Lagardère

PRESS RELEASE

MEDIA DIVISION RECURRING EBIT BEFORE ASSOCIATES UP 7.0%

MEDIA DIVISION TARGET RECURRING EBIT BEFORE ASSOCIATES UP 4.8%
(EXCLUDING IMPACTS OF DALLOZ AND TWBG, INVESTMENT IN DTT, AND AT €/$: 1.25)

LAGARDERE SCA RECURRING EBIT BEFORE ASSOCIATES DOWN 35.4%
AT €578m (INCLUDING €39m FROM EADS)

At its meeting of March 12, 2007, the Supervisory Board reviewed the consolidated financial statements of **LAGARDERE SCA** for 2006, as presented by Arnaud Lagardère, General Partner, and Philippe Camus and Pierre Leroy, co-Managing Partners.

Highlights for the year ended December 31, 2006:

- Media division net sales up 2.4% at €8,092m (up 0.9% like-for-like).

- Media division recurring EBIT before associates up 7.0% at €539m. Excluding the effects of the sale of Dalloz and the acquisition of Time Warner Book Group, investment in digital terrestrial TV (DTT), and based on a €/$ exchange rate of 1.25, growth was 4.8%, in line with the "3%-7%" guidance announced in March 2006.

- Consolidated net income for LAGARDERE (excluding EADS) down from €404m in 2005 to €268m in 2006 due to non-recurring items (in both 2005 and 2006) and the 2006 charge relating to the EADS Mandatory Exchangeable Bond. After stripping out these factors, adjusted consolidated net income (excluding EADS) was up 5% at €378m.

- Net cash flow from operations for LAGARDERE (excluding EADS) up nearly 20% to €782m, against €654m in 2005, mainly due to the payment by *Canal*Sat of an exceptional dividend of €102m (versus €27m in 2005). Even without this exceptional factor, the figure was up 8%, showing our ability to offset the difficulties of the Press segment.

- Net debt (excluding EADS) of €2,023m at end 2006, compared with €1,075m at end 2005. The rise in gearing was largely due to the impact of acquisitions (Time Warner Book Group, a stake in Canal+ France, and NewsWeb), and to the Lagardère SCA share buyback policy.

- Proposed dividend of €1.20 per share in respect of 2006, compared with €1.10 for 2005.

CONSOLIDATED NET SALES

LAGARDERE SCA consolidated net sales were up 7.6% at €13,999m, against €13,013m in 2005.

- **Like-for-like Media division net sales up 0.9%**

  Media division net sales were €8,092m, up 0.9% on a like-for-like basis.

  The Books segment enjoyed a year of solid growth, with like-for-like sales up 1.8% despite being eroded by refocusing of editorial programs at Larousse in France and at Octopus in the United Kingdom. In addition, Hachette Livre benefited in 2006 from the consolidation of Time Warner Book Group over nine months (adding €336m). Press sales were down 1.2% on a like-for-like basis, due to the combined effect of title closures and weakness in some market segments (lads mags, cars). Distribution sales rose by 1.9% like-for-like, with a decline in low-margin activities (tobacco sales in Spain, press distribution in Belgium) more than offset by strong growth in higher-margin activities (at airports and in Eastern Europe and Asia). Finally, Lagardere Active had a better year than expected, with the fall in like-for-like sales limited to 0.9% despite a very high comparative in 2005.

- **15.5% increase in EADS contribution to net sales to €5,907m**

  With net sales up 14% at €25.2bn, Airbus made a record number of deliveries: 434 aircraft were delivered in 2006, against 378 in 2005, thanks mainly to A320 family single-aisle jets.
  The 188% growth in Military Transport Aircraft sales was driven mainly by advances on the A400M program, including a milestone billing initially scheduled for late 2005 and postponed to the first quarter of 2006.
  Eurocopter saw strong growth in deliveries, with 381 helicopters delivered in 2006, compared with 334 in 2005, helping to lift net sales by 18%.
  Astrium benefited from growth in production of the Ariane 5 launcher and advances in new service activities, pushing sales up by 19%.

RECURRING EBIT BEFORE ASSOCIATES BY DIVISION/SEGMENT

- **4.8% increase in Media division recurring EBIT before associates (excluding the impacts of Dalloz and TWBG, investment in DTT, and at a €/$ exchange rate of 1.25)**

  The Media division made a contribution of €539m (up 7.0%). Excluding the impacts of the sale of Dalloz and the acquisition of TWBG, investment in DTT, and at a €/$ exchange rate of 1.25, year-on-year growth would have been 4.8%.

  Media division operating margin (recurring EBIT before associates as a percentage of net sales) rose from 6.4% in 2005 to 6.7% in 2006 on a like-for-like basis, despite a poor performance by the Press segment and increased investment in DTT.

