

April 2, 2003

Notice of Meeting

Dear Shareholder,
we are pleased to invite you to participate in the

Combined General Meeting* of Lagardère SCA

On Tuesday 13th May 2003 at 10 a.m.

at the Carroussel du Louvre
99, rue de Rivoli - 75001 PARIS, France

The agenda and draft resolutions for this meeting
are enclosed in this invitation.

- 2** How to take part in the General Meeting?
- 4** Agenda
- 5** Draft resolutions presented by the Managing Partners
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* In accordance with legal provisions,
the combined general meeting will convene for an initial session
on Monday May 5th, 2003 at 10:00 A.M.,
121 avenue de Malakoff, Paris 16 (75), France.
The meeting is likely to be unable to deliberate,
due to the lack of quorum. Under these conditions,
it shall therefore convene for a second session
on Tuesday 13th May 2003.



How to take part in the general meeting?

■ To attend the meeting:

Shareholders must be registered in the Company's registered accounts five days at least before the meeting.

All documents which, by law, are to be presented at general meetings shall be made available to shareholders within the

statutory time limits, either at the headquarters or at the securities department of LAGARDÈRE SCA, 6, rue Laurent-Pichat, Paris 16^e (75) France.

If you wish to attend the meeting, you are requested to apply for an admission card in advance:
■ Either by returning the duly completed and signed application form attached, using the envelope provided, to the following address:

LAGARDERE-SOCIETES - Share Dealing Centre
6, rue Laurent-Pichat - 75216 PARIS CEDEX 16 - FRANCE

■ Or by posting your application on our website www.lagardere.com/ag2003/ which can be accessed by entering the access code and password shown in the top right hand corner of the attached mail voting/proxy form, then following the on-screen instructions.

■ If you are unable to attend the meeting in person:

you may choose between one of the following four options:

■ appoint another shareholder as your proxy,

■ appoint your spouse to represent you,

■ submit a proxy form to the Company without indicating the representative concerned,

■ vote by mail.

Using:

■ A mail or proxy voting form, along with the documents and information required by law, which are attached to this invitation.

Mail votes shall be taken into account only if duly completed forms are delivered at the headquarters or at the Company's securities department, at the address indicated above, three days at least before the date of the meeting.

■ The website www.lagardere.com/ag2003/ which can be accessed by entering the Internet access code and password shown in the top right hand corner of the attached mail voting/proxy form. You should then follow the on-screen instructions.

You will be able to vote on the website from 8 a.m. on 15th April until 3 p.m. on 4th May and from 8 a.m. on 6th May until 3 p.m. Paris time (France) on 12th May.



How to complete your voting form?

If you wish to vote by mail:

tick here
and follow the instructions.

Information to be used if you wish to vote on the website in advance of the meeting.
Connect to the site www.lagardere.com/ag2003/ and follow the on-screen instructions.

Internet access code

Password

FORMULAIRE DE VOTE PAR CORRESPONDANCE OU PAR PROCURATION MAIL-IN VOTING FORM OR PROXY FORM

IMPORTANT : Avant d'exercer votre choix entre les 3 possibilités offertes, veuillez prendre connaissance des instructions situées au verso.
Before selecting one of the three possibilities please see instructions on reverse side.

LAGARDERE

Société en commandite par actions
au capital de 849 229 824,40 euros

Siège Social :
4 rue de Presbourg – 75016 PARIS
320 366 446 RCS PARIS

ASSEMBLEE GENERALE MIXTE * du 13 mai 2003 à 10 H 00
au Carrousel du Louvre
99, rue de Rivoli – 75001 PARIS

* l'assemblée générale mixte, convoquée pour le lundi 5 mai 2003, ne pourra pas, selon toute vraisemblance, délibérer faute de quorum. Dans ces conditions, elle est donc convoquée de nouveau pour le mardi 13 mai 2003.

Convocation N° **A**
Identifiant :
Code accès Internet :
Mot de passe :
Nb actions VS : AGO AGE
Nb actions VD :
Nb total voix :

JE VOTE PAR CORRESPONDANCE // I VOTE BY POST

Cf. au verso renvoi (3) - See reverse (3)

Je vote OUI à tous les projets de résolutions présentés ou agréés par le Conseil d'Administration ou le Directoire ou la Gérance, à l'EXCEPTION de ceux que je signale en noirissant comme ceci ■ la case correspondante et pour lesquels je vote NON ou je m'abstiens.
I vote FOR all the draft resolutions approved by the Board of Directors EXCEPT those indicated by a shaded box - like this ■, for which I vote against or I abstain.

Sur les projets de résolutions non agréés par le Conseil d'Administration ou le Directoire ou la Gérance, je vote en noirissant comme ceci ■ la case correspondant à mon choix.
On the draft resolutions not approved by the Board of Directors, I cast my vote by shading the box of my choice - like this ■.

1	2	3	4	5	6	7	8	9	Out Yes	Non/No Abstain	Out Yes	Non/No Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A	<input type="checkbox"/>	F	<input type="checkbox"/>
10	11	12	13	14	15	16	17	18	B	<input type="checkbox"/>	G	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	C	<input type="checkbox"/>	H	<input type="checkbox"/>
19	20	21	22	23	24	25	26	27	D	<input type="checkbox"/>	J	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	E	<input type="checkbox"/>	K	<input type="checkbox"/>
28	29	30	31	32	33	34	35	36				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
37	38	39	40	41	42	43	44	45				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

Si des amendements ou des résolutions nouvelles étaient présentés à (aux) assemblée(s) / In case amendments or new resolutions are proposed during the meeting(s):
- Je donne pouvoir au Président de l'A.G. de voter en mon nom. / I appoint the Chairman of the meeting to vote on my behalf.
- Je m'abstiens (l'abstention équivaut à un vote contre). / I abstain from voting (is equivalent to a vote against).
- Je donne procuration (cf. au verso renvoi 2) à M, M^{me} ou M^{ss} pour voter en mon nom / I appoint (see reverse (2)) M, M^{me} or Miss / to vote on my behalf

Pour être prise en considération, toute formule doit parvenir au plus tard :
In order to be counted, all form must be returned by the latest

1^{ère} convocation, le 2 mai 2003 2^{ème} convocation, le 10 mai 2003

à LAGARDERE-SOCIETES - Centre d'Opérations sur Titres
6, rue Laurent Pichat - 75216 PARIS Cedex 16

JE DONNE POUVOIR AU PRÉSIDENT DE L'ASSEMBLÉE GÉNÉRALE

(dater et signer au bas du formulaire, sans rien remplir)

I HEREBY GIVE MY PROXY TO THE CHAIRMAN OF THE MEETING
date and sign the bottom of the form without completing it

Cf. au verso renvoi (2) - See reverse (2)

JE DONNE POUVOIR A : (soit le conjoint, soit un autre actionnaire - cf. renvoi (2) au verso) pour me représenter à (aux) assemblée(s).

I HEREBY APPOINT (you may give your PROXY either to your spouse or to another shareholder - see reverse (2)) to represent me at the above mentioned meeting(s).

M, M^{me} ou M^{ss} / M, M^{me} or Miss
Adresse / Address

Identification de l'actionnaire / Shareholder identification (beneficial owner)
Nom, prénom, adresse / Name, first name, address
Cf. au verso renvoi (1) / See reverse (1)

Date et Signature / Date and Signature

If you wish to appoint the Chairman of the Meeting as your proxy:
date and sign here.

Whatever your choice:
date and sign here.

If you wish to appoint as proxy a named person,
who will be present at the meeting:
tick here
and enter the details of this person.

■ Ordinary and Extraordinary general meeting

■ **Reports by the managing partners** (report on the Company's activities during the year and on the financial statements for the year ended December 31, 2002, special report on options for the subscription and purchase of shares)

■ **Report of the Supervisory Board.**

■ **Reports of the Auditors** on their audit of the consolidated and non-consolidated accounts and on the agreements governed by Article L 226-10 of the French commercial code (Code de Commerce).

■ **Auditors' special report** on the financial authorizations to be granted to the managing partners.

■ **Approval of the non-consolidated accounts** for the year ended December 31, 2002 and approval of the final discharge to the managing partners for their management.

■ **Approval of the consolidated accounts** for the year ended December 31, 2002.

■ **Allocation of net income** and declaration of a dividend.

■ **Approval of the agreements** governed by Article L 226-10 of the French commercial code (Code de Commerce).

■ **Authorization to be given to the managing partners** under the Article L 225-209 of the French commercial code (Code de Commerce) for the right to buy back company's shares.

■ **Appointment of Mr. Arnaud LAGARDÈRE** as a general partner, corresponding amendment of paragraph 1 of Article 18 of the Articles of Association.

■ **Change in authorisation** given to the managing partners to grant options to employees and managers of the Company and affiliated companies to subscribe for and/or purchase Company stock.

■ **Continuation of the price setting conditions for the issue** of certain securities that may be issued without preferential subscription rights on the basis of the authorization granted to the managing partners by the ordinary and extraordinary general meeting of May 23, 2002.

■ **Powers to be granted to carry out formalities.**

Draft resolutions presented by the managing partners

► First resolution

Approval of the accounts for the 2002 financial year

The General Meeting, acting as an Ordinary General Meeting, after hearing the reports of the managing partners and the Supervisory Board and the statutory auditors' report on the audit of the accounts, approves all parts of the aforementioned reports and the non-consolidated accounts for the financial year ended December 31, 2002, as drawn up and presented.

Consequently, it approves all the acts carried out by the managing partners as presented in the said reports and accounts, and gives the managers discharge for their management during the said financial year.

► Second resolution

Approval of the consolidated accounts

The General Meeting, acting as an Ordinary General Meeting, after hearing the reports of the managing partners and the Supervisory Board and the statutory auditors' report on the

audit of the consolidated accounts for the financial year ended December 31, 2002, approves the said accounts as drawn up and presented to it.

► Third resolution

Allocation of net income and approval of the dividend of € 0.82

Euros

The General Meeting, acting as an Ordinary General Meeting, notes that net income for the financial year corresponds to a loss of

65,951,750.93

which, in view of retained earnings of

409,587,088.19

yields a distributable net income of

343,635,337.26

The General Meeting records that, with the Group's consolidated net earnings showing a loss, no statutory dividend shall be paid to the general partners.

Based on a proposal from the managing partners, the General Meeting decides, to pay a dividend of € 0.82 per share, taking into account the following :

- shares issued as a result of the exercise of share subscription options before the dividend ex-date carry rights to the said dividend;
- shares held by the Company in treasury on the ex-date will not carry rights to the said dividends.

The Meeting decides to allocate the balance, after verification of the amount by management, to net income carried forward.

The dividend of € 0.82 per share will be accompanied by a tax credit of € 0.41 per share, taking the gross dividend per share to € 1.23 for individuals. The dividend ex-date will be May 20, 2003 and dividends will be payable from that date to holders of registered shares or their authorised representatives, by cheque or bank transfer.



Draft resolutions presented by the managing partners

In compliance with applicable law, the dividends paid relating to the last three financial years and their associated tax credits amounted to:

<i>(in euros)</i>	2001	2000	1999
Dividend paid to shareholders	0.82	0.78	0.78
Tax credit	0.41	0.39	0.39
Gross dividend	1.23	1.17	1.17
Total dividends	110,838,916	106,988,546	94,936,350
Dividend paid to general partners	6,160,717	5,809,897	2,410,199
Total	116,999,633	112,798,443	97,346,549

Fourth resolution

Approval of regulated agreements

The General Meeting, acting as an Ordinary General Meeting, after hearing the statutory auditors' Special Report concerning the agreements referred to in Article L 226-10 of the commercial

code (Code de Commerce) approves this report in all its parts as well as all the agreements contained therein.

