Lagardère

Press release

2009 FULL-YEAR RESULTS

Recurring EBIT before associates (excluding Lagardère Active) ahead of our March 2009 guidance – Significant debt reduction
Proposal to maintain dividend at €1.30 per share

- **Consolidated net sales: down 4.0% on a like-for-like basis at €7,892m**
- **Consolidated recurring EBIT before associates: €461m, vs. €647m for FY 2008**
- **Media recurring EBIT before associates excluding Lagardère Active: up 1.1% at €448m, and up 1.6% at constant exchange rates**
- **Adjusted earnings per share excluding EADS: down 8.3% at €2.55**
- **Net debt reduced by €795m relative to December 31, 2008**

Paris, March 10, 2010 – At its meeting of March 10, 2010, the Supervisory Board reviewed the consolidated financial statements of **LAGARDÈRE SCA** for the year ended December 31, 2009, as presented by Arnaud Lagardère (General Partner) and Philippe Camus and Pierre Leroy (co-Managing Partners). The audit of these financial statements is currently being finalized by the statutory auditors.

Key figures for the year ended December 31, 2009:

- **Fall in consolidated net sales limited to 3.9%**, or 4.0% on a like-for-like basis, to €7,892m. The positive effect of changes in the scope of consolidation (€131m), mainly due to the full consolidation of World Sport Group from January 1, 2009, was canceled out by unfavorable exchange rate effects of €132m.
- **Good resilience in consolidated recurring EBIT before associates excluding Lagardère Active**, up 1.6% at constant exchange rates at €448m, beating our March 2009 guidance of a range from zero growth to a fall of 10%. Consolidated recurring EBIT before associates for the Group was €461m (vs. €647m for 2008), taking account of a marked fall in the contribution from Lagardère Active.
- **Significant negative impact from non-recurring/non-operating items** (€121m, versus €68m in 2008). The €539m gain realized on the sale of a 2.5% interest in EADS was more than outweighed by impairment losses against various assets (€486m), restructuring costs (€93m), and amortization of acquisition-related intangible assets (€66m).
- **Substantial cut in net interest expense** (€82m, versus €176m in 2008), thanks to a €795m reduction in net debt and lower interest rates.
- **Net income attributable to equity holders of the company** of €137m, compared with €593m in 2008. Excluding the contribution from EADS, and after stripping out adjusted non-recurring and non-operating items and the impact on net interest expense of the EADS Mandatory Exchangeable Bond, adjusted net income fell by less than 10% to €324m.
- **Reduction of €795m in net debt**, to €1,824m. A combination of resilient cash flow from operations before working capital and a significant reduction in working capital needs, plus the low level of acquisitions during the year, enabled Lagardère to improve gearing from 58.9% at end 2008 to 44.7% at end 2009.
- It is proposed to maintain the **dividend** paid out of 2009 profits at the same level as the previous year's dividend, i.e. €1.30 per share.

CONSOLIDATED NET SALES

Lagardère SCA consolidated net sales for the year ended December 31, 2009 were €7,892m, a fall of just 3.9% on a reported basis and 4.0% on a like-for-like basis.

The positive effect of changes in the scope of consolidation (€131m), mainly due to the full consolidation of WSG from January 1, 2009, was canceled out by unfavorable exchange rate effects of €132m.

Our divisions enjoyed very mixed fortunes during the year: 1) A slide in advertising revenues, a decline in print media sales and a contraction in air traffic had a negative impact on operations at Lagardère Active and Lagardère Services. 2) Lagardère Sports was hampered by the non-recurrence of some major sporting events and by tougher market conditions in Europe in the second half. 3) Lagardère Publishing was the exception, recording record sales thanks to the global success of Stephenie Meyer, with around 50 million copies of the *Twilight* saga sold in 2009.

