



**8.9% GROWTH IN LAGARDÈRE SCA RECURRING EBIT BEFORE ASSOCIATES TO €96M**

**7.1% GROWTH IN LAGARDÈRE MEDIA RECURRING EBIT BEFORE ASSOCIATES**

**10.3% GROWTH IN LAGARDÈRE MEDIA TARGET RECURRING EBIT BEFORE ASSOCIATES  
(EXCL. STOCK OPTIONS, INVESTMENT IN DTT, AND AT €\$: 1.3)**

**CONSOLIDATED NET INCOME FOR LAGARDÈRE EXCL. EADS: €431M (UP 20.0%)**

On March 8, 2006, the Supervisory Board reviewed the 2005 consolidated financial statements of **LAGARDÈRE SCA**, as presented by Arnaud Lagardère, General Partner, Philippe Camus and Pierre Leroy, co-Managing Partners.

**Highlights for the year ended December 31, 2005:**

- Lagardère Media net sales up 5.3% at €7,901m (up 2.5% like-for-like)
- Lagardère Media recurring EBIT before associates up 7.1% at €503m. Excluding stock option costs and investment in digital terrestrial television (DTT), and at a €/\$ exchange rate of 1.3, the increase is 10.3%, beating the “5%-9%” guidance announced in September 2005.
- Solid growth of 20.0% in consolidated net income before minorities of LAGARDÈRE excluding EADS (20.8% after minorities).
- Net cash flow from operations excluding EADS up nearly 10% at €654m, vs. €595m in 2004.
- Further debt reduction: net bank debt (excluding EADS and T-online) of €1,120m, vs. €1,699m in 2004.
- Proposed dividend of €1.10 per share to be paid out of 2005 profits, compared with €1 paid out of 2004 profits (excluding exceptional dividend of €2 paid in July 2005).

## **CONSOLIDATED NET SALES**

LAGARDERE SCA consolidated net sales were up 5.8% at €13,013m (vs. €12,296m in 2004).

- **Lagardère Media net sales up 2.5% on a like-for-like basis**

Net sales at **Lagardère Media** were up 2.5% like-for-like, at €7,901m.

The Books division recorded another year of solid growth, with like-for-like sales up 3.5%. Hachette Livre also benefited from the full-year consolidation of Hodder Headline, which added €176m. The Press division saw like-for-like sales edge up 0.6%. The Distribution division' like-for-like sales were up 2%, gradually erasing the weak first quarter over the rest of the year, the final quarter being particularly good. Lagardere Active had an excellent year, with like-for-like net sales up 9.2%.

- **EADS contribution to consolidated net sales up 6.6% at €5,112m**

Airbus and Eurocopter were the main drivers of growth, to which all divisions contributed, except for MTA (Military Transport Aircraft). Airbus delivered 378 aircraft in 2005, 58 more than in the previous year, mainly A320-family single-aisle planes.

Eurocopter deliveries reached 334 units, 55 more than in 2004, including 5 Tigre assault helicopters. These deliveries, combined with billings on military programs, lifted Eurocopter net sales (100% basis) to €3.2bn, 15% more than in the previous year.

## **RECURRING EBIT BEFORE ASSOCIATES**

- **Recurring EBIT before associates (excluding stock options and investment in DTT, and at €/\$: 1.3) of Lagardère Media up 10.3%**

The Lagardère Media division, which contributed €503m (up 7.1%), recorded growth of 10.3% relative to 2004, excluding the cost of stock options and investment in DTT and at €/\$: 1.3.

<b>Lagardère Media</b>	<b>2004</b>	<b>2005</b>	<b>% growth</b>
<b>Recurring EBIT before associates</b>	<b>470.1</b>	<b>503.3</b>	<b>7.1%</b>
Stock option plans	+10.1	+21.8	
Investment in DTT	0	+7.3	
2005 at €/€ of 1.3		-2.5	
<b>Restated recurring EBIT before associates</b>	<b>480.2</b>	<b>529.9</b>	<b>10.3%</b>

On a reported basis (including investment in DTT and stock options), Lagardère Media achieved an operating margin of 6.4% in 2005, compared with 6.3% in 2004.

