LAGARDERE

25 March 2005

Convening notice

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

Combined General Meeting*
of Lagardère SCA

On Tuesday 10th May 2005 at 10:00 a.m.

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

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

* In accordance with legal provisions, the Combined General Meeting will convene for an initial session on Wednesday 27th April 2005 at 10:00 a.m., at 121 avenue de Malakoff, Paris 75016, France. 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 10th May 2005.

This English version of Lagardère convening notice has been prepared for the convenience of the English Language readers. It is a translation of the original "Avis de convocation". It is intented for general information only and should not be considered as completely accurate owing to the unavailability of English equivalents for certain French legal terms.

How to take part in the General Meeting?

To take part in the meeting:

Shareholders must be registered in the Company's registered accounts at least five days 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 LAGARDÈRE SCA securities department , ARLIS - 6, rue Laurent-Pichat, Paris 75016, France.

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

ARLIS
6, rue Laurent-Pichat
75216 PARIS CEDEX 16 - FRANCE

If you are unable to attend the meeting in person:

You may choose between one of the four following 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 enclosed to this convening.

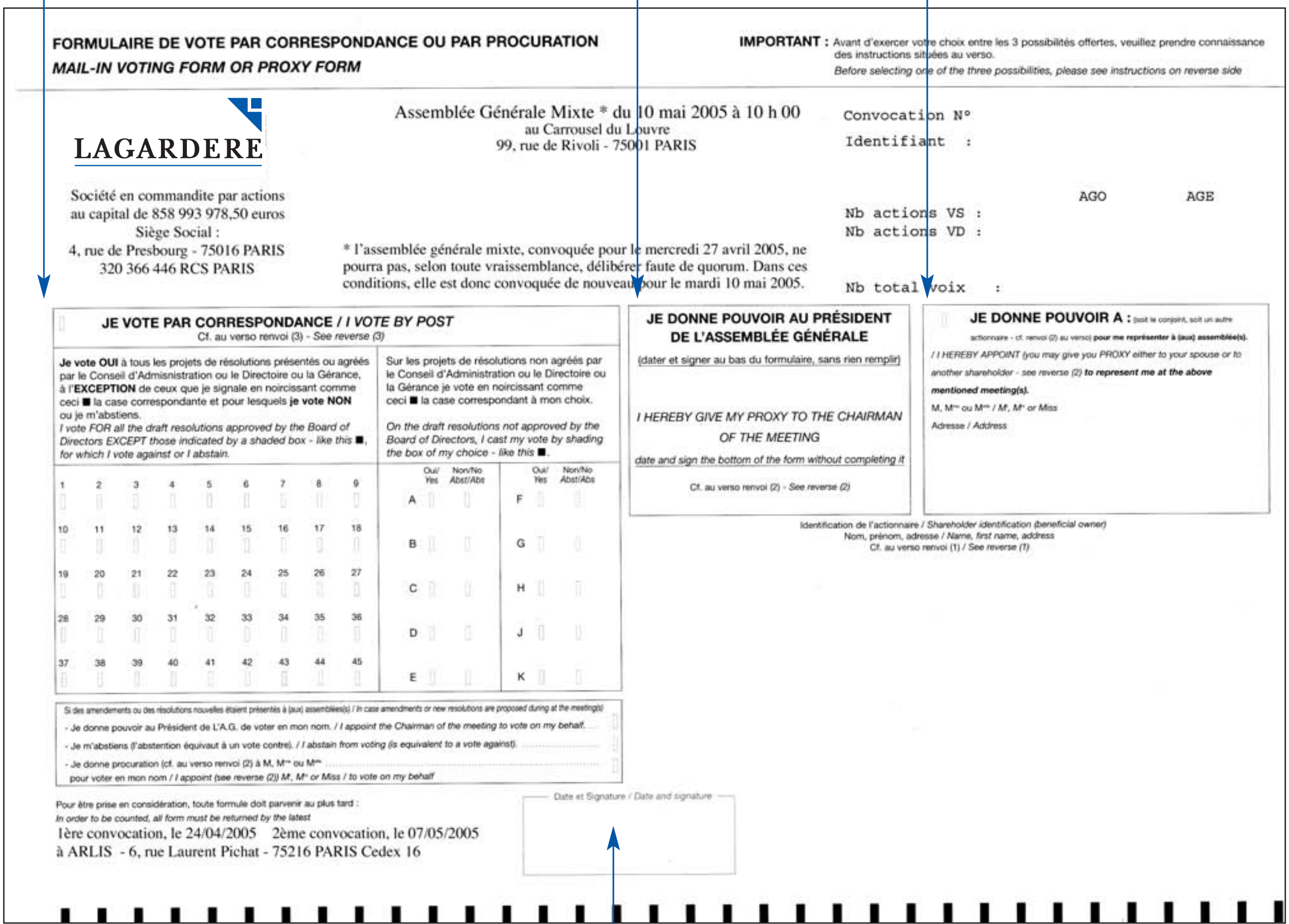
Mail votes shall be considered only if duly completed forms are delivered at the headquarters or at the Company's securities department, at the address indicated above, three days at least before the date of the meeting.

How to complete your voting form?

If you wish to vote by mail:
shade here
and follow the instructions.

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

If you wish to appoint as proxy a named person,
who will be present at the Meeting:
shade here
and write down the details (name, surname, address) of this person.



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 858 993 978,50 euros
Siège Social :
4, rue de Presbourg - 75016 PARIS
320 366 446 RCS PARIS

Assemblée Générale Mixte * du 10 mai 2005 à 10 h 00
au Carrousel du Louvre
99, rue de Rivoli - 75001 PARIS

* l'assemblée générale mixte, convoquée pour le mercredi 27 avril 2005, ne pourra pas, selon toute vraissemblance, délibérer faute de quorum. Dans ces conditions, elle est donc convoquée de nouveau pour le mardi 10 mai 2005.