- Lagardère Publishing – All-time record performance, with net sales up 5.3% on a reported basis and 6.5% on a like-for-like basis at €2,273m. The success of Stephenie Meyer's books fueled double-digit top-line growth in the United States, and a dynamic sales performance in the United Kingdom and Australia. In France, as well as the Stephenie Meyer phenomenon, sales in General Literature were buoyant.

- Lagardère Active – In a seriously degraded environment, year-on-year sales trends were hit by a 24% slump in advertising revenues in 2009. Lagardère Active net sales fell by 18.3% on a reported basis and by 16.6% on a like-for-like basis in 2009, to €1,725m. The decline was less marked in the fourth quarter of 2009, the first sign of a reversal in the downtrend since the start of the year.

  - Magazines (3/4 of Lagardère Active net sales) saw net sales decline by 17.9% on a like-for-like basis and by 20.1% on a reported basis in 2009, to €1,271m. Magazines – France performed significantly better than Magazines – International, where net sales were down by over 23% on a reported basis.
  - Net sales in Radio and Television totaled €454m, down 12.8% on a reported basis and 12.7% on a like-for-like basis. In Radio, trends were again better in France than internationally, with revenues for the international network slipping by some 20%. Over the full year, the TV channels and Lagardère Entertainment recorded a limited fall in revenues of less than 5% on a like-for-like basis.
  - Digital activities accounted for 7.3% of Lagardère Active sales in 2009, against 6.2% in 2008.

- Lagardère Services – Net sales were down by 2.3% on a like-for-like basis or 3.2% on a reported basis at €3,387m. Retail (68.3% of net sales in 2009, vs. 66.3% in 2008) grew by 0.7% on a like-for-like basis over the year, and Distribution reported a drop of 8.1% (6.3% excluding the discontinuation of operations in Poland). Overall, trading was stronger in France than internationally, though there were wide variations between regions.

- Lagardère Sports – Net sales rose by 14.2% in 2009 to €507m on a reported basis, but fell by 10.1% on a like-for-like basis. The differential between the reported and like-for-like performances was mainly due to the full consolidation of WSG from January 1, 2009. Lagardère Sports was adversely affected by the non-recurrence of the positive effects of the Euro 2008 and Africa Cup of Nations football tournaments, while the buoyancy of operations in Asia failed to offset fully the deterioration in the European media rights market.

RECURRING EBIT BEFORE ASSOCIATES [(1)]

Media recurring EBIT before associates excluding Lagardère Active beat the guidance we announced in March 2009, rising by 1.6% at constant exchange rates to €448m; our guidance was in a range from zero growth to a fall of 10%. Exchange rate effects were fairly marginal: growth at current exchange rates was 1.1%.

Despite this remarkable resilience, consolidated recurring EBIT before associates fell to €461m, compared with €647m in 2008, due to slump in the contribution from Lagardère Active caused mainly by a decline in advertising revenues.

Divisional trends were as follows:

- Lagardère Publishing performed exceptionally well in 2009, with recurring EBIT before associates up 24% at €301m. The majority of the year-on-year increase of €58m came from the United States, boosted by the success of the Stephenie Meyer saga. Profits also improved in France: Illustrated Books (Children's, Travel, Lifestyle) performed well, driven in particular by the latest *Astérix* album, as did General Literature thanks to the success of Dan Brown (*The Lost Symbol*, published in French by Lattès as *Le symbole perdu*). Growth in recurring EBIT before associates was much less strong in the second half of 2009 than in the first half.