Fifth resolution

To authorise the managing partners to buy Company shares

After taking note of the managing partners' report and examining the specific memorandum approved by the COB (Commission des opérations en Bourse), the General Meeting, acting as an Ordinary General Meeting, authorises the managing partners, in accordance with Article L 225-209 of the French commercial code (Code de Commerce) to acquire a maximum of up to 10% of the current share capital, i.e. € 500,000,000, subject to the following conditions:

Maximum purchase price per share:	€ 70
Minimum sale price per share:	€ 30

These shares may be acquired in one or more purchases, by any method, including by private agreement, transfers of blocks of shares or by using derivative products, notably for the following purposes:

- to regulate the share price;
- to issue shares to employees;
- to keep or transfer shares using any method, notably share exchanges;
- to cancel shares.

This authorisation is valid for eighteen months. It cancels and supersedes for the unexpired period the authorisation granted by the fifth resolution of the Ordinary and Extraordinary General Meeting held on May 23, 2002.

► Sixth resolution

Change in authorisation given to the managing partners on May 23, 2000 to grant options to employees and managers of the Company and affiliated companies to subscribe for and/or purchase Company stock

The General Meeting, acting as an Extraordinary General Meeting, after hearing the reports of the managing partners, the Supervisory Board and the statutory auditors relating to the authorisation given to the managing partners by the fourteenth resolution of the ordinary and extraordinary general meeting on May 23, 2000, to grant, once or several times, to all or part of the managers and employees of the Company and of its affiliates within the meaning of article L 225-180 of the French commercial code (Code de Commerce), options

giving the right to subscribe for new shares in the Company and/or the purchase of existing shares, decides that, for options granted as from the adoption of this resolution, the time in which they may be exercised may not exceed ten years, and no longer seven years, starting from the date the option is granted by the managing partners. The other conditions laid down by the above-mentioned general meeting shall remain unchanged.

► Seventh resolution

Appointment of Mr. Arnaud LAGARDERE as general partner

The General Meeting, acting as an Extraordinary General Meeting, decides, as proposed by Arjil Commanditée – ARCO, acting in its capacity as general partner, to appoint Mr. Arnaud Lagardère, residing at 4 Rue de Presbourg, 75016 Paris, France, as a general partner of the company.

As a result, it decides to amend paragraph 1 of article 18 of the company's Articles of Association accordingly, as follows.

Article 18 – Partners

“1 The partners shall be:

- Mr Arnaud LAGARDERE
residing at 4 Rue de Presbourg, 75016 Paris, France.
- Arjil Commanditée – ARCO a limited company
(société anonyme) with a share capital of € 40,000 having
its registered office at 121 Avenue de Malakoff,
75016 Paris registered number 387 928 393 R.C.S. PARIS.”

► Eighth resolution

Continuation of the price setting's condition for the issue of certain securities that may be issued without preferential subscription rights on the basis of the authorisation granted to the managing partners by the ordinary and extraordinary general meeting of May 23, 2002

The General Meeting, acting as an Extraordinary General Meeting, after:

- hearing the report of the managing partners and the special report of the statutory auditors;
- having been informed of the powers granted to the managing partners by the Ordinary and Extraordinary General Meeting of May 23, 2002 following the adoption of the tenth resolution, for the purpose of issuing shares and any securities of whatever nature, on one or more occasions, without preferential subscription rights, giving immediate or future access to shares in the Company, it being specified that:

- the maximum nominal value of the increase in the capital that might be realised immediately and/or in the future under the aforementioned authorisation may not exceed € 300,000,000 (not including premiums);
- the nominal value of the bonds that might be issued under the above authorisation may not exceed € 1,500,000,000;
- the authorisation was granted for a period of 26 months as from the above-mentioned General Meeting;



decides, as applicable, pursuant to the provisions of article L 225-137 of the French commercial code (Code de Commerce), to maintain the conditions for setting the issue price of those of the above-mentioned securities for which the issue without preferential subscription rights would be covered by paragraph 3 of said article L 225-137, that is calculated so that the amount received immediately after their issue plus, if applicable, the amount to be received from the exercise of all the rights attached to the securities so issued results in an average price for each share issued or to be issued during the issue period at least

equal to the average opening market price of the Company's shares during 10 consecutive trading days chosen out of the twenty trading days immediately prior to the issue after, if applicable, adjusting this average to reflect the ranking date.

The General Meeting records the fact that all the other terms and conditions of the general authorisation granted to the managing partners as a result of the adoption of the ninth and tenth resolutions by the General meeting shall remain unchanged.

► Ninth resolution

Powers to accomplish the necessary legal formalities

The General Meeting, acting as an Ordinary General Meeting, grants the bearer of the original minutes or of a certified copy or abstract of the minutes of this meeting full powers to

accomplish the necessary legal or regulatory formalities wherever needed.



Brief overview

of the Group's business and situation

■ General presentation

In addition to the media operations which constitute its core activity, the Lagardère Group has a strategic holding in EADS (European Aeronautic Defence and Space company). Its automobile production activities ceased on 26th February 2003.

■ Media

In terms of **Media**, Lagardère has plans to capitalize on its powerful assets - international positioning, robust brands (Elle, Première, Paris Match, Europe 1, Hachette, Virgin), control over content publishing (books, audiovisual, new media, etc.), worldwide leadership in its core business (general public magazines and cultural product and service retailing)- with a view to consolidating its presence and performance results in all the areas pertaining to the publishing and distribution of strong contents.

In this respect, the key event of 2002 was the acquisition, subject to the approval of the competition authorities, of the publishing operations of Vivendi Universal Publishing (VUP) outside the USA and Brazil. On the basis of synergies and complementary interaction with VUP, this operation, which was completed in the last quarter, will reinforce the long-term international development of the Lagardère Group by raising it to the position of 3rd largest publisher in Europe. This acquisition offers solid prospects for the sustained growth of the Lagardère Group, particularly on the English and Spanish language markets. This operation will also improve the profitability profile of the media arm.

In magazine publishing, Hachette Filipacchi Medias have continued to develop their international presence, particularly in the UK through the acquisition of Attic Futura, the country's seventh largest publisher of general circulation titles, and of

the magazine Red. This reflects the intentions of the Lagardère Group to sustain the establishment of its branch operations on the main international markets.

In television, three of the Digital Terrestrial Television licence applications submitted by channels in the Lagardère Group were selected on 23rd October by the CSA (Broadcasting Council) from among the sixty applications submitted: Match TV and Canal J have been awarded licences for a subscription broadcasting service, while MCM has obtained a licence for a free-to-air channel, iMCM.

The aim of the media arm of the Lagardère Group in 2003 is to sustain its growth by concentrating on two major strategic policies, namely: the active pursuit of international development, particularly in Europe, the USA and Japan, and the establishment of leading positions in the Group's key areas of interest: women's issues, education, youth culture, travel, motoring. The Lagardère Group maintains the view that a strong presence in television represents a significant source of wealth creation, and will therefore pay close and rigorous attention to opportunities for the construction of such a position.

These parallel initiatives, all of which form part of a long-term view, will contribute to the year-on-year consolidation of the position of the Lagardère Group among the leading global players in the media sector.

■ High Technologies

In terms of **High Technologies**, the main strategic objective is European integration; in the first instance, this objective has been achieved by the amalgamation of national players (transfer of assets from Matra Hautes Technologies to Aérospatiale) and subsequently of European players (merger of Aérospatiale Matra with the German group DASA and the Spanish group CASA to form EADS). Setting up EADS resulted in increasing the overall business volume generated by the resulting group, thereby achieving significant savings, owing to the synergies.

Within a relatively short time horizon, these synergies should allow the profitability of operations to be improved. With turnover close to 30 billion euros, EADS ranks among the three world leaders in the aeronautics and defence sectors, providing Europe with the means to challenge the USA; given the extent of activities undertaken by its three member companies, EADS is in a position to compete effectively with Boeing (civil aviation sector), Lockheed Martin (military aviation sector) and Raytheon (missile systems).



Brief overview of the Group's business and situation

Fortified by its Europe-wide presence and expertise, EADS is also able to draw financial resources from a stock market on an appropriate scale, since its equity shares are quoted on the Paris, Frankfurt and Madrid markets.

Working in harmony with its partners, Lagardère expects to continue its critical role in the management and strategy of the new group. The critical size of the latter, in global terms,

prospects for the improvement of operating profits through the establishment of synergies and the improved liquidity associated with its stock market characteristics constitute assets, both for EADS and for all its shareholders.

Simplified profit and loss account

The 2002 **simplified profit and loss account**, compared with previous years:

(million euros)	2000	2000 pro forma ⁽¹⁾	2001	2002
Turnover	12,192	11,875	13,295	13,216
Operating income	572	474	514	440
Non-operating revenues & expenses	(110)	(95)	(15)	(331)
Current profit	462	379	499	109
Extraordinary item	651	653	353	(371)
Other items	(498)	(472)	(225)	(25)
Total consolidated net profit	615	560	627	(287)
Consolidated net profit – Group	581	528	616	(291)

(1) In this pro forma presentation, the income statement of EADS integrated for 15.14% replaced the 33% of that of Aérospatiale Matra for the first 6 months of the 2000 fiscal year.

A more detailed analysis of the operations of the three arms of the Group: Lagardère Media, Automobile and High Technologies follows below. Operations outside these three sectors are also

presented, together with a summary of results and the financing of the Group.

I Lagardère Media

This arm covers the Group's following businesses: "Books", "Press", "Service Distribution", and "Lagardère Active".

(millions euros)

Profit and loss account for the media arm

	2000	2001 ⁽¹⁾	2002
Turnover	7,203	7,668	8,095
Operating income	323	353	385
Non-operating revenues and expenses	(43)	(240)	(363)
Operating profits before tax	280	113	22
Extraordinary item	798	(46)	(53)
Profit of companies benefiting from the equity method	2	59	15
Operating profits before tax	1 080	126	(16)

(1) Further to the statutory modification of the closing date for the annual accounts, which is now 31st December rather than 30th September, the operations of Lagardère Active Broadcast in 2001 have been consolidated for a period of five quarters from 1st October 2000 to 31st December 2001.

BOOKS (contribution to consolidated Group turnover: € 950 M)

As a book publisher meeting the educational, reference, cultural and leisure needs of a wide-ranging public in France, Spain and the UK, Hachette Livre has extensive distribution facilities at its disposal and has a presence in all sectors of publishing:

- *Reference [Hachette dictionaries and encyclopaedias];*
- *Education [Hachette Education, Hatier, Didier, Foucher];*
- *General literature [Calmann-Lévy, Fayard, Grasset, Lattès, Stock];*
- *Illustrated books [Chêne, Hachette Pratique, Hachette Tourisme, Marabout];*
- *Youth culture [Hachette Jeunesse, Gautier-Languereau, Rageot];*
- *Paperbacks [Livre de Poche, Le Masque, Harlequin (50%)];*
- *International [Octopus, Orion, Watts (UK)
– Salvat, Bruño (Spain) – Wiedza i Uycie (Poland)].*

2002 saw an excellent performance by Hachette Livre businesses in virtually all sectors of publishing.

The selection of the Lagardère Group to take over Vivendi Universal Publishing confirms interest in the books market as a secure and long-term source of value.

Overall, the mass book market has fallen in line with major trends for global consumption, although there are marked differences from country to country.

Consequently, throughout Europe in 2002, this sector demonstrated its capacity to withstand downward trends in consumption by posting modest growth of +1,2% ⁽¹⁾, although this figure itself reflects highly variable performances from country to country.

Beyond these short-term economic considerations, a major reorientation is underway in the strategic policies, and often in the organisational structures of major international media players who have placed books at the core of their operations and their priorities, and have returned the book to its pre-eminent position over new media for the written word (Internet, e-books).



In France, the publishing market has felt the benefits of sustained activity, while Hachette Livre has confirmed its position as number 2.