Convocation N°
Identifiant :

	AGO	AGE
Nb actions VS :		
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'Admisnistration ou le Directoire ou la Gérance, à l'**EXCEPTION** de ceux que je signale en noircissant 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.

1	2	3	4	5	6	7	8	9
10	11	12	13	14	15	16	17	18
19	20	21	22	23	24	25	26	27
28	29	30	31	32	33	34	35	36
37	38	39	40	41	42	43	44	45

Sur les projets de résolutions non agréés par le Conseil d'Administration ou le Directoire ou la Gérance je vote en noircissant 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 ■.

	Oui/ Yes	Non/No Abst/Abs		Oui/ Yes	Non/No Abst/Abs
A			F		
B			G		
C			H		
D			J		
E			K		

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 you PROXY either to your spouse or to another shareholder - see reverse (2) ***to represent me at the above mentioned meeting(s).***
M, Mme ou Mlle / *Mr, Mrs 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)*

Si des amendements ou des résolutions nouvelles étaient présentés à (aux) assemblée(s) / *In case amendments or new resolutions are proposed during at 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, Mme ou Mlle
pour voter en mon nom / *I appoint (see reverse (2)) Mr, Mrs 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
1ère convocation, le 24/04/2005   2ème convocation, le 07/05/2005
à ARLIS - 6, rue Laurent Pichat - 75216 PARIS Cedex 16

Date et Signature / *Date and signature*

Whatever your choice may be: please date and sign here.

Agenda

Ordinary and Extraordinary
Combined Annual General Meeting

- **Report by the managing partners** (management report on the Company's activities during the year and on the annual financial statements of the year ended on 31 December 2004).
- **Report of the Supervisory Board**
- **Reports of the Auditors** on their audit of the consolidated corporate financial statements, and on the agreements mentioned in article L 226-10 of the *Code de commerce* (the French Commercial Code).
- **Auditors' special report** on the financial authorisations to be granted to the managing partners.
- **Special report of the managing partners** on stock options and share purchase options.
- **Report by the Chairman of the Supervisory Board** about the organisation of the Board and internal control procedures.
- **Special report of the auditors** concerning internal control procedures.
- **Approval of corporate financial statements** for the year ended on 31 December 2004.
- **Approval of consolidated financial statements** for the year ended on 31 December 2004.
- **Transfer of the amounts in the special reserve for long-term capital gains** to an optional reserve account and transfer to retained earnings of a sum equal to the mandatory exceptional tax on the special reserve for long-term capital gains.
- **Appropriation of income** and distribution of dividends.
- **Approval of the agreements** mentioned in article L 226-10 of the *Code de commerce* (the French Commercial Code).
- **Authorisation for the managing partners** to trade in the Company's shares.
- **Renewal of a permanent statutory auditor** and appointment of a new substitute auditor.
- **Non-replacement of a permanent statutory auditor** and his substitute auditor.
- **Authorisation to be granted to the managing partners** to issue complex securities that will not grant access to the capital of the Company.
- **Authorisation to be granted to the managing partners** to issue ordinary shares and securities with pre-emptive rights that give immediate or future access to the capital of the Company.
- **Authorisation to be granted to the managing partners** to issue ordinary shares and securities without pre-emptive rights that give immediate or future access to the capital of the Company.
- **Authorisation to be granted to the managing partners** to increase the amount of issues decided in the event of excess demand.
- **Authorisation to be granted to the managing partners** to issue ordinary shares and securities of all kinds intended to pay for securities contributed to an exchange offer or a contribution in kind.
- **Authorisation to be granted to the managing partners** to increase the share capital by capitalisation of reserves or premiums and allotment of scrip issues or increase in the nominal value of existing shares.
- **Authorisation to be granted to the managing partners** to issue shares to be subscribed by the Lagardère Group employees as part of the Group savings plan.
- **Authorisation to be granted to the managing partners** to allocate scrip issues to employees of the company and companies affiliated with it.
- **Overall limit of €300 million** for capital increases and €2.5 billion for authorised debt securities.
- **Authorisation to be granted to the managing partners** to reduce capital through the cancellation of shares acquired under the share buyback programme.
- **Powers to carry out formalities.**

Draft resolutions
presented by the managing partners

First resolution

Approval of consolidated financial statements for the 2004 fiscal year

The 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 financial statements for the financial year ended on 31 December 2004, as drawn up and presented.

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

Second resolution

Approval of consolidated financial statements

The 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 statements for the financial year ended on 31 December 2004, approves the said accounts as drawn up and presented to it.

Third resolution

Transfer of the special long-term capital gains reserve to the optional reserve as required by law

The Ordinary General Meeting, being notified of the deduction on 31 December 2004, of a sum of €3,049,432 from retained earnings, in accordance with the provisions of article 39 of the 2004 amendments to the Law of Finance and notice no. 2005-A of the National Accounting Council (*Conseil National de la Comptabilité*), corresponding to the amount of the mandatory exceptional tax of 2.5% on the long-term capital gains special reserve imposed by the provisions of the above-mentioned law, resolves, in accordance with these provisions:

- to transfer the amount of the long-term capital gains special reserve, representing the sum of €120,220,945.95 to the optional reserve;
- to deduct from this optional reserve the sum of €3,049,432, which will be credited to retained earnings.