- Lagardère Active recorded recurring EBIT before associates of €15m, against €206m in 2008:

  - Overall, the deterioration in Lagardère Active recurring EBIT before associates during 2009 was due essentially to the 24% drop in advertising revenues (note that at the start of 2009, we made it clear that each 1% loss of advertising revenue would have a negative impact of between €8m and €10m on recurring EBIT before associates over a full year). Lower circulation figures had a negative effect of around €15m on 2009 recurring EBIT before associates; exchange rates and changes in the scope of consolidation also had a negative effect of around €15m.
  - Cost adaptation measures had a positive effect as the Active 2009 and One Step Further cost-cutting programs slashed €100m off operating expenses, beating the €90m announced in March 2009.
  - The Press business generated recurring EBIT before associates of €4m, versus €111m in 2008, and accounted for nearly 60% of the decline in Lagardère Active recurring EBIT before associates. All the geographical regions turned a profit except for the United States.
  - The Broadcast business posted recurring EBIT before associates of €11m, versus €95m in 2008. Nearly two-thirds of the fall in Broadcast recurring EBIT before associates was due to a decline in the contribution from Radio, reflecting a drop of over 15% in advertising revenue. Radio margins were more resilient in France than in international operations, which were hit by a slide in profits from Russia. In Television, year-on-year profit trends were adversely affected by the non-recurrence of reversals of provisions and by a rise in the cost of some DTT programs.

- Lagardère Services generated recurring EBIT before associates of €91m, against €125m in 2008. This trend was due to the effect of declining print media sales on our Distribution activities and our Relay chain of stores, and to the impact of reduced air traffic on our airport retail operations. Cost-cutting measures, especially in the Distribution business, helped limit the decline in recurring EBIT before associates.

- Lagardère Sports reported recurring EBIT before associates of €56m, against €74m in 2008. The positive impact of the consolidation of WSG was canceled out by a deterioration in the European media rights market and the absence of major events like the Africa Cup of Nations and Euro 2008 football tournaments. In addition, Lagardère Sports booked an extra €10m of bad debt provisions relative to 2008.

Non-Media activities recorded negative recurring EBIT before associates of €2m, virtually unchanged from 2008 (negative recurring EBIT before associates of €1m).

[(1)]*Effective January 1, 2009, Lagardère SCA has been charging the Media divisions a new royalty for user rights to the brands that it owns. The 2008 financial statements have been restated on a pro forma basis to include an additional expense of €9m charged to Media activities, matched by an increase of the same amount in recurring EBIT before associates from Non-Media activities.*

NON-RECURRING/NON-OPERATING ITEMS

Non-recurring/non-operating items represented a net loss of €121m in 2009, versus a net loss of €68m in 2008. The 2009 figure comprised the following items:

- €451m of impairment losses taken against goodwill, property, plant and equipment and intangible assets of consolidated entities, including €148m for magazine publishing in the United States and €103m for digital activities (both of which had already been recognized in the first half of 2009), plus €150m for the goodwill recognized on the public exchange offer for Hachette Filipacchi Médias shares in 2000.

- €35m of impairment losses taken against associates, including €31m for Marie-Claire.

- €93m of restructuring costs, €61m of which related to Lagardère Active.

- €66m of amortization of acquisition-related intangible assets (mainly Sportfive and Canal+ France).

- €524m of net gains on disposals, including €539m from the sale of a 2.5% stake in EADS.

CONTRIBUTION FROM ASSOCIATES[(2)]

The contribution from associates amounted to €29m, versus €246m in 2008. This large year-on-year fall was due to the contribution from EADS, which went from a profit of €171m in 2008 to a loss of €49m in 2009.

Excluding EADS, the contribution from associates was €78m (versus €75m in 2008), with the contribution from Canal + France up nearly 20%.

Earnings before interest and taxes amounted to €369m, compared with €825m in 2008.

NET INTEREST EXPENSE

Net interest expense was substantially lower in 2009 at €82m, against €176m in 2008, reflecting:

- A reduction of €28m in the net interest expense incurred on the EADS Mandatory Exchangeable Bond.

- A reduction of €66m in other net interest expense, due mainly to lower interest rates.

Net income before tax came to €287m, compared with €649m in 2008.

INCOME TAX EXPENSE

Income tax expense for 2009 was €123m, after an exceptionally low level of expense in 2008 due mainly to reversals of deferred tax liabilities following the recognition of impairment losses against certain magazine titles in the United States. Conversely, some impairment losses recognized in 2009 did not generate any tax savings.