The Books division turned in a very fine performance. Education in France continues to improve its market share in a weakening market. Anaya had a successful year, thanks to the Education segment and part-works sales. In France, as expected, General Literature was the main growth-driver. Sales of "The Da Vinci Code" (750,000 copies in 2005) and of "Ange et Démons" (1 million copies) were supplemented by the literary prizes won at the end of the year (Prix Goncourt for Grasset, Prix Interallié for Fayard, Prix Renaudot for Stock...). However, the Larousse Group was hit by tough comparatives.

Hodder Headline's contribution was better than expected.

Overall, operating margin was maintained at 11.5%, compared with 11.6% in 2004, despite the inclusion of an additional six-month stock option plan.

Lagardere Active posted record recurring EBIT before associates of €47m, against €37m in 2004, after taking into account the investment in DTT (€7.3m) and the additional six-month stock option plan. Operating margin increased sharply from 6.6% in 2004 to 7.5% in 2005. The impact on recurring EBIT before associates of the drop in sales at Europe 2 and lackluster sales for Europe 1 was more than offset by the contributions from International Radio and good results from the Audiovisual business. Investments by Lagardere Active Broadband (digital activities excluding Radio and Television) cost €9m in 2005 vs. €5m in 2004, and reflect increased support for the high-growth BlingTones business in the United States (digital content for mobile phones).

The Distribution division saw recurring EBIT before associates rise by nearly 5.5% to €106m. The French performance was excellent, boosted by recovery at Aelia and a big increase in the contribution from Relay. Virgin moved into the black. The American and Australian businesses also had a very good year. Belgium was down on the previous year, though Eastern Europe was in line with forecasts.

The Press division, as expected, achieved recurring EBIT before associates of €161m, 4% lower than in 2004. Excluding the impact of stock options, recurring EBIT before associates was down only 2.2%. The cost of new launches (just under €40m) hit 2005 results hard, as did the loss of a custom publishing contract with Philip Morris (contribution of around €5m). The competitive environment in France remains tough and the recovery in advertising spend soft. However, the success of the new launches and the withdrawal of loss-making titles enabled the French division to return to growth.

In addition to the loss of the custom publishing contract, the United States suffered from weak advertising spend by carmakers, especially at the start of the year. The Italian and Japanese subsidiaries, which are undergoing restructuring, recorded better results after a difficult 2004. As in previous years, sales in emerging markets (Russia, China) held up very well throughout the year.

- **EADS significantly improved its contribution to LAGARDERE's consolidated recurring EBIT before associates to €392m (vs. €350m in 2004)**

In 2005, EADS again posted record results: an excellent performance largely due to strong earnings growth, not only for Airbus but also for the Defense and Space divisions.

**Overall, for LAGARDERE SCA, recurring EBIT before associates was €96m (against €823m in 2004).**

### **INCOME FROM ASSOCIATES**

Income from associates for LAGARDERE excluding EADS was €63m, against €41m in 2004.

The increase was due to a further improvement in the contribution from *CanalSat* (€45m vs. €39m in 2004) and fine performances from Marie-Claire and the Amaury group. 2004 was also affected by a €13m charge to provisions for impairment relating to the stake in multiThématiques, which did not recur in 2005.

### **NON-RECURRING ITEMS**

Non-recurring items showed a charge of €67m for LAGARDERE excluding EADS, including €59m of impairment losses on intangible assets in Audiovisual (mainly on theme channels) and Press (publication titles and photo agencies).

Most of the rest related to restructuring costs incurred by the Press division.

## FINANCIAL INCOME/EXPENSE

Net financial expense at LAGARDERE SCA amounted to €76m (against €97m in 2004).

Excluding the EADS contribution, net financial expense was static at €53m, vs. €52m in 2004.

The 2004 figure did not include the interest on the liability relating to divested Editis assets, which was just under €15m. If we restate 2004 net financial expense to include this interest, 2005 net financial expense showed an improvement, in line with debt reduction.

## INCOME TAXES

For the group as a whole, income taxes totaled €142m, including €126m for EADS.

The tax charge payable by Lagardère excluding EADS was positively impacted by non-recurring items of €99m, mostly reversals of non-recurring provisions (resolution of tax disputes and new rules on the taxation of perpetual loan notes).

**MINORITY INTERESTS** in net income amounted to €32m, of which €5m related to EADS.

Taking these various items into account, **consolidated net income rose by 35.3% to €670m.**

Consolidated net income for **Lagardère excluding EADS** was €404m, 20.8% higher than in 2004.