Fourth resolution

Appropriation of earnings; fixing of the common share dividend at €1; distribution of an exceptional dividend of €2

	(in euros)
The Ordinary General Meeting notes that the net income for the financial year corresponds to a profit of	**131,630,706.96**
which, in view of retained earnings of	**192,342,447.58**
yields a distributable net income of	**323,973,154.54**

It has resolved, in accordance with the articles of association, to deduct a sum of €3,818,730 from the profit, which is equal to 1% of the Group share of consolidated net income as statutory dividends to its general partners. This dividend will be entitled to the 50% tax rebate referred to in article 158.3.2 of the General Tax Code for individuals who are subject to income tax in France.

Based on a proposal from the managing partners, the General Meeting resolves to pay a dividend of €1 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 dividend will be deducted from the share on 19 May 2005 and paid as from that date to holders of registered shares or to their qualified representatives, by check or by bank transfer.

The Ordinary General Meeting also decides, upon the recommendation of the managing partners, to pay an exceptional dividend of €2 per share, which will be deducted from the distributable profit. The balance will be deducted from the optional reserve as provided by this meeting, on the understanding that:

- shares created as a result of the stock option before the date of deduction of this exceptional dividend shall be entitled to this dividend;
- shares that may be held by the Company at the date of deduction of the exceptional dividend shall not be entitled to this dividend.

The exceptional dividend will be deducted from the share on 6 July 2005 and paid as from that date to holders of registered shares or to their qualified representatives, by check or by bank transfer.

The annual and exceptional dividends will qualify for the 50% tax rebate granted only to individuals who are subject to income tax in France in accordance with the provisions of article 158.3.2 of the General Tax Code.

It must be noted that the sums of the dividends paids relating to the last three financial years as well as the tax credits accruing to them, are set out as follows:

(in euros)	**2003**	**2002**	**2001**
Dividend paid to shareholders	0,90	0,82	0,82
Tax credit	0.45	0.41	0.41
Global dividend	1.35	1.23	1.23
Total dividend	122,815,095.30	111,226,519.54	110,838,916
Dividend paid to general partners	3,339,000	-	6,160,717
Total	**126,154,095.30**	**111,226,519.54**	**116,999,633**

Fifth resolution

Approval of regulated agreements

The Ordinary General Meeting, after hearing the statutory auditors' Special Report concerning the agreements referred to in Article L. 226-10 of the *Code de commerce* (the French Commercial Code), approves this report in all its parts as well as all the agreements contained therein.

Sixth resolution

Authorisation to be granted to the managing partners to trade in the Company's shares for a period of eighteen months

The Ordinary General Meeting, after being notified of the managing partners' report and the specific offer documents signed by the Autorité des Marchés Financiers on the share buyback programme, and pursuant to the provisions of article L. 225-209 of the *Code de commerce* (the French Commercial Code) and European Commission regulation no. 2273/2003 of 22 December 2003, authorises the managing partners to purchase a number of LAGARDÈRE SCA shares representing up to 10% of the Company's current capital. This corresponds to a maximum number of 14,104,285 shares on the basis of the capital as of 28 February 2005, for a maximum amount of seven hundred million (700,000,000) euros, under the conditions and according to the terms below.

The maximum purchase price per share will be 80 euros. This amount will be, if necessary, adjusted in the event of operations on share capital, particularly in the event of incorporations of reserves, profits and premiums, scrip issue, division or grouping of shares.

The managing partners may use this authorisation to reach the following objectives in particular:

- reduction of capital by cancelling all or part of the shares acquired, subject to the authorisation of this Meeting;
- delivery or exchange of shares during the exercise of rights attached to securities that entitle the holder, in any manner whatsoever, to be allotted Company shares;
- allotment of shares to beneficiaries of stock options who exercise their right;
- allotment of free shares to the employees of the Company and affiliated companies;
- allotment of shares to employees under employee profit-sharing schemes;
- any other allotment of shares to employees of the Company and affiliated companies under the conditions defined by the applicable legal provisions;
- animation and regulation of the Company's share market within the framework of liquidity agreements entered into with an independent investment service provider, the terms of which will comply with an ethical charter recognised by the AMF;
- keeping the shares and delivering them later in exchange or in payment for any external growth operations that may so require.
- and more generally, realisation of any operation in compliance with the regulations, and particularly with the Market Practices, as permitted by the AMF.

These shares may be acquired, assigned or transferred at any time, in compliance with the regulations and by any means, including, as appropriate, on the market or amicably, through the acquisition or selling of blocks, the use of derivative products, or the implementation of optional strategies.

The General Meeting grants full powers to the managing partners to decide, in accordance with legal and regulatory provisions, the implementation of this authorisation, enter into all agreements, carry out all formalities and generally take all the necessary steps to implement this resolution.

The authorisation thus granted to the managing partners is valid for a period of eighteen months, starting from this meeting. It cancels and supersedes the authorisation granted on 11 May 2004.

Seventh resolution

Renewal of a permanent statutory auditor and appointment of a new substitute auditor

The Ordinary General Meeting, having noted that the term of the statutory auditor, the auditing firm SCP Barbier Frinault & Autres and that of the substitute auditor, Mr Alain Grosmann should end at the conclusion of this Meeting, resolves to renew the appointment of the statutory auditor SCP Barbier Frinault & Autres for a period of six financial years, and that of Mr Gilles Puissochet as substitute auditor for the same period.

Eighth resolution

Non-replacement of the mandate of a statutory auditor and his substitute auditor

The Ordinary General Meeting, having noted that the term of the statutory auditor Mr Alain Ghez and that of the substitute auditor Mr Charles-Éric Ravisse will come to an end at the conclusion of this general meeting, and having noted that the persons concerned did not ask for their mandates to be renewed, resolves not to replace them.