The general literature sector has developed its operations, with all the publishing houses performing well; this applies to Fayard, which has many titles in the best seller lists, Grasset, which leads the launch of the literary season and the most prestigious awards (Goncourt, Medecis, Interallié, etc.); Stock, which constantly renews its contribution to the wealth of the publishing world, Lattès, which enjoyed outstanding success in the third quarter, and Livre de Poche, with a 4% growth over 2001.



Brief overview of the Group's business and situation

In the education sector, the Hatier Group has enjoyed the benefits of sustained activity generated by the very good results achieved by Didier and the "Extracurricular" sector. In the "Academic" sector, Hatier has lost ground in the "Secondary school" market, but has performed well in the "Middle school" market. The development of Hachette Education has varied from department to department: primary education, French and foreign languages have progressed, the "Extracurricular" sector remains stable, "prescribed texts" have performed well, but the "Secondary school" sector is lagging behind – particularly in terms of new titles – partially as a result of market decline. Overall, the Education sector has performed well, and results have been in line with targets.

The publication of mass market illustrated titles (*Hachette Illustrated*) has continued to show strong growth. This growth stems mainly from the Youth sector (with the success of *Livre de Poche Jeunesse*, the *Bibliothèque Rose* with *Titeuf*, and characters such as *Franklin*) and from practical subject areas (*Cookery and Wines*, *Marabout*, *Tourism*).



In other countries, Hachette Livre has a presence, specifically in the UK and Spain.

In the UK, Orion has seen a number of its titles enter the best seller lists, and these successes have contributed to the good performance of this subsidiary. Particular mention should be made of the following Orion best sellers in 2002: "*Sahara*" by Michael Palin and the illustrated "*What not to wear*".

Octopus, with its prestigious brand names – Mitchell Beazley, Philip's, Conran or Hamlyn – has continued to develop its operations, half of which are conducted on the international market. Franklin Watts, which specialises in young people's books, has confirmed its position on the "*Trade and Library*" markets and has pursued the positive development of its operations with libraries and on the Australian market.

In Spain, the Group is present in the form of two subsidiaries. Salvat has been adversely affected by the Brokerage crisis, but is pursuing the development of its Part Work and Direct Marketing operations. Bruño, acquired in 2001, has a presence in the Education and Youth sectors. Its editorial programme has been completely remodelled this year, and offers good prospects for the medium term.



The regulatory environment has been characterised by the reinforcement of provisions for the protection of books as a cultural asset: Interdisciplinary debates have focused on the issue of the entitlement to library lending, which is far from being settled in all its aspects, the issue of remuneration for private digital copies which, in the long term, will be a highly significant financial consideration, arrangements for the provision of free educational books to secondary schools and the issue of illicit photocopying in the primary education sector.

Innovation policy – which is closely linked to the very nature of publishing operations – has been embodied in 2002 by two initiatives:

- Innovation in the range of publications, or new collections of Hachette Pratique, for example, have been welcomed by the public. The launch of the "Big Bang" collection for the youth market clearly illustrates the capacity of the publishing sector to recreate its world by using a number of media in the service of knowledge: a book, a CD-ROM, an Internet website where colours and sounds "interact", as if by correspondence, in subject fields as varied as history, science, the earth and nature. The publication of 6 titles per annum is scheduled for this collection.

- The establishment of new publishing houses, with the foundation of Octopus France, whose object is to develop the highly fashionable design sector on the French market: the Octopus France catalogue already features 18 titles, with a further 40 to be added during 2003.

In terms of reorganisation, measures have already been implemented for the adjustment of organisational structures to take account of foreseeable developments in the brokerage sector, particularly within Salvat in Spain.

Elsewhere, measures implemented have been intended to reinforce the improvement of internal operations.



The strategy of Hachette Livre is to meet the challenges which the world's leading players, currently refocusing on their core operations, and the major software groups are currently launching on the various national markets, using the power which their global scale places at their disposal.

Having secured positions for long-term development in the UK, Belgium, Spain and Switzerland, Hachette Livre, as both a national and international player, is ready to embark upon this new phase in the history of publishing with determination, vigilance and confidence.

► PRESS (contribution to consolidated Group turnover: € 2,113 M)

As the world's leading magazine publisher, the Hachette Filipacchi Media Group publishes 229 titles in 36 countries, representing over 1 billion copies and over 130 000 pages of advertising sold. The Group has a turnover of 2.2 billion euros, more than half of which is accounted for by international business (54%). The Group publishes 52 titles in France and 177 abroad. Interdeco, the leading French print advertising corporation, has developed the most extensive international network and, through the agency of Interdeco Global Advertising, manages international advertising in over 200 magazines published by the Group and by foreign publishers.

During 2002, the Hachette Filipacchi Media Group consolidated its global position by the acquisition of the U.K.'s seventh largest magazine publisher and by reassuming control of shares previously assigned to the joint venture with Emap; overall, this reinforces the capacity and expertise of the Group in the women's magazine market, with a turnover of some 100 million euros. The U.K. becomes the ninth country in which the Group controls all its operations on the ten major markets of the world.

In terms of operations, it should be noted that the Group has continued to feel the effects of a major slump in advertising, particularly in the USA where the impact of the terrorist attacks of September 2001 has been significant, for example, in the fashion sector; in Europe, and more specifically in France, advertisers have developed new products which have substantially limited the effects of the global slump. Paper prices, which broadly relate to volumes of advertising, have shown a slight fall.

The Group has continued its efforts for the rationalisation of its portfolio of operations (disposal of its last industrial units) and for the improvement of productivity by the active pursuit of a policy of cost saving. These efforts which, in the short term, have been reflected by a slight improvement in the rate of return, have allowed the continuing expansion of the portfolio of brands, be it in France (with the launch of the "Version Femina" in association with the Socpresse Group) or abroad, with the increase in the number of editions of "Elle" (Croatia and Ukraine), but also with the first launch of foreign editions of "Marie-Claire" in accordance with the joint strategy defined at the time of the equity investment early in 2001.

In addition, Hachette Filipacchi Media has had to deal with increasing currency instability, since the main currencies (the dollar and the yen) have weakened considerably against the euro.



In the **French Magazine sector**, the main presence of the Group is in women's magazines, television and human interest. The main titles published in these sectors are: "Elle", "Télé 7 Jours", "Paris Match" and "Entrevue". The main competitors are the Bertelsmann, Emap and Socpress Groups.

Advertising turnover in this sector has shown a very slight decline over the previous year, although this trend reflects a growth in market share in fact. The major titles have maintained an entirely satisfactory performance, while current affairs magazines performed very well at the end of the year under difficult market conditions (news and daily press).

Circulation figures, for all distribution channels combined, have remained stable, with the exception of the two summer months, during which sales fell below previously recorded values.

In terms of titles it should be noted that, at the start of 2002, the Group took over the launch of "Zurban" (the Paris city guide), that "Isa" is expected to reach break-even point during 2003 and finally that "Bon Voyage" continues to be handicapped by the climate of insecurity surrounding tourism. The reorganisation of the print works has allowed the modification of "Télé 7 jours" to a more reader-friendly format without generating any additional cost.



In the International **Magazine sector**, 2002 saw the constitution of Hachette Filipacchi UK and the launch of new foreign editions of "Marie-Claire" in Poland and China, together with the relaunch of the Italian edition. In the USA, Hachette Filipacchi Media US has a presence in the women's magazine and special interests markets (specifically "Woman's day", "Elle", "Car and Driver", "Road & Track"). The main competitors are Condé Nast, Hearst, Primedia and Time Warner.



Brief overview of the Group's business and situation

The year saw a deepening of the slump in advertising. The main areas affected are fashion and decorating, while sectors associated with the automobile industry have maintained a sustained level of activity. Circulation figures have held up well in all market. The launch of "*Elle Girl*" is continuing as initially scheduled.

With an Italian presence based upon women's and human interest magazines, the Group publishes "*Elle*", "*Gioia*", and "*Gente*", and faces competition from Mondadori and Rizzoli. The Group, which took over all the local editions of "*Elle*" and "*Elle Decor*" at the start of the year, has made preparations for the takeover of the local edition of "*Marie-Claire*" from December 2002 onwards. This subsidiary will therefore enjoy an incomparable position in terms of advertising in top-of-the-range women's magazines.

In Spain, Hachette Filipacchi Media faces competition from the Zeta and Edipress Groups and publishes the following magazines: "*Elle*", "*AR*", "*Teleprograma*", "*Tele Novelas*" and "*Diez Minutos*".

The Group continues to reinforce its leading position, acquiring two decorating titles from a German publisher at the end of the year.

In Japan, where the economy remains slack, although the Group has generally escaped this trend, the subsidiary has sustained its operations and management initiatives have generated an increase in income expressed in yen.



In the **Daily Press** sector, 2002 saw the launch of the "*Metro*" free paper in Marseille. The Group responded by launching "*Marseilleplus*", which generally uses the human and technical resources of "*La Provence*". The results obtained by "*Marseilleplus*" have been satisfactory, bearing in mind the investment included in the initial forecasts, while the circulation of "*La Provence*" has ultimately kept pace with market trends.

The launch of "*Version Femina*", a combination of two women's supplements published by regional titles, has been a success and this title is now the European leader in women's press publications, in terms of circulation (approximately 4 million copies per week).

In the dailies sector, although circulation figures have not matched the good results achieved in 2001, the continuing positive trend in local advertising has allowed the achievement of a comparable financial performance.



The **Photographic arm** is one year into the implementation of a new strategy. Based upon major cost savings, this new policy has been reinforced by the declining market which has affected the agency sector in 2002.

In addition, synergies at editorial level (improved coordination of certain production operations) or of an administrative nature (use of Group facilities) have been reinforced; the goal remains to achieve a balance by the year 2004.

Licensing operations have continued to develop but at a slower rate, given the depreciation of the currencies in which the revenues concerned are entered in accounts.



Improving margins remains the constant concern of this business sector and its management team; corporate restructuring over the past three years (disposal of the industrial unit, the billposting business and the Skyrock radio station, abandonment of video distribution, etc), the increasing focus on core activities, the rationalisation of the share portfolio, the systematic investigation of potential partnerships, the reinforcement of operations abroad and plans for the improvement of productivity all bear witness to this ongoing commitment.

To some extent, all these initiatives have helped to offset short-term economic fluctuations in 2002, and will allow the fruits of recovery to be enjoyed within a short space of time, bearing in mind that current geopolitical uncertainties preclude the identification of the time when this recovery might be anticipated.

Hachette Filipacchi Media, a global group in competition with other global players, is the only operator to control its operations in 9 out of the 10 major magazine markets, specifically by the adjustment of its brands for each of its 35 worldwide establishments.

► DISTRIBUTION SERVICES (contribution to consolidated Group turnover: € 4,464 M)

The aim of Hachette Distribution Services (HDS) is to ensure the effective marketing of communication and cultural entertainment products, thereby providing global access to a wide range of ideas. With a presence in nineteen countries in Europe, North America and Asia/Oceania, HDS generates 68.4% of its consolidated turnover outside France, with a breakdown per geographical zone which has remained stable in relation to the previous year: 31.6% in France, 41.8% in Europe, 26.3% in North America and 0.3% in Asia Oceania.

During 2002, Hachette Distribution Services achieved the following self-appointed goals: the reinforcement of its main brand operations, the development of new commercial concepts, the acquisition or renewal of concession contracts in transportation areas and the signature of new national or international distribution contracts with numerous publishers. At the end of 2002, retail trading and press distribution operations account for 50.1% and 49.9% respectively of the consolidated turnover of HDS.

Operations in 2002 generated a rise in consolidated turnover of 15.9%, in euros at their current value, and 17% at constant rates of exchange. With a comparable scope of operations and constant rates of exchange, turnover has increased by 14% over 2001 – this reflects an essentially organic growth in the core business of HDS. This represents a good performance in a gloomy economic climate, as borne out by the slower than expected return to normal air traffic.