IN MILLIONS OF EUROS	<u>2004</u>			<u>2005</u>		
	LAGARDÈRE GROUP EXCL. EADS	EADS	LAGARDÈRE GROUP TOTAL	LAGARDÈRE GROUP EXCL. EADS	EADS	LAGARDÈRE GROUP TOTAL
<b><u>Net sales</u></b>	<b>7,501</b>	<b>4,795</b>	<b>12,296</b>	<b>7,901</b>	<b>5,112</b>	<b>13,013</b>
<b><u>Recurring EBIT before associates</u></b>	<b>473</b>	<b>350</b>	<b>823</b>	<b>504</b>	<b>392</b>	<b>896</b>
Non-recurring items	30	(18)	12	(67)	(3)	(70)
Income from associates	41	13	54	63	31	94
<b>EBIT</b>	<b>544</b>	<b>345</b>	<b>889</b>	<b>500</b>	<b>420</b>	<b>920</b>
Net financial expense	(52)	(45)	(97)	(53)	(23)	(76)
Income taxes	(132)	(108)	(240)	(16)	(126)	(142)
<b><u>Net income before minority interests</u></b>	<b>360</b>	<b>192</b>	<b>552</b>	<b>431</b>	<b>271</b>	<b>702</b>
Minority interests	(25)	(32)	(57)	(27)	(5)	(32)
<b><u>Net income</u></b>	<b>335</b>	<b>160</b>	<b>495</b>	<b>404</b>	<b>266</b>	<b>670</b>

	<u>2004</u>	<u>2005</u>
<b><u>Net income excluding EADS</u></b>	<b><u>335</u></b>	<b><u>404</u></b>
Tax-related non-recurring items	0	(99)
Reversal of provision on <i>T-Online</i> shares, net of tax	(88)	0
<b>Adjusted net income excluding EADS</b>	<b>247</b>	<b>305</b>
Impairment losses on PP&E, goodwill and intangibles	85	55
<b><u>Adjusted net income excluding EADS</u></b> (before impairment losses on PP&E, goodwill and intangibles)	<b><u>332</u></b>	<b><u>360</u></b>

## **DEBT REDUCTION**

At December 31, 2005, net bank debt amounted to €863m, an increase on the end December 2004 figure of €433m.

Excluding EADS and T-Online, net debt was €1,120m, against €1,699m at end 2004.

The acquisitions of Time Warner Book Group and 20% of Canal+ France took place after year-end and had no impact on debt at December 31, 2005.

## **NET CASH FLOW FROM OPERATIONS**

In the year ended December 31, 2005, net Cash-flow from operating and investing activities by **LAGARDERE excluding EADS** surged from €463m in 2004 to €857m, reflecting the following developments:

- Cash flow from operations before interest, taxes, and changes in working capital (excluding EADS) was up 4.1% at €663m.
- Changes in working capital were virtually neutral at -€9m, compared with -€41m in 2004. At Lagardère Media, the change in working capital was slightly positive after the impact of incorporating Hodder Headline in Q4 2004. The contribution of Other Activities improved significantly, after being heavily negative in 2004.
- Acquisitions of property, plant & equipment and intangibles (net of disposals, and excluding EADS) fell sharply from €192m in 2004 to €150m in 2005, due mainly to the Press division's acquisition of its head office in 2004 (€63m).
- In 2004, investments in financial assets (net of disposals, and excluding EADS) were affected by the sale of Editis assets (€667m), counterbalanced by the acquisition of Hodder Headline. The net figure was a positive €275m. In 2005, the figure was negative €20m.
- The decrease in short-term investments (€582m in 2005) was due to the sale of T-Online shares.

## **DIVIDEND**

The Managing Partners will ask the General Meeting of the Shareholders to approve payment of a dividend of €1.10 per share, compared with the dividend of €1 paid out of 2004 profits. The proposed payment reflects the sound financial health of **LAGARDERE SCA** and its confidence about future performances.

**Paris, March 8, 2006**

*The Lagardère Group is a market leader in the media sector (books, distribution/retailing of cultural products, press and audiovisual). The Group also has interests in the high technology sector via a 14.95% stake in EADS.*

*The Lagardère Group is listed on the Premier Marché of the Paris Bourse.*

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