Ninth resolution

Authorisation to be granted to the managing partners to issue, for a period of twenty-six months, securities that only give or can only give immediate or future access to debt securities and/or a share of the capital of companies other than Lagardère within a limit of €2.5 billion for consequent loans

The Extraordinary General Meeting after being notified of the reports of the managing partners and the supervisory board and the special report of the statutory auditors and in accordance with the provisions of articles L.225-129-2 and L.228-91 et seq. of the *Code de commerce* (the French Commercial Code):

- authorises the managing partners to issue, in one or more issues, in proportions and at times that it shall deem necessary, in France, outside France or on international markets, all securities that only lead and/or may only lead immediately or in the future, through conversion, exchange, redemption, presentation of a bond or through any other means, to the attribution of debt securities and/or a share of the capital of companies other than Lagardère SCA;
- resolves that the nominal amount of debt securities that could be issued in application of this delegation may not exceed two billion and five million (2,500,000,000) euros or the equivalent value of this amount in the event of the issue in foreign currency or in units of account that are fixed in reference to several currencies;
- resolves that the managing partners shall have all the powers needed to implement this delegation, and in particular, to:
  - fix issue prices and conditions, the amounts to be issued, the dates and conditions of issue, the form and characteristics of the securities to be issued and the securities that are entitled or that can be entitled by these, in particular their nature, their date of entitlement even retrospective, the conditions in which they are exercised, their mode of payment, conditions and terms of their redemption or their accelerated redemption;
  - if necessary, make provisions for the conditions of their repurchase on the Stock Exchange, the possibility of suspending any related allotment rights for a period not exceeding three months;
  - carry out, as may be necessary, all the formalities needed to list these securities on the Stock Exchange;
  - generally, enter into all agreements, make any undertakings and carry out all the necessary steps to successfully carry out the projected issues;
- resolves, for debt securities that have been issued or are to be issued, that the managing partners shall have all powers to decide in particular, whether or not they are subordinated, fix their interest rate, their duration, their redemption price, whether or not they are fixed, are with or without a premium, their redemption mode, arrangements for their amortisation depending on market conditions, and the conditions that are granted, or may be granted by these securities, to the attribution of debt securities on the issuing Company and/or to the share of the capital of companies other than the issuing Company.

The delegation thus granted to the managing partners is valid for a period of twenty-six months beginning from this meeting.

Tenth resolution

Authorisation to be granted to the managing partners, for a period of twenty-six months, to issue with pre-emptive right, shares and securities, giving access to the capital of the Company, within a limit of €300 million for capital increases and €2.5 billion for debt securities

The Extraordinary General Meeting after being notified of the reports of the managing partners and the supervisory board and the special report of the statutory auditors, and in accordance with the provisions of articles L.225-129-2 and L.228-92 of the *Code de commerce* (the French Commercial Code):

- authorises the managing partners to increase the share capital, in one or more issues, in the proportion and at periods it deems fit, by issuing, in France and abroad, the Company's common shares as well as all securities of any kind which give or can give immediate or future access, by all means, and particularly through debt securities, to the capital of the Company;
- resolves that the total amount of the capital increases that could be carried out immediately or in the future, may not exceed a nominal value of three hundred million (300,000,000) euros. This amount may be increased by the nominal value of additional shares to be issued to preserve the rights of holders of securities that give right to the Company's shares, in accordance with the law;
- also resolves that the nominal amount of debt securities liable to be issued in application of this delegation of authority may not exceed two billion and five million (2,500,000,000) euros or the equivalent value of this amount in the event of the issue in foreign currency or in units of account that are fixed in reference to several currencies.
- resolves that pursuant to the law, shareholders will have a pre-emptive right to the subscription of securities issued by virtue of this delegation of authority;
- resolves that in the event that subscriptions as of right, and where applicable, subscriptions for excess shares, do not completely absorb an issue, the managing partners may, in addition to the options provided by law, offer the public all or part of unsubscribed securities.

Pursuant to the above-mentioned legal provisions, the managing partners will have all the powers required to determine the terms and conditions of issue, ascertain the resulting increases in capital and amend the articles of association accordingly.

This delegation of authority is valid for a period of twenty-six months beginning from this meeting.

Eleventh resolution

Authorisation to be granted to the managing partners, for a period of twenty-six months, to issue without pre-emptive right, shares and securities, giving access to the capital of the Company, within a limit of €300 million for capital increases and €2.5 billion for debt securities

The Extraordinary General Meeting after being notified of the reports of the managing partners and the supervisory board and the special report of the statutory auditors, and in accordance with the provisions of articles L 225-129-2, L. 225-135 and L. 228-92 of the *Code de commerce* (the French Commercial Code):

- authorises the managing partners to increase the share capital, in one or more issues, in the proportion and at periods it deems fit, by issuing, in France and abroad, the Company's common shares as well as all securities of any kind which give or can give immediate or future access, by all means, and particularly through debt securities, to the capital of the Company;
- resolves that the total amount of the capital increases that could be carried out immediately or in the future, may not exceed a nominal value of three hundred million (300,000,000) euros. This amount may be increased by the nominal value of additional shares to be issued to preserve the rights of holders of securities that give right to the Company's shares, in accordance with the law;
- also resolves that the nominal amount of debt securities liable to be issued in application of this delegation of authority may not exceed two billion and five million (2,500,000,000) euros or the equivalent value of this amount in the event of the issue in foreign currency or in units of account that are fixed in reference to several currencies;
- resolves to waive the shareholders' pre-emptive rights to the securities to be issued, by virtue of this delegation, on the understanding that the managing partners may grant shareholders a period of subscription priority on all or part of the issue. The duration of this period will be defined according to legal provisions;
- resolves that the issue price of the shares to be issued may not be lower than the price defined by the legal provisions, namely the weighted average of the price of the LAGARDÈRE SCA share price quoted for the three trading sessions preceding the day of the fixing of the price, minus a maximum discount of 5% if necessary, in the case of the issue of securities that give immediate or future access to the Company's shares. The issue price of these shares will be calculated in such a way that the sum received immediately by the Company during the issue, plus, any sum that it may subsequently receive, be at least equal, for each share issued for the issue under consideration, to the minimum price defined by the legal provisions and mentioned above.