A particular feature of 2002 was the strong growth in **press distribution** operations, with:

- Spain posting a 30% increase in turnover following the acquisition of new customers early in 2002, thereby confirming the Spanish subsidiary in its position as the leading national press distributor with approximately 20% of the market; its main competitor, Logista, is an operator of similar size. There has also been significant growth in operations in Switzerland (+15.1%) and Hungary (+9%), countries in which Hachette Distribution Services has no significant competition;
- strong growth in the USA (a 43% increase in turnover of the American subsidiary Curtis at constant rates of exchange) was generated by major acquisitions (American

Media and Bauer Publishing). The market share of Curtis, the leading national magazine distributor in North America has increased as a result to nearly 45%. Its competitors are local players such as TDS / WPS or Comag.



In the **retail sales** sector, Hachette Distribution Services, driven by a policy of innovation and service, employs a two-fold strategy:

- its sales outlets in transportation areas (airports, railway stations, and subways): its retail press outlets, developed internationally by all Group member companies, together with diversified and specialised sales outlets;
- specialised book, music, video and multimedia outlets, now grouped under the Virgin brand.

The consolidation of the network of retail press outlets in transportation areas continued in 2002: 1,100 shops in 13 European and North American countries are now home to the “Relay” brand. Outlets of the same design, adapted to the specific features of the country in which the brand has a presence, provide a similar product range and pursue the same goal: the daily provision to one million travellers of the widest possible range of products and services to facilitate their journey and to occupy their journey time. Dedicated retailing for travellers has developed over time: In 2002, HDS celebrated the 150th anniversary of the establishment by Louis Hachette of the first station bookshop in the Gare de Lyon.

In 2002, Hachette Distribution Services continued to develop variations of this concept in order to meet the constantly changing needs of travellers: Relay Services (offering a range of snacks and local services), Relay Café (offering fast food in addition to the usual products), Relay Livres (offering a wide range of books).

In France, Relais H has seen its turnover grow by 2.2% against a background of declining conditions on the mass circulation press market, a result achieved mainly thanks to the good performance of non-press products such as telephony, an innovative commercial policy and the diversification of its product range. There was a perceptible growth in activity in the second half of the year (+ 3.6% as against + 0.7% in the first half-year) following the recovery of airport business.



Brief overview of the Group's business and situation

Hachette Distribution Services has continued to develop strongly in Central Europe, particularly in Poland and the Czech Republic, notwithstanding the disturbances associated with flooding in Prague.

Competition in retail press outlets sited in transportation areas comes mainly in the shape of WH Smith, HMSHost or Hudson News in North America, WH Smith in Asia/Oceania and Valora in Switzerland and Germany, or in the shape of local competitors: Areas in Spain, Schmitt and Eckert in Germany, Ruch and Kolporter in Poland, etc.

Since last year, duty free sales and sales from specialised retail outlets in transportation areas have been combined within the "Aelia" organisation, which has seen its turnover grow by 3.6% in 2002. This growth reflects the impact of a full year of the Eurotunnel and Roissy 1 perfumery concessions, which were secured during the second quarter of 2001. With a comparable scope of operations, business has remained stable, notwithstanding the failure of air traffic to return to its pre-11th September 2001 levels.

In 2002, Aelia consolidated its position as the French leader and the fifth-ranked global player in airport retailing through the establishment of a long-term partnership with Aéroports de Paris for the operation of alcohol, perfume and tobacco concessions in Roissy 2, the renewal of a number of provincial concessions and the development of new concepts. Aelia currently manages a network of some one hundred specialised brand outlets, either as franchise operations or under its own name. Aelia also undertakes in-flight sales of top-of-the-range products on behalf of airline companies: 2002 saw the renewal of the Air France concession and the launch of a similar operation for Royal Air Maroc.

Major global players on this market are DFS (LMVH Group), TNG (The Nuance Group), WDF (BAA Group), Heinemann and Weitnauer. In European airports, the main players, in decreasing order of size, are WDF (12%), followed by TNG (9%), Aelia (9%) and Aldeasa (9%), together with Alpha (5%) and Weitnauer (5%) (Source = Mintel Report based on turnover for 2001). The events of 11th September triggered a decline in retail sales in the USA, with turnover, in relation to a comparable base figure, falling by 5.6% - this was attributable to a decline in air traffic combined with the implementation of draconian security measures at office building entrances. Business in Germany has also been disturbed by the burgeoning economic crisis.

The company "Virgin Stores", acquired in 2001, has seen its sales grow by 15.4% in 2002, including 1.8% for outlets of comparable coverage, although business has been adversely affected by the withdrawal of tourists from the Champs Elysées and by a sluggish music market.

Hachette Distribution Services has consolidated its place in 2002 as the second-ranked specialised distributor of cultural leisure products in France, with 10% of the music market, 5% of the books market and 5% of the video market (in Switzerland Hachette Distribution Services is the leading French language bookshop, ahead of FNAC, through its network of Payot bookshops).

Development of the network in France has continued at a sustained rate, with six outlets opening between November 2001 and September 2002 (Montpellier, Nice, Toulouse, Nantes, Melun-Senart, Paris-Barbès), bringing the total number of Virgin Megastores to 31, in addition to the 11 stores operating under the Furet du Nord brand name, representing a total turnover of € 387 M in 2002.

The development of the brand has also been consolidated internationally and in transportation areas. Hachette Distribution Services now operates 2 sales outlets in French railway stations and a total of 5 in airports, including 3 in France, 1 in Australia and 1 in the USA. Similarly, the 6 Virgin Megastore franchises in the Middle East are experiencing promising growth.



Business development prospects for Hachette Distribution Services in 2003 will depend partly upon the development of airport traffic, which might be adversely affected by the conflict in the Middle East.

Nevertheless, throughout 2003 and beyond, Hachette Distribution Services expects to maintain a steady growth in its core businesses whilst at the same time penetrating new markets, either by internal expansion or by means of acquisitions, where a complementary arrangement with existing activities is justified. The expansion of HDS shall continue in its traditional markets in Western Europe and North America, as well as in Asia/Oceania and Central Europe, focusing on its distribution and retail activities.

In the retail sales sector, objectives will focus on the continuing development of the Virgin brand in France and abroad, and upon the adaptation of retail concepts to transportation areas.

LAGARDÈRE ACTIVE (contribution to consolidated Group turnover: € 568 M)

*Lagardère Active groups the **Audiovisual, Radio, Advertising Agency, and New Media activities** of the Lagardère Group, plus the group's interests in multiThématiques et Canal Satellite. Strongly committed to a strategy for high-quality products, Lagardère Active has continued its development in 2002 in both the audiovisual and radio sectors, and by the repositioning of its new media operations.*

Lagardère Active operates two businesses in the **Audiovisual** sector, namely, the "Themed Channel" business and the "Production and Distribution" business, both of which occupy a leading position in their respective sectors.

The "Themed Channel" business comprises nine channels produced:

- by subsidiaries of Lagardère Thématiques:
 - five music channels: MCM, MCM2, MCM International, Mezzo and MCM Belgique which, at the start of 2002, obtained a licence from the Belgian C.S.A. to broadcast its musical programming within French-speaking territory,
 - two youth channels: Canal J and TiJi,
- by subsidiaries of Lagardère Images:
 - a daily lifestyle channel: The Chaîne Météo (the Santé Vie channel was sold during the first half of 2002),
 - a Current Affairs/Human Interest/Lifestyle channel: Match TV.

The most recent audience research survey on themed channels (MediaCabSat – January/June 2002), confirmed the leading positions of MCM and Canal J:

- MCM, the leading themed channel for the 15-25 age group, and the leading music channel,
- Canal J, the leading cable and satellite youth channel and the 3rd-ranked cable and satellite channel for all audiences combined.

Thanks to this broad range of high-quality channels, Lagardère Active was one of the main participants in the invitation to tender launched by the Broadcasting Council [Conseil Supérieur de l'Audiovisuel: C.S.A.] for the award of Digital Terrestrial Television frequencies. The regulatory authority, having emphasised the high quality of the applications presented by the Group, selected three of the five projects presented: one free-to-air channel (iMCM) and two subscription channels (Canal J and Match TV). In the "Production and Distribution" business, 2002 was a par-

ticularly productive year for Europe Audiovisuel which, with its portfolio of some 15 companies, produced over 800 hours of stock programmes (dramas, documentaries) and current programmes (magazine programmes, entertainment, prime time access), as against 500 in 2001 and 300 in 2000.

Through the quality of its programmes, Europe Audiovisuel has achieved high television audience figures with prestigious dramas such as *Fabio Montale* (a three-part mini series on TF1 starring Alain Delon, which scored the highest prime time rating in 2002), *Napoleon* (a four-part television film drama on France 2, starring Isabella Rossellini, John Malkovitch, Anouk Aimée, Gérard Depardieu and Christian Clavier) and *Jean Moulin* (a two-part television film drama broadcast on TF1 early in 2003 and starring Francis Huster).

Europe Audiovisuel also produces a number of leading series featuring the same lead character on a weekly basis, together with individual programmes for all channels:

- on TF1: *Julie Lescaut* (GMT Productions), *Joséphine, Profession ange gardien* and *Sauveur Giordano* (DEMD Productions),
- on France 2: *Boulevard du Palais* (GMT Productions), *Juliette Lesage, Médecine pour tous* (13 Production), single programmes for the *Regards d'enfance* series (Image & Cie) and mini series (*Le Champ Dolent* and *Crimes et sentiments* by DEMD/Studio International),
- on France 3: *Famille d'accueil* (GMT Productions),
- on Arte: *Pépé Carvalho* (DEMD/Studio International),
- on M6: *Sami, le pion* (Image & Cie).

At the end of 2002, Productions 22 (*Un gars, une fille*) joined the current programming and entertainment arm of Europe Audiovisuel, which already included JLR Productions (*Sagas* on TF1, *Normal, paranormal* on M6), Maximal Productions (*C dans l'air*, which achieved the best audience figures for France 5 in 2002), Image & Compagnie (*Riposte*, which achieved the second-best audience figures for France 5 in 2002), Léo Productions (live horseracing broadcast daily for Canal+), DMLS TV (*Tubes d'un jour, tubes de toujours* on TF1, special programmes dedicated to a single artist). The distribution business of Lagardère Images International (for the acquisition and distribution of television programmes and channels) has a sales catalogue comprising 7,000 hours of programming, and conducts 50% of its operations on the international market.

(1) Source: Ecran Total rating of 15th January 2003



Brief overview of the Group's business and situation

In 2002, Lagardère Active was the number one producer of prime time drama in France (with 84 hours broadcast)⁽¹⁾.

Lagardère Active holds substantial assets which will allow the company to take its place as a major player in the television industry over the years ahead: the strength and prominence of its brands, the expertise of its people, the quality and volume of its production, the richness of its catalogue and the expertise of its advertising operations.



In 2002, the multimedia advertising market showed a further decline, set against an uncertain economic climate which is adversely affecting the international situation. Throughout the year, the market has been characterised by a lack of visibility in terms of short-term developments. **Radio**, on the other hand, the "refuge medium", has continued to attract advertisers with its flexibility and responsiveness – this trend was particularly marked in the second half of the year and at the end of the 2002 fiscal year.

Armed with its three national networks, Lagardère Active has been able to adapt its product range in order to attract increasing numbers of listeners:

- With a new, dynamic and increasingly interactive schedule, Europe 1 has scored a genuine audience success in audience research figures for November/December 2002, with a 10.6% share of the cumulative audience for the past 13 years and more, an increase of 1.5% over the previous survey. The Group's general station has confirmed the success of the "News & Talk" concept, the long-term future of which is guaranteed by its continuous evolution in response to listener expectations.
- The music radio stations Europe 2 ("*maximum hits*") and RFM ("*the best music of the FM years*") have begun to reconquer the market by refreshing their programming and emphasising a policy of close contact with the public: Morning with Caue (public appearances on Fridays and provincial broadcasts once a month), "les Face à Face" with Bruno Roblès (afternoon music game on RFM). According to audience research conducted by Médiamétrie in November/December 2002, RFM obtained a cumulative audience share of 4.3%, while Europe 2 beat its previous record with a 7.0% cumulative audience share for the past 13 years and more ⁽²⁾.

