48m, compared with a net outflow of €271m in the first half of 2008. This reflects a reversal of the temporarily negative trends in working capital needs experienced by all Lagardère Media divisions at end 2008, and tight control over trade receivables.

- Net cash generated by investing activities totaled €614m, against €237m in the first half of 2008. Acquisitions of financial assets in the first half of 2009 were just €5m, while disposals were €675m (mainly the €664m proceeds from the disposal of a 2.5% interest in EADS).

DEBT

As of June 30, 2009, net debt stood at €2,143m, a reduction of €476m on the end-December 2008 figure. The main factors underlying this change were:

- the cash inflows of €662m generated in the first half of 2009;
- the dividend payout of €194m.

Gearing fell from 58.9% to 50.4%, demonstrating the soundness of the Lagardère SCA balance sheet.

Given the trends in our results to end June 2009, were are reiterating the guidance for Media recurring EBIT before associates that we issued in March 2009:

For Lagardère Active, we would point out that:

- Each 1% loss of advertising revenue has a negative impact of between €8m and €10m on recurring EBIT before associates over a full year before any cost savings, on top of which comes the unavoidable knock-on effect of rises in some operating costs (approximately €35m) and the cost of continuing with our initiatives to prepare for the future (approximately €10m).
- Cost savings arising from measures already taken and from the additional measures announced in March 2009 (One Step Further plan) are expected to have a positive impact of €90m in 2009. The One Step Further cost-cutting plan was on target at end June 2009.

For our other activities, we are reiterating our guidance of a fall in recurring EBIT before associates of between zero and no more than 10% at constant exchange rates.

Lagardère is a pure media group (books, press, broadcast, digital, travel retail and press distribution, sports trading and sports rights) and is among the world leaders in the sector. The Lagardère group jointly controls EADS, in which it holds a stake of 7.5%. Lagardère shares are listed on Euronext Paris.

Press Contacts

Thierry Funck-Brentano	tel. +33 (0)1 40 69 16 34	tfb@lagardere.fr
Ramzi Khiroun	tel. +33 (0)1 40 69 16 33	rk@lagardere.fr

Investor Relations Contact

Virginie Banet	tel. +33 (0)1 40 69 18 02	vbanet@lagardere.fr