Pursuant to the above-mentioned legal provisions, the managing partners will have all the powers required to determine the terms and conditions of issue, ascertain the resulting increases in capital and amend the articles of association accordingly.

This delegation of authority is valid for a period of twenty-six months beginning from this meeting.

Twelfth resolution

Authorisation to be granted to the managing partners to increase the amount of issues decided in the event of excess demand

The Extraordinary General Meeting, after being notified of the reports of the managing partners, the supervisory board and the special report of the statutory auditors, authorises the managing partners, in accordance with the provisions of article L. 225-135-1 of the *Code de commerce* (the French Commercial Code), should it observe an excess demand during the issue of securities decided upon by virtue of the delegations mentioned in the foregoing resolutions, to increase within thirty days after the end of the subscription, the number of securities to issue within the limit of 15% of the initial issue and within the limit of the total ceiling of three hundred million (300,000,000) euros specified in said resolutions, the issue price of the securities considered remaining unchanged.

Thirteenth resolution

Authorisation to be granted to the managing partners, for a period of twenty-six months, to issue shares and securities giving access to the capital of the Company and intended to pay for the securities contributed to an exchange offer or a contribution in kind, within a limit of three hundred million (300,000,000) euros for capital increases and two and a half billion (2,500,000,000) euros for debt securities

The Extraordinary General Meeting, after being notified of the reports of the managing partners and the supervisory board and the special report of the statutory auditors:

1. authorises the managing partners, pursuant to the provisions of articles L. 225-129-2 and L. 228-92 of the *Code de commerce* (the French Commercial Code), to increase the company's capital in one or more issues, of a maximum nominal value of three hundred million (300,000,000) euros, by the issue of shares or securities giving access or that may give access to the capital of the Company, in consideration for securities contributed to an exchange offer or a mixed offer on the securities of another company the shares of which are listed for trading on a stock exchange of a State that is a party to the agreement on the European Economic Area or member of the Organisation of Economic Cooperation and Development;

2. authorises the managing partners, pursuant to the provisions of articles L.225-129.2, L.228-92 and L. 225-147 of the Commercial Code, to increase the company's capital in one or more issues, of a maximum nominal value of eighty-five million (85,000,000) euros, by the issue of shares or securities giving access or that may give access to the capital of the Company in consideration for a contribution in kind of stock securities or securities that give access to the capital of another company, given that the provisions of the above-mentioned article L. 225-148 are not applicable;

3. resolves to revoke the pre-emptive rights of shareholders to the above-mentioned securities;

4. also resolves that the nominal amount of debt securities issued in application of this authorisation may not exceed two billion and five million (2,500,000,000) euros or the equivalent value of this amount in the event of the issue in foreign currency or in units of account that are fixed in reference to several currencies.

As established by the above-mentioned legal provisions, the managing partners will have the authority required to set the terms and conditions of the issues, to ascertain the effectivity of the resulting capital increases, if any, and to proceed with the correlative modification of the articles of association.

This delegation is valid for a period of twenty-six months beginning from this meeting.

Fourteenth resolution

Authorisation to be granted to the managing partners, for a period of twenty-six months to increase the share capital, by capitalisation of reserves, or premiums and scrip issues or increase in nominal value, within the limit of three hundred million (300,000,000) euros

The General Meeting, ruling with the quorum and majority needed for Ordinary Meetings, after being notified of the reports of the managing partners and the supervisory board and in accordance with the provisions of articles L.225-129-2, L.228-92 and L.225-130 of the Commercial code:

- authorises the managing partners to increase, in one or several issues, the share capital within a limit of a maximum nominal amount of three hundred million (300,000,000) euros, an autonomous amount with respect to the ceiling established by the eighteenth resolution, by the incorporation of reserves, profits and/or premiums, through the creation and free allotment of equity securities or by increasing the nominal values of the existing shares or by the combined use of the two procedures;
- resolves that fractional shares will be neither negotiable nor transferable, and that the corresponding equity securities will be sold. The sums from the sale will be allocated to rights holders no later than thirty days after the date on which the whole number of granted shares is registered on their account.

Pursuant to the above-mentioned legal provisions, the managing partners will have all the powers required to determine the terms and conditions of the operations, ascertain the resulting increases in capital and amend the articles of association accordingly.

This delegation of authority is valid for a period of twenty-six months beginning from this Meeting.