Internationally (Eastern Europe and Southern Africa), Lagardère Active Radio International (LARI), which is now in profit, exploits the radio expertise of the Group in seven countries. LARI radio stations reach 12 million listeners daily in Russia (source: Gallup), 5 million in Poland (source: SMG/KRC), and over 20 million in total (source: MA, AG, Mediaprojekt, Gallup, I-MAS, GFK-Ipsos, RAMS, SMG/KRC).



In 2002, **Lagardère Active Publicité**, the only corporation to maintain a multi-media strategy, has defended both Group and non-Group brands in a competitive environment beset by market difficulties:

- in radio: Europe 1, Europe 2, RFM, The Independents (network of over 80 radio stations), Ouï FM, BFM (up to October 2002), Autoroute Info, Autoroute FM, 107.7 FM and TSF,
- in television: the AB Group channels, including RTL9, theme channels Match TV, MCM, MCM2, Canal J, TiJi, La Chaîne Météo, Santé Vie, local channels Télé Lyon Métropole, Télé Toulouse, Clermont 1^{ère} and TV7 Bordeaux,
- Internet: the Club-Internet.fr, Europe1.fr, Routard.com websites, etc.



The explosion of markets for multimedia services and mobile multimedia in Europe has reinforced the "New Media" strategy of Lagardère Active, which is based upon "the production of multimedia services" via its subsidiaries Plurimédia and Legion, and "interactive digital contents publishing" for the major brands of the Group.

In the "New Media" business, 2002 was marked by expanding sales of contents and mobile services and the reinforcement of its position as a major player on the contents syndication market in France and Germany.

In terms of "interactive digital contents publishing", Lagardère Active has continued the adaptation to new media (fixed line and mobile Internet services, i-mode, WAP, SMS/MMS, Audiotel, CD-Rom, etc.) of thematic contents in sectors where the Group has a strong presence: Education & Youth, Women, Reference, Tourism, News, Local Services, and Everyday Life.

Against a background of strongly declining software sales, outside the games sector, Hachette Multimédia has succeeded in

⁽²⁾ Source: Audience research 75 000+ Radio, Nov-Dec 2002, Monday to Friday, 5 a.m./12 p.m...

maintaining its leading brands (Atout Clic, Passeport, Encyclopédie Hachette Multi-média) in a very strong position on both the general and institutional markets. Hachette Multimédia has also reinforced its distribution business by the incorporation into its portfolio of new third party publishers.

In terms of the "production of multimedia contents and services", Plurimédia, a dedicated subsidiary for the creation and production of interactive contents and services on the Web, Audiotel, SMS, MMS, colour WAP, ... has developed strongly, and has benefited from the explosion in the use of SMS (short messaging services) and pay-to-use contents. In total, Plurimédia has managed several million SMS contents messages on behalf of its cellphone operator clients, ISPs, media operators and advertisers.

Lagardère Active also has a presence in Germany and the UK under the *Legion* brand name, one of the European leaders in Audiotel call centres. In 2002, Legion Allemagne processed over 30 million calls and messages and has made a strong commitment to the mobile services market with the launch of voting services, games, chatrooms and payment services by SMS. In Greece, Plurimedia is developing numerous interactive services for Antenna, the leading Greek television channel.



Notwithstanding the gloomy mood on the advertising market, 2002 has been a richly successful and active year for Lagardère Active, which has made progress in each of its business sectors. The Group is moving into 2003 with confidence, and is ready to consider any opportunity for major development which can be classified as a manageable risk.

CanalSatellite:

In 2002, CanalSatellite broke through the 2 million subscribers barrier with a net figure in excess of 200,000 new subscribers for the year. This performance was achieved mainly through the reduction of cancellations, which fell to less than 9% from 9.9% in 2001.

In the acquisition of new subscribers, CanalSatellite has maintained an average market share in excess of 60% over the year, rising to as much as 66% during the last 6 months of 2002.

The turnover of CanalSatellite in 2002 reached € 782 M, an increase of 12% over the previous year.

In 2002, CanalSatellite continued to enhance the attractiveness of its product range, particularly in the sporting sector with the arrival of Sport+, and in the cinema sector with the enrichment and specialisation of the output of CinéCinémas, based upon the following categories: CinéCinéma "Premier" (premieres), "Emotion" (love stories), "Frisson" (Chillers), "Auteur" (Directors), "Succès" (Hits) and "Classic" (Classics), together with the launch of Ciné Comix, Ciné FX, Ciné Polar and a package of these channels, in the children's entertainment sector by the extension of Disney programming to include PlayHouse, Disney Toon and a multi-channel Disney package, and in the discovery sector with the launch of Planète Thalassa.

MultiThématiques:

With 8 brands (Planète, Planète Future, Planète Thalassa, Canal Jimmy, Seasons, CinéCinéma, AlloCinéInfo and EuroChannel) representing 31 channels broadcast in over 15 countries, multiThématiques is Europe's leading producer of themed cable and satellite channels.

Following the acquisition of EuroChannel in 2002, multiThématiques has continued its development across the Atlantic with the launch of Planète in Canada in June 2002.

At the end of 2002, multiThématiques had subscribers in over 22 million homes throughout the world, with a turnover in 2002 of € 159 M, comparable to that achieved in 2001.

Following the example for enrichment and specialisation undertaken by CinéCinéma or the adaptation of the Planète brand, multiThématiques will continue the consolidation of channels already launched in France and abroad, whilst at the same time working on the creation of new concepts and the development of websites based upon the themed contents of its 8 reference brands.



II Automobile

(million euros)

Profit and loss account for the automobile	2000	2001	2002
Turnover	1,183	1,141	782
Operating income	71	66	7
Non-operating revenues & expenses	6	8	37
Current profit	77	74	44
Extraordinary item	3	(21)	(273)
Operating profit before tax	80	53	(229)

Having first created then dominated its market for the major part of its lifetime, the Espace, designed and manufactured by Matra Automobile, ceased production in October 2002. In the light of market developments and the anticipated volume of business, Renault has decided to develop and produce the fourth generation Espace on an independent basis.

The entire Avantime range, designed and built by Matra, was marketed by Renault during the first half of 2002. However, sales of this highly original niche vehicle have fallen well short of projections throughout the year.

The commercial development of engineering services for third parties has continued, and the approach to this new market is promising.

Following an 8% fall in 2001, the European market for large MPVs continued to decline in 2002, falling by 15% in relation to 2001.

There are 3 main reasons for this:

- the overall automobile market has declined by 2.9% in 2002 (source : Acea / Les Echos),
- a number of large MPVs are reaching the end of their lifetime and have yet to be replaced,
- the major success of compact MPVs has "poached" a proportion of customers for large MPVs.

After five years at the head of the European market, and bearing in mind that it has been in its final months of production, the 3rd generation Espace ranked in third place with 16% of registrations (source : Renault).

France remains by far the leading country for Espace sales. In our country, there has been no decline in commercial success, with a market share of 44% (source : Renault).

Production volumes for the Espace totalled 32,296 vehicles (over 10 months) as against 59,116 last year: this fall was anticipated during the final months of the lifetime of this vehicle. In total, Matra Automobile will have sold nearly 875,000 Espaces, including 365,000 3rd generation models.

At the same time, Matra Automobile has continued its efforts to implement a multi-product and multi-activity strategy throughout 2002. In the production business, the aim of the company was to replace the Espace with 3 projects: the Avantime, the m72 and a third partnership project.

The investigation of potential partners for the development of a third vehicle has been actively pursued during 2002. However, numerous contacts with various manufacturers have borne no more fruit this year than in previous years. The search for an operator to take over the company's entire activities, and who would be capable of bringing some industrial activity to the Romorantin site, has also been actively pursued throughout 2002, but has not resulted in any concrete offers.

The development of the "m 72", a new 2-seater light vehicle, has continued during 2002. It was intended that this vehicle should be marketed under the Matra name through a network of dealerships, with the Renault network at the forefront. This project, which has faced both technical and commercial difficulties, has also been affected by plant undercapacity associated with the volumes of Avantime production. It was therefore decided that investment should be suspended at the end of 2002.

The marketing of the complete Avantime range, designed and developed by Matra Automobile in association with Renault, proceeded as scheduled during the first half of 2002. However, notwithstanding commercial relaunch initiatives undertaken with Renault between July and the end of 2002, this niche vehicle has been a serious commercial failure. Orders have fallen well short of projections: 15 per day on average between September 2002 and January 2003, representing sales of just 5,363 vehicles in 2002 (in addition to 1,329 in 2001). Although negotiations have been undertaken with Renault in an attempt to resolve the situation, Renault has refused to accept any amendment to the contract between the two companies. This has been a highly problematic situation, given that the break-even point for this vehicle, in accordance with the contractual forecast, was 60 vehicles per day. Losses have been substantial, totalling several thousand euros per vehicle. The continuation of vehicle production under these conditions would, in consequence, have been fatal for the company.

Overall, severe production undercapacity, leading to heavy losses, made the abandonment of production inevitable – as announced in 2003.

At the same time, the strategy for the involvement of third party manufacturers in the provision of vehicle development, design and testing services has continued during 2002. Matra Automobile and its subsidiaries CERAM and D3 achieved in this sector a consolidated turnover of operations totalling € 17.4 M. Contracts concluded with PSA by Matra Automobile in 2001 remained in force in 2002, while new contracts have also been concluded, specifically with Renault. More significantly, a number of responses to invitations to tender are in progress, both in France and abroad. Expansion in this (albeit ancillary in 2002) business may therefore be anticipated in 2003.

The summary of financial data for 2002 reveals turnover in substantial decline in relation to the volume of vehicle production. The operating profit has remained stable, notwithstanding this fall. The exceptional profit has been severely affected by restructuring costs.

In response to the end of Espace production, the company implemented an initial employment protection programme during 2002 as an element of the ongoing policy for forward estimates of staff requirements initiated in 1999. It was the intention of Matra Automobile that a range of measures should be implemented in order to limit the effects of this situation, so far as possible: assistance for voluntary redundancy, early retirement, reduction and adjustment of working hours, higher than contractually agreed severance payments, assistance for redeployment, training, involvement in the industrial regeneration of employment in the area. This welfare programme has therefore been approved by the works council.

The total number of job losses under this programme was 794. However, as a result of the measures described above, this figure includes only 296 compulsory redundancies, including 295 leavers taking up substitute posts. The total cost of this plan and associated measures in 2002 was € 71 M.

At the same time, as part of its strategy for the expansion of engineering services provided to third parties, Matra Automobile has increased its staff of technicians and engineers, including the reinforcement of certain key competencies.



The end of production was announced at the works council meeting of 26th February 2003. The new employment protection plan was implemented forthwith, in consultation with staff representatives. This plan concerns the Romorantin industrial site, where a total of the 945 remaining production jobs are to be lost and only the spare parts operation, which employs 95 staff, is to continue. The Trappes technical and administrative site is also affected – 279 jobs are to be lost and staff are to be reoriented exclusively for the engineering business.

Engineering operations for third parties should increase its turnover in 2003, reaping the benefits of commercial initiatives undertaken in 2002.





III High Technologies

(million euros)

**Profit and loss account
for the high technologies arm**

	2000 ⁽¹⁾	2000 pro forma ⁽²⁾	2001	2002
Turnover	3,806	3,489	4,486	4,339
Operating income	166	68	104	63
Non-operating revenues & expenses	(81)	(66)	(11)	(29)
Current profit	85	2	93	34
Exceptional profit	(32)	(30)	463	(8)
Profit of companies benefiting from the equity method	34	29	18	20
Pre-tax profit of the businesses	87	1	574	46

(1) Data for 33% of Aerospatiale Matra for the first semester and for 15.14% of EADS for the second semester.