MINORITY INTERESTS in net income for the year were €27m, compared with €34m in 2008.

As a result of the factors described above, **NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** came to **€137m, compared with €593m for the year ended December 31, 2008.**

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

€ MILLION	Year ended December 31, 2008			Year ended December 31, 2009		
	MEDIA	**NON-MEDIA & EADS**	**TOTAL LAGARDÈRE GROUP**	**MEDIA**	**NON-MEDIA & EADS**	**TOTAL LAGARDÈRE GROUP**
Net sales	**8,214**		**8,214**	**7,892**		**7,892**
Recurring EBIT before associates	**648**	**(1)**	**647**	**463**	**(2)**	**461**
Non-recurring/non-operating items	(536)	468	(68)	(657)	536	(121)
Contribution from associates	75	171	246	78	(49)	29
EBIT	**187**	**638**	**825**	**(116)**	**485**	**369**
Net interest expense	(189)	13	(176)	(71)	(11)	(82)
Income tax expense	(34)	12	(22)	(175)	52	(123)
Net income	**(36)**	**663**	**627**	**(362)**	**526**	**164**
Attributable to minority interests	34		34	27		27
Attributable to equity holders of the company	**(70)**	**663**	**593**	**(389)**	**526**	**137**

ADJUSTED NET INCOME (EXCLUDING EQUITY-ACCOUNTED CONTRIBUTION FROM EADS)

Adjusted net income, calculated as shown below, amounted to €324m in 2009, 9.8% lower than the 2008 figure of €358m. Adjusted earnings per share was €2.55 (versus €2.78 for 2008), a decrease of 8.3%.

€ MILLION	**Year ended December 31, 2008**	**Year ended December 31, 2009**
Net income attributable to equity holders of the company	**593**	**137**
Equity-accounted contribution from EADS	(171)	49
Amortization of acquisition-related intangible assets, net of taxes	53	54
Net income excluding EADS, before amortization of acquisition-related intangible assets	**475**	**240**
Restructuring costs, net of taxes	29	70
Net gains on disposals, net of taxes	(460)	(513)
Impairment losses on goodwill and intangible assets, net of taxes		
- Consolidated companies	225	486
- Associates	90	35
Impact of Mandatory Exchangeable Bond on interest expense, net of interest income calculated at market rates	(1)	6
Adjusted net income excluding EADS	**358**	**324**

NET CASH GENERATED BY OPERATING AND INVESTING ACTIVITIES

Net cash generated by operating and investing activities increased from €275m in 2008 to €986m in 2009 due to the following factors:

- Resilient cash flow from operations before working capital, which reached €655m despite a sharp slide in the contribution from Lagardère Active. This performance reflected the excellent results generated by Lagardère Publishing, and by World Sport Group (WSG) within Lagardère Sports.

- A positive effect of €127m thanks to reduced working capital needs (versus a negative effect of €141m in 2008), due to the non-recurrence of some temporary negative factors that occurred in late 2008 and to the implementation of targeted action plans during 2009.

- A lower level of interest and tax payments, which helped Lagardère achieve a very marked improvement in net cash generated by operating activities to €552m (versus €198m in 2008).

- Recognition of the sale of the final 2.5% interest in EADS covered by the Mandatory Exchangeable Bond, which when combined with the low level of acquisitions during the year enabled Lagardère to generate net cash of €434m from investing activities.

DEBT

Net cash generated by operating and investing activities during the year amounted to €986m, allowing net debt to be reduced by €795m to €1,824m while also funding a dividend payout of €202m, maintaining the dividend at the same level as for the previous year.

Gearing fell from 58.9% to 44.7%, demonstrating the health of our balance sheet.

DIVIDEND

The Managing Partners will ask the General Meeting of Shareholders to approve a dividend of €1.30 per share, the same as the dividend paid out of 2008 profits.

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.
Lagardère also jointly controls EADS, in which it holds a 7.5% stake. 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