Fifteenth resolution

Authorisation to be granted to the managing partners, for a period of twenty-six months, to issue shares reserved for employees of the Lagardère Group under the Group employee savings fund, within the limit of thirty million (30,000,000) euros

The Extraordinary General Meeting after being notified of the reports of the managing partners and the supervisory board and the special report of the statutory auditors and in accordance with the provisions of articles L.225-129-2, L.225-138 and L.225-138-1 of the *Code de commerce* (the French Commercial Code) and articles L.443-1 et seq. of the Labour Code:

- authorises the managing partners to increase the share capital, in one or several issues, in the proportion and at periods it deems fit, by issuing, in France and abroad, the Company's common shares within the limit of a maximum nominal value of thirty million (30,000,000) euros;
- resolves to revoke the pre-emptive right of holders of the shares to be issued in favour of the Company's employees and those of affiliated groupings within the meaning of article L. 225-180 of the Commercial Code who contribute to a corporate savings plan and/or a voluntary employee partnership savings plan for retirement;
- resolves that the subscription price of the shares to issue may not exceed the average of the prices quoted for the twenty trading sessions preceding the day of the decision of the managing partners to set the opening date of subscription, nor be less than 20% of this average or 30% if the freeze period specified by the plan in accordance with article L. 443-6 of the Labour Code were to be higher than or equal to ten years. The managing partners may reduce the amount of the discount on a case by case basis, in particular for certain foreign employees in order to comply with legal and regulatory constraints, notably tax, accounting or labour constraints applicable in the countries of operation of the companies of the Lagardère Group participating in the capital increase in question;
- authorises the managing partners to allot bonus LAGARDÈRE SCA shares or other securities giving access to shares that have been issued or are to be issued, in accordance with the provisions of the 4th paragraph of article L.443-5 of the Labour Code;

The General Meeting empowers the managing partners, within the limits specified above, to set the terms and conditions of implementation of the capital increase or increases and/or allotments that will be decided by virtue of this delegation, in particular, to:

- define the criteria that companies within the consolidation scope of the group must meet to enable their employees to benefit from the capital increases authorised above;
- set the conditions, in particular seniority, to be met by beneficiaries of the shares that are issued or to be issued, and in particular, decide whether the shares may be subscribed individually by employees who contribute to a group or company savings plan or a voluntary employee partnership savings plan or through investment funds of the company or other structures or entities recognised by the applicable legal or regulatory provisions;
- set the terms and conditions of the issues and allotments and in particular, define the number of shares to issue or allot, the issue price within the limits defined above and the opening and closing dates of subscription;
- in the event of the allotment of shares or securities granting access to the company's capital, choose, to totally or partially replace the allotment of these shares at the maximum discounts specified above with the determining of the issue price, allocate the equivalent of these securities to the additional amount paid by the company, or combine the two possibilities;
- ascertain the realisation of the capital increase or increases up to the limit of the amount of shares that are actually subscribed or issued and amend the articles of association accordingly;
- if necessary, allocate the expenses corresponding to these capital increases to the amount of premiums that will be associated with them and deduct from this amount the sums required to bring the legal reserve to a tenth of the new capital resulting from the capital increase;
- and generally take all the necessary steps to complete the capital issue or issues.

The delegation of authority thus granted to the Managing Partners is valid for a period of twenty-six months beginning from this Meeting.

Sixteenth resolution

Authorisation to be granted to the managing partners for a period of thirty-eight months to allocate scrip issues to employees of the company and companies affiliated with it within the limit of 1% of the Company's capital

The Extraordinary General Meeting, after being read the reports of the managing partners and the supervisory board as well as the special report of the statutory auditors, and pursuant to the provisions of articles L.129-2 and L. 225-197-1 et seq. of the *Code de commerce* (the French Commercial Code):

- authorises the managing partners to grant scrip issues of existing or future shares, on one or more occasions, to all or some employees of the Company and groupings and companies affiliated with it within the meaning of article L.225-197-2 of said Code;
- resolves that the total number of shares alloted under the scrip issue may not exceed 1% of the number of shares making up the current share capital;
- resolves that the allotment of shares to the beneficiaries will only become final at the end of an acquisition period that may not be less than two years;
- resolves that the shares allotted must be kept for a period that may not be less than two years as from the date of their final allotment;
- acknowledges that this authorisation entails the waiving by shareholders of their right to reserves, profits and premiums that may be ploughed back into the capital at the end of the acquisition period in the event of the issue of new shares allotted free of charge under this resolution;
- grants the managing partners the most extensive powers, within the limits specified above and within the legal limits in force, to:
  - determine the identity of beneficiaries;
  - set the conditions, and if necessary, the share allotment criteria;
  - carry out during the acquisition period, if necessary, adjustments to the number of shares allotted in the event of operations on the Company's capital in order to preserve the rights of beneficiaries;
  - carry out the necessary capital increases by capitalisation of reserves, profits or premiums;
  - amend the Company's articles of association accordingly;
  - and generally, take all the necessary steps to implement this authorisation and, in particular, carry out all registration and publicity acts and formalities, acknowledge the capital increases and amend the articles of association accordingly.

The delegation of authority thus granted to the managing partners is valid for a period of thirty-eight months as from this meeting.

Seventeenth resolution

Overall limit of €300 million (excluding premiums) for capital increases and €2.5 billion for debt securities of issues authorised according to the foregoing resolutions

The Extraordinary General Meeting, after being notified of the reports of the managing partners and the supervisory board, and consequent to the adoption of the ninth, tenth, eleventh, twelfth, thirteenth, fifteenth and sixteenth resolutions, resolves:

- to fix at three hundred million (300,000,000) euros the maximum nominal amount of the immediate and/or future capital increases, that could be carried out by virtue of the authorisations conferred by the foregoing resolutions, with the understanding that this nominal amount may be increased by the nominal value of the additional equity securities to be issued to preserve the rights of bearers of securities entitling the holders to shares, in compliance with the law;

  and

- to set the maximum nominal amount of debt securities that can be issued in application of the authorisations granted by the foregoing resolutions, at two billion five hundred million (2,500,000,000) euros or the equivalent value of this amount in foreign currency or in units of account that are fixed in reference to several currencies.