(2) In this pro forma presentation, the income statement of EADS integrated for 15.14% replaced the 33% of that of Aérospatiale Matra for the first 6 months of the 2000 fiscal year.

In response to decisions reached at the end of 1999 by the French Government, Lagardère SCA, DaimlerChrysler AG and the Spanish Government (via the holding company SEPI), the three companies Aerospatiale Matra (ASM), DaimlerChrysler Aerospace AG (DASA) and Construcciones Aeronauticas SA (CASA), have amalgamated their operations to form the company EADS N.V.

The organisation of the Group is strictly in accordance with the founding principles of EADS, namely:

■ **Parity principle**

- *In terms of controlling structures: the parity principle is primarily reflected at the level of the French control holding company, which is represented by Sogéade, a limited partnership: the state-owned French company Sogepa holds a 50% capital share in the latter, while the remaining 50% is held by the company Désirade (in which Lagardère currently holds a 74% capital share, the remaining 26% being held by French financial institutions – BNP PARIBAS, AXA – although the transfer of ownership in July 2003 in favour of Lagardère has already been organised in contractual terms). This parity principle is also reflected in the “Partnership” constituted under Dutch law, which has been assigned authority to exercise the voting rights of Sogéade, DaimlerChrysler and SEPI at EADS N.V. shareholders’ meetings, in accordance with their shareholders’ agreement, and in which Sogéade and DaimlerChrysler hold a strictly identical capital share.*

- *At the management level: Sogéade has four representatives on the EADS N.V. Board of Directors, appointed at the proposal of Lagardère, while DaimlerChrysler designates an equal number of representatives. The Board of Directors also includes two independent persons, one appointed by Sogéade and the other by DaimlerChrysler, together with a representative of SEPI.*

The EADS N.V. Board of Directors, which is more specifically responsible for the development of Group strategy, is chaired by two “Chairmen”, respectively Mr Jean-Luc Lagardère (until his death on 14th March 2003) and Mr Manfred Bischoff. The EADS Board of Directors met on 28th March 2003 to ratify, by a unanimous vote of all members present or represented, the appointment of Mr Arnaud Lagardère as Chairman of the Board, to take effect upon his appointment as Director by the next general meeting of EADS, scheduled for 6th May 2003. Executive management is undertaken by two “CEOs” in accordance with the same parity principle, respectively Mr Philippe Camus and Mr Rainer Hertrich.

It should be noted that resolutions of the Board of Directors must be adopted by a majority of 7 of the 11 directors and that, as a result, all major decisions regarding EADS obligatorily require the joint approval of Sogéade and DaimlerChrysler, the only exception consisting of decisions that involve a major change in the CASA industrial plan.

These must, additionally, be approved by the director appointed by SEPI (although this specific entitlement will cease from 8th July 2003).

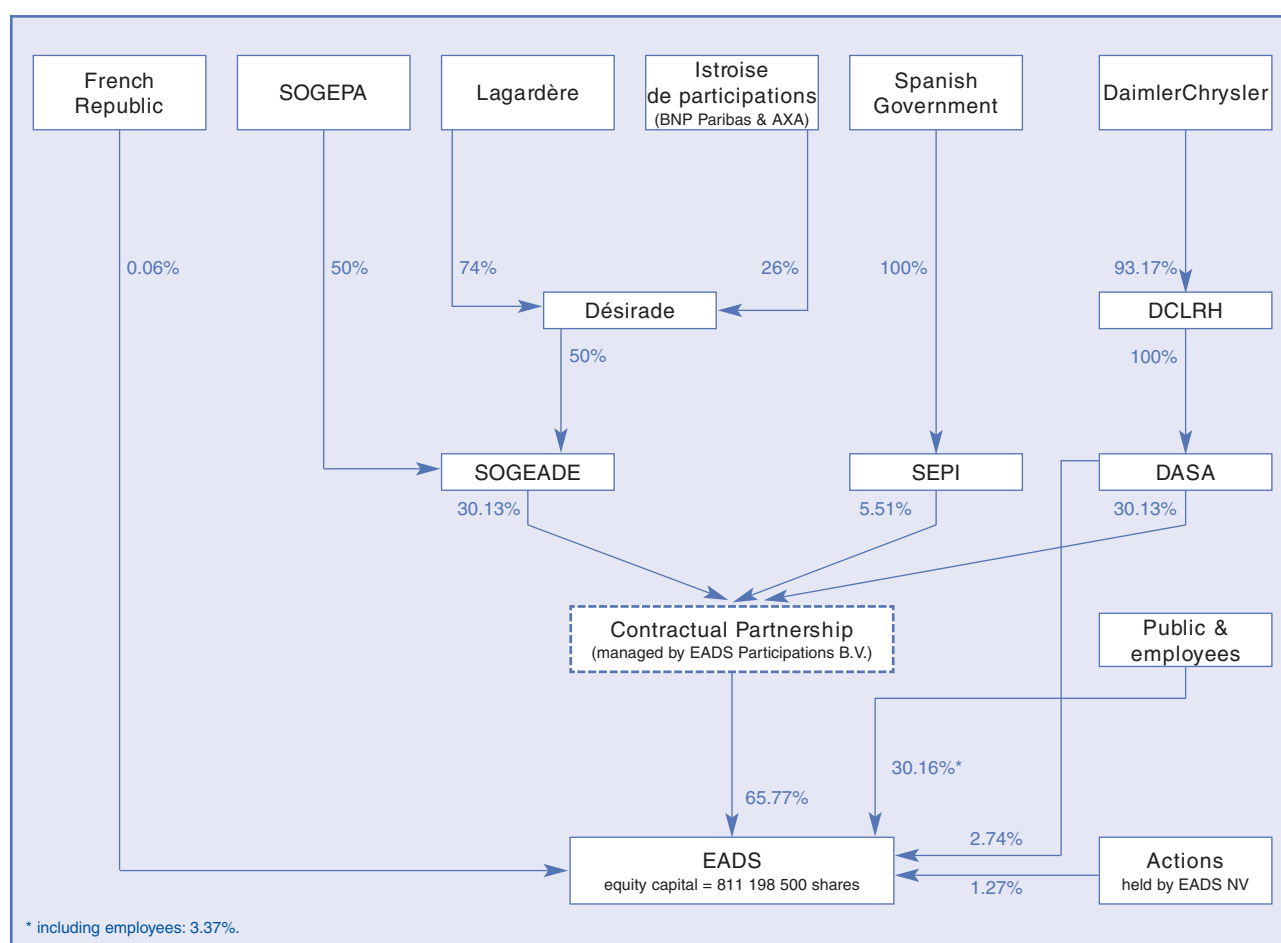
■ Unity principle

- In accordance with the wishes expressed at the time of its establishment, EADS N.V. has only one General Management Division (although this is headed jointly by two “CEOs”), one Financial Division, one Strategy Division, etc.
- The executive board of the EADS N.V. Group, which is jointly responsible with the “CEOs” for the executive management of the Group, comprises 13 members.

Lagardère thus benefits, at all levels of the control structure of EADS, from a system that guarantees first-line access to the management of the whole entity. In addition, this arrangement combines the protection of the rights of Lagardère, made possible by the enforcement of the parity principle, with the effective management of EADS, made possible by the single management unit.

The stability of the control of EADS is ensured by a temporary solidarity principle within the partnership: no shareholder (except the French Government and SEPI) is allowed to sell its EADS shares (those whose right to vote is exercised by the partnership) before July 1, 2003. From that date on, these EADS securities shall be traded freely in the market, subject to a preemptive right between the French holding company and DaimlerChrysler.

EADS N.V. shareholders as at 31st December 2002





Brief overview of the Group's business and situation

With a consolidated turnover of 29.9 billion euros in 2002, in line with forecasts, EADS is the leading aeronautics, space and defence group in Europe and the second-ranked group in the world. The level of orders – € 31 billion – still in excess of turnover, reflects sustained demand for the civil and military products of EADS, notwithstanding difficult market conditions for commercial aircraft and spacecraft. In 2002, 80% of Group turnover was generated by civil operations and 20% by operations in the military sector.

EADS is one of the world's leading two manufacturers of commercial aircraft, civil helicopters, commercial launch rockets and missiles. The Group also holds leading positions in the military transport and combat aircraft, satellite and electronic defence systems sectors.

In 2002, as in the previous year, the global economic recession, exacerbated by the threat of terrorism and the possibility of war in Iraq, has had a significant impact upon air traffic and has had an adverse effect upon the health of airlines, who are the clients for Airbus. Consequently, the market valuation of EADS ended the year 27% down, reflecting market uncertainty with regard to economic recovery.

In the difficult economic climate of 2002, particularly for the civil aviation sector, the management of EADS has pursued its development strategy for the consolidation of the Group's position as one of the two leading global players in all markets.

EADS is continuing to develop its portfolio of products and services, specifically with the intention of restoring the balance of its operations in favour of the defence sector; the aim here is to offset the cyclical nature of the civil market by enjoying the benefits of the more predictable funding associated with government military programmes. An extensive range of products is also conducive to technological synergies and the establishment of inter-divisional opportunities.

EADS aims to increase the share of turnover generated by the defence business to 30% of total turnover. To this end, EADS is continuing to develop major new military projects, which are already on the order books, such as the Eurofighter combat plane, the Tiger and NH90 helicopters and the Aster and Meteor missile programmes, together with the A400M military transport plane project and the supply of secure communication systems using Paradigm, for which contracts are expected to be signed in 2003.

With an extensive portfolio of products and services, EADS has plans for the reinforcement of its global presence on all civil and military aerospace markets. Although EADS already has a strong presence in global markets, with Airbus in the commercial aircraft sector, Eurocopter in the civil and semi-public helicopter markets, MBDA in the tactical missile sector or Astrium in the commercial satellite sector, the Group is now seeking to capitalise on rising global demand for electronic defence and secure communications systems and to develop export markets for products such as Eurofighter.

EADS will continue to establish a local supporting presence in key export markets. The appointment in 2002 of Ralph Crosby as Chairman and CEO of EADS North America and as a member of the EADS executive board underlines the commitment of EADS to the American market. The Group has also extended its operations in the USA with the opening of the Airbus design centre in Kansas and the decision to construct a Eurocopter production plant in Mississippi. This presence has been further consolidated by cooperation agreements concluded with leading American operators in the aerospace and defence sectors, e.g. the agreement with Northrop Grumman on the Eurohawk unmanned drone aircraft programme.

The selection of EADS in June 2002 to take part in the American "deepwater" coastal defence programme demonstrates the effectiveness of transatlantic agreements concluded by EADS and its capacity to meet US tendering requirements in the defence and public safety sectors.

Net liquid assets of EADS total 1.224 billion euros – this is higher than forecast thanks to the control of amounts outstanding for client financing. In 2002, EADS pursued its prudent policy for the coverage of euro/dollar exchange risk. The EADS financial division has also secured competitive and flexible financing facilities. Consequently, EADS has launched a European programme for the issue of eurobonds (EMTN programme – Euro Medium Term Notes), to a total value of 3 billion euros.

Through the success of its cost-saving initiatives, launched in the wake of 11th September 2001, and the increasing contribution of synergies generated by the creation of EADS, the Group has maintained an operating margin in 2002, excluding R&D, close to 12%. Given the anticipated increase in R&D costs, specifically for the A380 programme, the operating income (EBIT pre-goodwill and exceptional items) totalled 1.426 billion euros, slightly higher than the target figure (2001: 1,694 million euros).