Books turned in a fine performance, with recurring EBIT before associates 16.6% higher at €220m. The segment benefited from the contribution of Time Warner Book Group over nine months, adding €33m (net of €3m of corporate costs) to 2006 consolidated recurring EBIT before associates. On the other hand, the segment no longer includes the contribution from Dalloz (€10m in 2005), which was sold at the start of the year. Part-works had another year of significant growth, driven mainly by Spain and Italy. Educational books were one of the highest performing segments in France and Spain (Anaya). Distribution in France and Hodder Headline played a significant role in the increase in recurring EBIT before associates. Conversely, Larousse in France and internationally, Octopus and Orion (United Kingdom) contributed less than in 2005. Overall, operating margin was 11.1%, compared with 11.5% in 2005. The fall was due to the integration of Time Warner Book Group and the impact of the sale of Dalloz. Excluding these two factors, underlying operating margin rose by 0.2%.

In 2006, Lagardere Active again posted record recurring EBIT before associates of €71m, against €47m in 2005 (up 53%), despite investing €19m in DTT (versus €7m in 2005). Operating margin rose sharply, from 7.5% in 2005 to 12.1% in 2006. In radio, the international network -mainly Russia- and Europe 1 underpinned the rise in recurring EBIT before associates to €66m, versus €46m in 2005. RFM saw Rec EBIT ease, despite having a good year-end, as did Europe 2. As expected, TV Program Production and Distribution results were lower, against an exceptional 2005 comparative. However the fall was less than anticipated, due to solid growth in Drama Production. The contribution from theme channels was roughly similar: fine results from the music channels in particular, and the elimination of losses at Match TV (closed in summer 2005), offset additional investment in DTT. Overall, recurring EBIT before associates from TV was only €2m lower than in 2005 at €8m.

HDS reported recurring EBIT before associates of €116m, up 8.4%. The French performance was again excellent, buoyed by Aelia. America and Asia also had a very good year. Belgium slipped back again, but growth in Eastern Europe was strong and trading remained buoyant in the Asia-Pacific region.

The Press segment achieved recurring EBIT before associates of €132m, which as forecast was down on 2005 (by 18.5%).
In France, the fall in recurring EBIT before associates, which was in line with the decrease for the segment as a whole, was due to:

- a poor performance by the lads mags Entrevue and Choc!;
- the continuing slow downturn at Télé 7 Jours;
- a lower contribution from Paris Match after a very strong 2005;
- an increase in Internet investment.

On the plus side, there was further progress for the titles Public and Psychologies.

The United States also saw a sharp drop in recurring EBIT before associates, at a higher rate than for the Press segment as a whole, due to lads mags (failed launch of Shock), Woman's Day, home and interiors magazines, and car magazines.
The contribution from Regional Press was hit by the costs of the strike at Corse Matin, weak circulation for some titles, and development costs (new rotary press, format changes, etc).

In other countries, excluding emerging markets (Russia) which are still growing, contributions were flat overall. The United Kingdom is recording healthy growth due to the success of Psychologies and the first effects of restructuring.
Both circulation and advertising revenues for upscale women's magazines, especially Elle, have held up well in all our markets, including the United States.

- **EADS contribution to LAGARDERE recurring EBIT before associates: €39m (2005: €392m)**

The contribution made by EADS at operating level slumped from €392m in 2005 to €39m in 2006. Exceptional charges arising from late deliveries on the A380 program and the launch of the A350 XWB, plus a provision relating to the A400M and losses at EADS Sogerma Services, all played a part in this downturn.
These factors were compounded by a deterioration in the dollar/euro exchange rate and higher R&D spend at Airbus.
However, these poor results were to some extent relieved by record delivery levels at Airbus and Eurocopter, and by growth in the space and defense businesses.

Overall, LAGARDERE SCA consolidated recurring EBIT before associates was €578m, compared with €896m in 2005.

INCOME FROM ASSOCIATES

For LAGARDERE (excluding EADS), income from associates was €68m, compared with €63m in 2005.
The increase was due to further improvement in the *Canal*Sat contribution (€52m, against €45m in 2005).

NON-RECURRING ITEMS

LAGARDERE (excluding EADS) showed net non-recurring losses of €40m in 2006, comprising a loss of €54m on the Media division and a gain of €14m on Other Activities.

The €54m loss for Lagardère Media breaks down as follows:

- €42m of restructuring costs, including €31m for the Press segment, primarily in France, the United States and the United Kingdom;
- €31m of impairment losses (accounting charges with no cash outflow), mainly on a few American press titles;
- non-recurring income of €19m, mainly gains on disposal.

The €14m gain on Other Activities mainly related to the disposal of a building near Paris.

NET INTEREST EXPENSE

LAGARDERE SCA reported net interest expense of €192m, against €76m in 2005.
Excluding the contribution from EADS, net interest expense was €174m, versus €53m in 2005.

The increase in net interest expense was due to:

- a loss of €15m recorded on the July 2006 swap of T-Online shares for Deutsche Telekom shares;
- higher interest expense, reflecting an increase in net debt due to acquisitions (Time Warner Book Group, Canal+ France, Newsweb) and the share buyback program, against a background of a slight rise in average interest rates;
- a net charge of €80m relating to the EADS Mandatory Exchangeable Bond and the amortization of the derivative instrument (collar) used to hedge this bond issue.