Eighteenth resolution

Authorisation granted to the managing partners for a period of four years to reduce the share capital by cancelling all or part of the Company's shares acquired by them under share buyback programmes

The Extraordinary General Meeting, after being notified of the report of the managing partners and the auditors' special report, authorises the managing partners to reduce share capital by cancelling, on one or several occasions, all or part of the Company's shares acquired in accordance with the provisions of article L.225-209 of the *Code de commerce* (the French Commercial Code), and by virtue of the authorisations granted by the Company's annual general meetings.

The general meeting resolves that such a reduction may not concern more than 10% of the current share capital for each 24-month period.

The managing partners will charge the difference between the net book value of shares that have been cancelled in this way and the nominal amount of the capital reduction to the premiums, reserves or available profits according to terms that they will determine.

The general meeting consequently grants the managing partners full powers to carry out such a reduction, to settle any objections, ascertain the capital reductions resulting from the cancellations authorised by this resolution, amend the Company's articles of association accordingly, and generally take all necessary steps required for carrying out the reduction in capital.

The delegation thus granted to the Managing Partners is valid for four years as from this meeting. It terminates and supersedes the delegation granted on 21 May 2001.

Nineteenth resolution

Powers to carry out formalities

The Ordinary General Meeting has granted the necessary powers to the bearer of an original copy, excerpt, or a certified true copy of the minutes of this Meeting to carry out all the legal or regulatory formalities wherever necessary.

General presentation

In addition to the media operations, which constitute its core business, the Lagardère group has a strategic holding in EADS (European Aeronautic Defence and Space company).

Médias

Lagardère's **media** strategy is to capitalise on its powerful assets - international presence, strong brands *(Elle, Paris Match, Europe 1, Hachette, Octopus, Relay, Virgin, etc.)*, expertise in content publishing (book, audiovisual, new media, etc.), world leadership in publication of magazines for general readership and sale of cultural leisure products and services – so as to consolidate its presence and its performance in all areas related to the publishing and distribution of content.

In 2004, Hachette Livre became the biggest book publisher in France and Spain, thanks to its acquisition of Larousse, Dunod, Dalloz, Armand Colin, Harraps, Chambers and Anaya (which were previously part of Vivendi Universal Publishing), so confirming its ambition to become the leading publisher on the Romance languages market. So as to respect the commitments made to the European Commission, the other shares of Vivendi Universal Publishing were ceded to Wendel Investissement on 30 September 2004. 2004 was also marked by a strengthening of the Group's position in the United Kingdom with the acquisition of Hodder Headline. This will enable Hachette Livre to become the second largest publisher in the country and the fifth largest in the world. The priority for 2005 is the continuation and finalisation of the integration of all acquired shares into Hachette Livre.

In the magazine sector, Hachette Filipacchi Médias (HFM) continued its development strategy through its French and international presence. Of particular note was HFM's acquisition of 49% of *Psychologies Magazine* and the extension of its agreements covering the brand's international development (launch in Italy late 2004). The Group also acquired the publisher IMG, which strengthens its position on the Russian market. Furthermore, HFM has continued its organic growth efforts, in particular through the launches of *Choc* in France, which met with immediate success, and of *Maxim* and *Nova* in Spain. Ever faithful to its ambition of developing its activities in China, HFM successfully launched *Elle Deco* and *25 ans*. For 2005, the Group will stay focussed on an international development of its magazine brands and concepts, while remaining attentive to acquisition opportunities allowing it to strengthen its coverage of certain markets.

As far as its audiovisual activities are concerned, the Group strengthened its positions and its brands during 2004, in particular Canal J which, boosted by its own success and that of Tiji, launched Filles TV on 1 September 2004: this is a new channel aimed at girls aged 11 to 17. Both Canal J and MCM consolidated their leader position in their respective youth and music sectors.

Following the cancellation on 20 October 2004 by the Council of State, of the TDT authorisations held by Groupe Canal +, including the authorisations jointly held with Groupe Lagardère within multiThématiques and Lagardère Thématiques (Canal J and iMCM), the Lagardère and Canal + Groups reversed their agreements concerning the themed channels in January 2005. Consequently, Lagardère Group now hold nearly all the capital of Lagardère Thématiques (who own Canal J and MCM) and who no longer hold any shares in multiThématiques.

As part of the call for candidacies issued by the Conseil Supérieur de l'Audiovisuel on 14 December 2004 to allocate the newly freed resources, Lagardère Group, who on this occasion returned the TDT authorisation that they held for the Match TV channel, offered its candidacy for the Canal J and iMCM channels and, in partnership with France Télévision, for a new youth channel from "Jeunesse TV", in order to retain a major role in the emergence of this new technology. The result of this call for candidacies should be known before the summer of 2005.

As far as audiovisual production is concerned, Europe Audiovisuel has once more confirmed its expertise: 16 of the company's productions were ranked among the top 100 French audience ratings of 2004. The production business, which was already a leader in prime-time fiction, has become the second biggest player for flow programmes (magazines, entertainment, etc.), with more than 950 hours produced in 2004.

In radio, the FM business saw an increase in its audience, both for Europe 2 and for RFM, the adult station that advanced the most over the year. As for Europe 1, its good audience performance and the dynamism of the radio advertising market enabled it to record a significant growth in its revenue.

The objectives for 2005 are to consolidate the performance of 2004 in all Lagardere Active business sectors.

The development of Hachette Distribution Services (HDS) was marked by a strong international growth in 2004, particularly in central Europe. The retail sales network numbered more than 3,600 points of sale throughout the world at the end of 2004. HDS also acquired the 60% not yet held in Newslink, one of the main airport retail sale companies in Australia. The priority for 2005 remains international development, particularly through organic growth: opening of points of sale in Russia, strengthening of press circulation activities in China and optimisation of networks in all countries where the company's presence is already well established.