Summary presentation

General presentation
Lagardère Media
Automobile
High Technologies
Non-sectoral operations
Other information

At the end of 2002, EADS employed 103,967 persons, as against 102,967 as at 31st December 2001. This increase stems from the rise of new programmes such as the A380, which has created some 3,000 jobs, together with the NH90, the Tiger and the Eurofighter. These increases have been partially offset by readjustments undertaken subsequently to the slowdown

in Airbus production and by staff reductions, both at the EADS head office and within other divisions.

The EADS N.V. Group comprises five major divisions : Airbus, Aeronautics, Military Transport Aircraft, Space and Civil & Military Defence Systems.

EADS Group (million euros)	2001	2002	Variation
Turnover	30,798	29,901	- 3%
Operating income	1,694	1,426	- 16%
Net profit	1,372	(299)	--
Orders taken	60,208	31,009	- 48%
Orders outstanding	183,256	168,339	- 8%
Employees (end of 2001)	102,967	103,967	+ 1%

AIRBUS

Airbus has continued to achieve solid commercial results in 2002 in a difficult market. Airbus has achieved all its self-appointed objectives, largely as a result of its high degree of industrial flexibility and the cost-cutting measures implemented at the end of 2001. Airbus offers a comprehensive and competitive range of aircraft with seating capacity over 100, and is one of the two leading manufacturers in the world.

From its foundation in 1970 up to the end of 2002, Airbus has delivered a total of 3,127 units. With 1,505 units on the order books, Airbus is clearly ahead of its competitor Boeing for the third year running – this portfolio represents 57% of commercial aircraft currently on order throughout the world, as against 54% at the end of 2001. This figure also represents five years of production for Airbus.

As at 31st December 2002, Airbus had 233 orders in its books, after cancellations, representing 57% of the market in terms of units and 54% in terms of value.

With 303 units delivered in 2002, the global market share of Airbus has risen from 15% in 1990 to 44% in 2002, an increase of 6 percentage points over 2001.

Airbus generated turnover of 19,512 billion euros in 2002 and remains highly profitable, with an operating profit of 1,361 million euros (2001 : 1,655 million euros), notwith-

standing the fall in deliveries and the increase of self-financed R&D expenditure for Airbus, which rose by 0.3 billion euros in 2002.

For the second time its history, Airbus has undertaken three certification programmes in tandem, leading to the commissioning of the new high-capacity A340-600, the certification, in the same product range, of the long-haul A340-500 and the completion of key certification stages for the A318. At the same time, the A380 large carrier aircraft has entered the production phase on all the Airbus sites in Europe. When it comes into service in 2006, the A380 will complete the Airbus family and, with 555 seats, will be the largest civil passenger transport plane in the world. A firm order in July 2002 for 10 freight versions of the A380 brings the total number of units ordered to 95. Airbus has also won new customers, such as Air New Zealand, who ordered 15 A320s in July, and the budget carrier easyJet, the fastest-growing airline in Europe, who have ordered 120 A319s (with an option for a further 120).

In the light of current conditions on the civil aviation market, Airbus will maintain the precautionary measures adopted in 2002 and has reinforced the control of customer finance. Assuming no further deterioration in the market, Airbus expects to deliver 300 units in 2003.



MILITARY TRANSPORT AIRCRAFT

The Military Transport Aircraft division designs, produces, and markets small and medium-sized military transport aircraft. It is also in charge of the A400M project, a large capacity military transport aircraft designed to meet the requirements of European armed forces and of a promising export market. The division also produces and sells dedicated aircraft, derived from existing products, for the fulfilment of specialised functions such as marine surveillance or anti-submarine defence.

In 2002, the division achieved turnover of 524 million euros, close to the figure for 2001. Following the confirmation by Germany of its intention to purchase 60 A400Ms, the EADS management is preparing for the official launch of the 2003 programme, to a value of some 18 billion euros. This event should generate substantial growth in turnover in the years ahead. Pending the delivery of this new European aircraft, in around 2008, Lockheed Martin will be the main producer of heavy military transport aircraft.

In terms of small- and medium-capacity military transport aircraft, the division has enjoyed a major export success with the selection of the CN-235, equipped with a state-of-the-art

surveillance system (FITS – Fully integrated tactical system) by the US coastal defence forces as part of the “Deepwater” programme. The division will also be responsible for the maintenance of these units. Amongst other successes, the French airforce has taken up its option for three additional CN235s, while the Colombian navy has ordered two of these aircraft in their marine patrol version. In this sector, the average market share of EADS over the past ten years has been 45%; its main competitors are LMATTS (a joint subsidiary of Alenia and Lockheed Martin) and Antonov.

In the aerostructures sector, the MTA division, a subcontractor of Dornier 728, has been affected by the collapse of Fairchild Dornier. However, other clients of the division, such as Airbus for the A340-600 or the A380, will provide MTA with good prospects for growth.

Overall, EADS is expecting a major upturn in 2003, with an operating profit generated by the A400M, and substantial additions to the division's order books.

AERONAUTICS

The Aeronautics division covers civil and military aircraft operations, including helicopters (Eurocopter), combat planes (Eurofighter), light aeroplanes and regional aircraft (EADS Socata and ATR), together with maintenance and conversion operations (EADS Sogerma Services and EADS EFW), in addition to the aerostructures business.

In 2002, the division recorded turnover of 5,304 million euros, an increase of 5%, mainly as a result of the repeated success of Eurocopter.

Eurocopter confirmed its position at the head of the global civil helicopter market with a 60% market share, and also secured 17% of the export market for military helicopters. Its main competitors in the military sector are Agusta Westland in Europe and Bell Helicopter, Boeing and Sikorsky in the USA. In the civil sector, its main competitor is Bell Helicopter. In 2002, the Group reinforced its extensive range of products and delivered the first EC135 to the civil security services and the French gendarmerie. In the military sector, Eurocopter is preparing to deliver the Tiger and the NH90.

Eurocopter has also reinforced its international presence with new subsidiaries in Romania, Chile and Australia, and the forthcoming establishment of a plant in the USA (Mississippi) in order to facilitate access to the American market for semi-public helicopters.

The division has also orchestrated the rise of the Eurofighter, the high-performance multifunctional combat plane of EADS. The first production models of the Eurofighter have completed numerous test flights in preparation for initial deliveries, which are scheduled for 2003. EADS will now pursue the export potential of this aircraft, and is currently in negotiation with Austria, its first export client. On the global combat aircraft market, Eurofighter faces competition from the USA (Boeing and Lockheed Martin), Europe (Saab, Dassault Aviation) and Russia (Sukhoi).

In the regional aircraft sector, the company ATR Integrated, established in 2001, has delivered 19 units. Two important stages of the conversion programme have been completed;

firstly, the first ATR72-200 to be fully converted for cargo transport has been delivered; secondly, Fedex has selected the ATR as its standard carrier for payloads of 4 – 9 tonnes, representing potential orders for 200 units. EADS Socata has seen a 16% decline in its market share for light aircraft. However, the TBM700 C2 has been well-received and the start of development and production of aerostructures for the A380 and the Falcon 7X will provide a solid base for future growth.

The maintenance operations of EADS Sogerma Services have maintained a stable turnover, notwithstanding the continuing effects of the economic slump since the end of 2001 and increased competition. In 2002, Sogerma nevertheless confirmed its expertise at a total maintenance service provider for an extensive fleet comprising over one hundred units. In the USA, the subsidiary Lake Charles has met its targets through the conclusion of contracts with major airlines to a value of 120 million US dollars. In the interior fittings and

equipment sector, mainly for the A319-CJ, the Airbus business jet, Sogerma has doubled its market share.

In 2002, EADS EFW, the specialised conversion subsidiary of EADS, delivered five A300-600s and one A310 converted for cargo operations. The quality of its technical expertise has been recognised by an award from the German Federal Office for Civil Aviation. Airbus remains a major client of EFW, which has been specifically chosen for the supply of cockpit safety doors for commercial aircraft.

Overall, EADS remains confident of the capacity of the division to reach its targets for 2003, with the support of contributions from the Aeronautics division to the A380 and A400M programmes. Civil operations are expected to remain stable, while the military business should experience further expansion.

SPACE

EADS is the world's third largest supplier of space systems, behind Boeing and Lockheed Martin, and is Europe's largest supplier of satellites, orbital infrastructures and launch rockets.

The division designs, develops and manufactures satellites, orbital infrastructures and launch rockets, largely through its subsidiaries Astrium, EADS Launch Vehicles and its operational unit EADS CASA Space division. EADS also provides launch services, with holdings in Arianespace, Starsem and Eurockot, telecommunication services and terrestrial observation services. In the defence sector, EADS is active in the field of ballistic missiles and, through SODERN, in the field of optronics and space hardware, together with its laser technology operations conducted through CILAS.

In 2002, the Space division generated turnover of 2,216 million euros (2001 : 2.4 billion euros).

In a highly competitive market characterised by a significant surplus of global production capacity, EADS initiated a fundamental reorganisation of the "satellite" operations of Astrium in 2002 with a view to reducing costs and improving efficiency. The Group is also developing synergies with the "launch rocket"

operations of Astrium and the subsidiary EADS LV. A new restructuring plan is to be implemented in 2003. All these measures should allow the division to restore its profitability in 2004.

The withdrawal of BAE Systems from Astrium should allow the management to improve the flexibility and consistency of its management operations. Space operations have been severely affected by the slump in civil telecommunications; however, there are opportunities for growth in the military sector, as witnessed by the preselection by the UK Ministry of Defence of «Paradigm» in June 2002, an entity controlled entirely by EADS which was established for the provision of secure communication services using Skynet 5, one of the new generation of military communication satellites. The signature of the contract is expected in 2003.

Following an international invitation to tender, Astrium has won the contract for the construction of the most powerful civil communications satellite to be operated by Hispasat, Amazonas. Astrium is to provide a complete range of telecommunication services in Brazil, North America and South America, together with a transatlantic link in Europe.



Brief overview of the Group's business and situation

In the navigation sector, European governments have given the go-ahead to the Galileo programme, an entirely European global satellite system proposed jointly by the European Commission and the ESA. The Galileo project, once launched, will represent a total value in excess of 1 billion euros, while Astrium, a 50% shareholder in Galileo Industries, will play a critical role in the design and development of the system, which is expected to be operational in 2008. Finally, Astrium has constructed Envisat, a satellite for the observation of the earth's atmosphere, which was successfully launched on 1st March.

Ariane completed 12 launches in 2002, including 4 launches for Ariane 5, and accounted for 11 of the 15 contractually agreed commercial launches throughout the world in 2002. The most recent launch of Ariane 4 took place early in 2003. The launch of Ariane 5, a version capable of carrying over 10 tonnes, in December 2002, failed in its mission, and all possible resources are now being employed in order to ensure the success of this launch rocket in the near future. The primary objective now is to improve the organisation of the European "launch rocket" business and the reduction of costs, in conjunction with the ESA, national agencies and industrial partners, with a view to improving the competitiveness of the Ariane rocket.

Still in the field of launch rockets, Eurokot Launcher Services, in which Astrium holds a 51% joint share with the Russian

space operator Krunichev, completed two successful launches in 2002, and has concluded contracts for four further launches. Starsem, a company owned jointly by EADS, Arianespace and Russian partners, in conjunction with the ESA and Arianespace, has defined conditions for the launch of Soyuz from Kourou. A final decision is expected at the forthcoming ministerial conference early in 2003.

EADS will play a key role in the development and utilization of the International Space Station. EADS LV is the prime contractor for the development phase of the Automated Transfer Vehicle (ATV), an unmanned transport system for the regular delivery of fuel and other provisions to the ISS. Astrium is also the main supplier for the principal European contribution, Columbus, with an ISS module equipped for zero gravity research – this programme is due to be launched in 2004.

In the defence sector, the M51 new generation submarine missile programme is progressing satisfactorily, with the successful completion of development tests in the course of the year.