INCOME TAXES

For the Group as a whole, income tax expense totaled €85m, including a net tax gain of €12m attributable to EADS.
The charge attributable to LAGARDERE (excluding EADS) was €97m, a rate of around 30% of pre-tax income (excluding income from associates).

MINORITY INTERESTS in net income were €30m, of which €2m was attributable to EADS.

Taking all these factors into account, **consolidated net income was €291m, against €670m in 2005.**

LAGARDERE net income **(excluding EADS)** was €268m, compared with €404m in 2005.

€ MILLION	2005			2006		
	LAGARDÈRE GROUP EXCL. EADS	**EADS**	**TOTAL LAGARDÈRE GROUP**	**LAGARDÈRE GROUP EXCL. EADS**	**EADS**	**TOTAL LAGARDÈRE GROUP**
Net sales	**7,901**	**5,112**	**13,013**	**8,092**	**5,907**	**13,999**
Recurring EBIT before associates	**504**	**392**	**896**	**539**	**39**	**578**
Non-recurring items	(67)	(3)	(70)	(40)	(31)	(71)
Income from associates	63	31	94	68	23	91
EBIT	**500**	**420**	**920**	**567**	**31**	**598**
Net interest expense	(53)	(23)	(76)	(174)	(18)	(192)
Income tax expense	(16)	(126)	(142)	(97)	12	(85)
Net income before minority interests	**431**	**271**	**702**	**296**	**25**	**321**
Minority interests	(27)	(5)	(32)	(28)	(2)	(30)
Net income	**404**	**266**	**670**	**268**	**23**	**291**

Calculation of adjusted net income

€ Million	**2005**	**2006**
Net income (excluding EADS)	**404**	**268**
Impact of Mandatory Exchangeable Bond on net interest expense	-	80
Non-recurring items relating to income taxes	(99)	-
Loss on T-Online / Deutsche Telekom share swap	-	15
Total	**305**	**363**
Add back: impairment of property, plant & equipment and intangibles (net of tax effect)	55	15
Adjusted net income (excluding EADS) (before impairment of property, plant & equipment and intangibles)	**360**	**378**

NET CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

LAGARDERE (excluding EADS) recorded a net cash outflow of €465m on operating and investing activities in 2006, compared with a net cash inflow of €857m in 2005, reflecting the active acquisitions policy pursued during the year.

The components of the year-on-year movement were as follows:

- Cash flow from operations before interest, taxes and changes in working capital (excluding EADS) was up sharply by 16% at €770m, due to:
  - higher overall recurring cash flow from the Media division;
  - the cash flow boost from the 9-month consolidation of Time Warner Book Group;
  - the impact of the dividend paid by *Canal*Sat (€102m, vs €27m in 2005).

- Working capital needs eased by €12m, against an increase of €9m in 2005. The figure was driven by contributions from the Books, Distribution and Active segments, which more than outweighed the €38m increase in working capital needs in the Press segment. Overall, net cash flow from operations rose by nearly 20% in 2006.

- Investment in property, plant & equipment and intangibles, net of disposals and excluding EADS, fell sharply from €150m in 2005 to €113m in 2006, due mainly to an asset disposal at Hodder Headline.

- Cash outflows on acquisitions, net of disposals and excluding EADS, were €948m, reflecting our active acquisitions policy. The three main deals were Time Warner Book Group (cash outflow of around €404m), the stake in Canal+ France (outflow of €469m, but note the €102m dividend paid by *Canal*Sat mentioned above), and NewsWeb (outflow of €64m). The sale of Dalloz partly offset these cash outflows.

NET DEBT: HIGHER GEARING

At December 31, 2006, net bank debt was €1,532m, versus the end December 2005 figure of €863m. Excluding EADS, net debt was €2,023m, against €1,075m at end 2005.
This rise in net debt reflects acquisitions during the year (Time Warner Book Group, stake in Canal+ France, NewsWeb), as described above.
It also takes into account buybacks of Lagardère SCA shares (around €260m during 2006), net dividends (€103m), and the fair value remeasurement of debt (negative impact of around €110m).
The acquisition of Sportfive is not included in debt at end 2006, because the deal was concluded at the end of January 2007.
The impact of the EADS Mandatory Exchangeable Bond (excluding the collar) on consolidated debt at end 2006 was neutral.

DIVIDEND

The Managing Partners will ask the General Meeting of the Shareholders to approve a dividend of €1.20 per share, compared with the €1.10 dividend paid out of 2005 income. This proposal reflects our sound financial health and our confidence in our future performances.

Paris, March 12, 2007

The Lagardère Group is a market leader in the media sector (books, distribution of cultural products, press and audiovisual). The Group also has interests in the high technology sector via a 14.98% stake in EADS.

Lagardère shares are listed in Paris on Eurolist by Euronext – Compartment A.

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