Following operational losses in 2001 and 2002, including provisions for restructuring, depreciation and contractual risks, the main priority for 2003 is to undertake a fundamental restructuring of the Space operations of EADS, with a major plan for the reduction of costs. The management anticipates a return to profit in 2004.

CIVIL & MILITARY DEFENCE SYSTEMS

The Civil & Military Defence Systems division (DCS) includes missile system operations (MBDA, 37,5% - owned by the division, and LFK), electronic defence systems and secure communication systems for both civil and military applications. The division also includes service operations, in response to growing demand for military outsourcing. In 2002, the division achieved turnover of 3,306 million euros. Restructuring undertaken over the last two years has borne fruit. The division has realised an operating profit of 40 million euros, following an operating loss of 79 million euros in 2001, and has added to its order book, which now represents 2.5 years of turnover.

The division is structured in four operational units: missile systems (MBDA), systems and defence electronics (EADS Systems and Defence Electronics - S&DE), services (EADS Services) and

telecommunications (EADS Telecom). In the missile system sector in 2002, MBDA, 50% funded by EADS, has continued its process of integration and has confirmed its position as the leading European missile manufacturer, together with its number two global ranking. MBDA posted turnover of approximately 2 billion euros and has over 13 billion euros worth of orders on its books, including major programmes such as the Aster ground-to-air missile, the Storm Shadow/Scalp and the Meteor, for which the contract was concluded at the end of 2002. In the near future, EADS plans to integrate EADS LFK with MBDA - LFK scored major successes in 2002, including the contract for the mass production of the Taurus missile. There are four major industrial operators in the global market for missiles and tactical missile systems: MBDA ranks in second place behind Raytheon, Lockheed Martin and Boeing.

EADS S&DE now occupies a major place in the European market for drones, light tactical missiles or very long range missiles. In this specific field, EADS is working in partnership with the American group Northrop Grumman on the Eurohawk programme. Other contracts awarded include the supply of control and instrumentation systems for the K130 corvette in Germany and weapons control and defence subsystems for the Eurofighter.

EADS has won a contract with Thalès for the supply of control and instrumentation systems to the French airforce, including the integration of existing and second generation systems. The position of EADS in this sector has also been reinforced by contracts for the Tiger and NH90 helicopters.

EADS Services has established itself in the growing market for the subcontracting of military services, such as the management of infrastructures, equipment maintenance, communications and training. EADS Services offers test solutions, support and engineering activities for armed forces and governmental services, including as an operator. In 2002, the acquisition of GFD (Gesellschaft für Flugziieldarstellung), a company which produces aerial target systems, has reinforced the capacity of EADS Services to satisfy its military customers. During 2002, EADS continued its integration in the problematic market for secure telecommunications, with governments deferring any potential orders until 2003. In the public security sector, decisions on major export markets, such as Mexico, have been

delayed. However, there has been progress in other programmes, such as the Acropol network in Paris, which is to be extended throughout France by 2008, and the Spica network in Spain. The UK Ministry of Defence has also signed a contract for the supply of communications hardware to a value in excess of 210 million euros.

European demand for military capacity is expected to increase significantly in the near future – a prospect which will be reinforced by the Franco-German defence initiative. The unique portfolio of complex information gathering and processing systems (intelligence, surveillance, command and control systems - C4ISR), encompassing command, information, communications and reconnaissance hardware represents a major asset for EADS in their mission to meet rising demand. Improved competitiveness should also allow EADS to extend its market presence through the pursuit of transatlantic partnerships associated with NATO initiatives.



IV Non-sectoral activities

The structure of "Non-sectoral activities" encompasses those businesses and financial operations of the Group which do not fall within the scope of the arms described above.

The divisions result covers the following expenses:

- operating costs for the Group's holding companies,
- financial costs associated with the liabilities of the parent company,
- risk provisions.

The balance of these different operations shows a pre-tax loss of € 9 M for the 2002 fiscal year. In 2001, this result included the capital gains (net of charges) realised in January 2001 by the sale of surplus EADS shares to a value of € 210 M.

V Summary of results and other information

Based on the various divisions pre-tax profit, the Groups net profit can be calculated as follows:

<i>(million euros)</i>	2000	2001	2002
Business profit ⁽¹⁾	1,246	753	(199)
Non-sectoral activities	(7)	204	(9)
Profit before minority interests, goodwill, and taxes	1,239	957	(208)
Tax	(457)	(168)	143
Reserves and intangible asset depreciation	(167)	(162)	(222)
Total consolidated net profit	615	627	(287)
Minority interests	(34)	(11)	(4)
Consolidated net profit – Group	581	616	(291)

(1) Sum of the profit of the three arms detailed above: Lagardère Media, Automobile and High Technologies.

- As at 31st December 2002, the "tax" item shows a positive contribution of € 143 M - this represents a profit of € 195 M resulting from the release of provisions for taxes entered in accounts in respect of the capital gains, the taxation of which is deferred, realised by the sale of Club-Internet in April 2000.

This release is justified:

- firstly, and to a value of € 139 M, by the readjustment of provisions to the reduced rate of tax on long-term capital gains (20.2 %), given that provisions were originally constituted on the basis of the current rate of tax (36.43%). Capital gains will be taxed at the time of the sale of T-Online shares received by way of remuneration for this transaction – it has already been established that these shares will not be sold before April 2003, by which time the Group will benefit from the lower rate of tax;
- secondly, in respect of the balance, by the impact of provisions constituted in respect of T-Online shares during the 2002 fiscal year.

- Provisions and intangible fixed asset depreciation totalled € 222 M in 2002; this figure breaks down as follows:

- recurring transfers in respect of goodwill, written off to a value of € 124 M - a € 3 M increase over the 2001 fiscal year – associated with small-scale market entries by the Media arm in 2002 or during 2001 (Octopus, Virgin, etc.) ;
- exceptional depreciation provisions to a value of € 98 M, including € 14 M for EADS and € 78 M in the Lagardère Active business; specifically, a transfer of € 68 M, entered under profits for companies benefiting from the equity method, has been transferred in respect of the shareholding in multiThématiques.

- Minority interests show a net loss of € 4 M for the Group – this breaks down into a positive contribution of € 4 M from the EADS Group, offset by a negative contribution of € 8 M from the Media arm.

VI Group Financing

As at 31st December 2002, transactions generated by Group businesses totalled à € 819 M, as against € 706 M in 2001, an increase which is mainly attributable to the Media arm.

The net flow of investments rose from € 650 M in 2001 to € 2,139 M in 2002, largely as a result of the advance, equal to the purchase price, paid in 2002 under the terms of agreements for the acquisition of VUP (€ 1,180 M) while figures for 2001 benefited, to a value of € 306 M, from income generated by the sale of surplus EADS shares.

Overall, funds consumed by operations in the 2002 fiscal year totalled € 1,320 M.

€ 980 M of resources have been provided by new financing arrangements, mainly in the form of new borrowing by Lagardère SCA (a bond issue to the value of € 768 M exchangeable for T-Online shares and € 525 M drawn from lines of credit provided by the Crédit Syndiqué bank), offset by dividends paid (€ 127 M).

All of these elements, which must be considered net of the impact upon the current cashflow of exchange rates and marginal variations (€ -76 M), have led to a € 416 M reduction in the current cash flow for 2002. As at 31st December 2002, this figure stood at € 1,602 M.

VII Dividende

The managing partners have decided to propose to the general meeting of shareholders the distribution of a dividend of € 0.82 per share (coupled with a tax credit of € 0.41).



Results of Lagardère SCA

Over the last five years

(articles 133-135 and 148 of the decree of 23rd March 1967 on commercial undertakings)

Nature of information	1998	1999	2000	2001	2002
▶ Year-end capital (euros)					
a) Share capital	731,513,645	747,300,381	838,916,807	845,878,899	849,229,824
b) Ordinary shares outstanding	119,960,374	122,549,229	137,573,338	138,668,672	139,218,004
c) Maximum number of future shares to be created by the exercise of options for share subscription	6,356,654	5,903,509	6,319,495	5,890,385	5,203,803
d) Maximum number of future shares to be created by the conversion of bonds	-	-	-	-	-
e) Number of future shares to be created by the exercise of scrip certificates	-	-	-	-	-
▶ Operations and result for the year (1,000 euros)					
a) Turnover net of taxes	5,356	5,356	23,377	744	926
b) Result before tax and calculated charges (depreciation and provisions)	495,624	57,526	194,606	(119,935)	(72,115)
c) Company tax	98,130 ⁽¹⁾	44,980 ⁽¹⁾	66,127 ⁽¹⁾	104,517 ⁽¹⁾	53,316 ⁽¹⁾
d) Result after tax and calculated charges (depreciation and provisions)	579,020	97,027	1,098	96,475	(65,952)
e) Earnings allotted to shareholders	92,691	94,936	106,989	110,839	(note 2)
▶ Earnings per share (in euros)					
a) Result after tax, but before calculated charges (depreciation and provisions)	4.95	0.84	2.00	(0.11)	(0.14)
b) Earnings after taxes and calculated expenses	4.83	0.80	-	0.70	(0.47)
c) Dividend per share	0.78	0.78	0.78	0.82	(note 2)
▶ Personnel					
a) Average headcount	-	-	-	-	-
b) Total emoluments for the year	-	-	-	-	-
c) Sums paid under the terms of welfare schemes for the year	-	-	-	-	-

(1) Primarily tax integration bonuses.

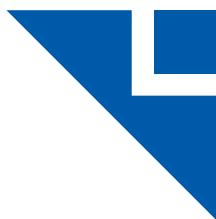
(2) The distribution of a dividend of 0.82 euros per share shall be proposed at the General Meeting.

LAGARDERE SCA

A limited partnership with shares with a share capital of € 849 229 824

Registered office 4, rue de Presbourg PARIS 16^e (75), France

320 366 446 R.C.S. PARIS – SIRET : 320 366 446 00013



Admission card application

General and special combined meeting

Tuesday 13th May 2003 at 10 a.m.

at the Carroussel du Louvre

99, rue de Rivoli - 75001 PARIS, France.

I the undersigned:

wish to attend this meeting in person and hereby enter the identification number shown in the top right hand corner of the voting form:

Identification no.:

Established inon2003

Signature :

This application should be returned to LAGARDERE-SOCIETES using the prepaid envelope attached.

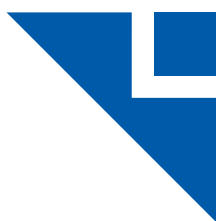


LAGARDERE SCA

A limited partnership with shares with a share capital of € 849 229 824

Registered office 4, rue de Presbourg PARIS 16^e (75), France

320 366 446 R.C.S. PARIS – SIRET : 320 366 446 00013



Application for the submission of documents and information General and special combined meeting*

Tuesday 13th May 2003 at 10 a.m.

at the Carroussel du Louvre

99, rue de Rivoli - 75001 PARIS, France

I the undersigned:

Last name and first name:

Address:

.....

ID number indicated in the upper right-hand corner of the voting form:

.....

would like LAGARDERE SCA, in accordance with Article 138 of the order of March 23, 1967, to send me the documents and information set out in Article 135 of said order, in order for me to prepare the May 13, 2003 general meeting.

Established in on 2003

Signature :

NOTE: Under item 3 of Article 138 of the order of March 23, 1967, shareholders holding registered securities may, upon mere request, obtain from the Company the documents listed in Article 135 of said order on the occasion of each subsequent shareholder meeting.

This request is to be returned to LAGARDERE-SOCIETES using the business reply envelope attached.

* In accordance with statutory provisions,
the combined general meeting will convene
for an initial session on

Monday 5th May 2003 at 10 a.m.,

121 avenue de Malakoff, Paris 16^e (75).

The meeting is likely to be unable

to deliberate on this date,

due to the lack of quorum.

Under these conditions, it shall therefore convene
for a second session on Tuesday 13th May 2003.



LAGARDERE