The goal of Lagardère's media business in 2005 is to pursue its growth by concentrating on two major strategic axes: actively pursue international development, particularly in Europe and the United States, and build leadership positions on Lagardère's key sectors. For the future, Lagardère will be closely and rigorously studying opportunities that might give it a strengthened presence in television.

Lagardère's ambition is to become one of the top three media groups in the world, thanks to these combined efforts.

High Technology

In the **High Technology** sector, EADS is considered as a success story of European integration. We have been able to implement this thanks to the grouping of French companies Matra Hautes Technologies and Aerospatiale, German company DASA and Spanish company CASA. In just three years, EADS, heir to thirty years of partnership between its founder members, has been able to capitalise on the advantages offered by its trans-national profile.

The creation of this European company has enabled the overall volume of activity of this new grouping to be increased considerably and major savings to be made thanks to the resulting synergies. Today, EADS records a revenue of around €30 billion with a staff of 100,000 employees spread across seventy sites.

Its portfolio of world famous brands, such as Airbus, Eurocopter and Astrium, places it in the forefront of the world aeronautical, space and defence industries, giving Europe the means to compete with the major (mainly American) groups in the sector, thanks to the extent of its grouped activities.

In balance with its partners Lagardère plays a decisive role in the management and strategy of the new grouping. The critical size of the grouping at a world level and the improvement in operating profits thanks to the achieved synergies are assets both for EADS and its shareholders. The shareholders, and Lagardère in particular, may therefore hope for a significant increase in the valuation of their asset base in the years to come.

General summary presentation of the results

At its meeting on 10 March 2005, the Supervisory Board examined the consolidated accounts of LAGARDÈRE SCA for 2004, presented by Arnaud Lagardère, Managing Partner, Philippe Camus and Pierre Leroy, Co-directors.

Highlights

- Lagardère Media revenue: growth of 8.2% to €8,594 million (up 3.3% based on comparable data).
- Lagardère Media operating profit: growth of 20.9% to €516 million (up 10.3% excluding Editis and Hodder Headline).
- LAGARDÈRE operating cash flow excluding EADS: up (despite a very high basis for comparison) to €540 million compared to €524 million in 2003.
- Debt repayment continues: net bank debt (excluding EDAS and T-online) of €1,652 million compared to €1,901 million in 2003.
- A dividend of €1 per share on the 2004 profit recommended, compared with €0.90 on the 2003 profit.
- A €2 bonus recommended, so that shareholders can benefit from part of the capital gain realised at the time of disposal of the T-Online shares.

Group consolidated revenue

LAGARDÈRE SCA's consolidated revenue rose by 7.5% to €13,389 million (compared to €12,454 million in 2003).

- A 3.3% rise in Lagardère Media's revenue based on comparable data

Lagardère Media's revenue amounts to €8,594.3 million, up 3.3% based on comparable data.

Each activity is growing. The Books division posted a historic performance with a 6.4% rise in its pro-forma sales. In 2004, this division (Hachette Livre) benefited from consolidation of the retained Editis activities (€+341.6 million) over the full year and of Hodder Headline over a three-month period (€+61.1 million). Press activity rose by 1.7% based on comparable data, as against 1.1% in 2003. Hachette Distribution Services grew by 2% based on comparable data, though the impact of growth in Europe (excluding France) was limited by sluggish business in France and the United States. Lastly, Lagardere Active enjoyed a record year, with a 12.8% rise in sales based on comparable data.

- EADS' contribution to consolidated revenue up 6.3% to €4,795.1 million

All divisions contributed to growth, and Airbus benefited from higher levels of aircraft deliveries (320 were delivered in 2004 as against 305 in 2003), thus confirming the net recovery of the aeronautical cycle. The growth of all the other divisions is much led by their military programmes, notably the A400M transport aircraft, the Tiger and NH90 helicopters, missiles and the Paradigm satellite communication contract.

Consolidated operating profit

- Lagardère Media's operating profit (excluding Hodder Headline and Editis assets retained) up 10.3%

The Lagardère Media business, whose contribution amounts to €516 million (up 20.9%), posted a rise excluding the impact of the Editis and Hodder Headline consolidation of 10.3% on 2003. Lagardère Media's operating margin (including the retained assets of Editis and Hodder Headline) rose by 5.4% in 2003 to 6.0% in 2004.

Once again, the Books division produced another fine performance in virtually all segments of publishing. The Education segment improved its share within a declining market. General Literature and Instalment publications led the performance in France. In terms of Literature, the year was marked by the outstanding success of the Da Vinci Code, with over 1.3 million copies sold and by the contribution of seven other books, of which over 100,000 copies were sold. Business in England and Spain also grew substantially. Editis' retained assets contributed the sum of €41 million as anticipated. Hodder Headline's contribution continues to be marginal, taking into account the seasonal nature of the business and integration costs. In total, the operating profit achieved an operating margin of 12.1% (compared with 11.1% in 2003), i.e. its medium-term objective with three years.

Lagardere Active continued its rapid improvement and achieved a record operating profit of €49 million compared to €27 million in 2003. The operating margin generated rose substantially from 4.7% in 2003 to 7.2% in 2004. The upturn in the Radio and Television advertising markets bolstered the restructuring effort made in the area of special-interest channels. The investments posted in Lagardere Active Broadband's expenditure (digital activities excluding "Radio" and "Television") consumed €4 million.

Hachette Distribution Services' operating profit amounted to €98.3 million, i.e. a rise of 6.7%. This improvement was split between French business, where Virgin continued to turn itself around, and the rest of Europe, with a particularly fine performance in Spain. Germany and Poland also had a good year. Belgium and Aelia remained at a lower level over the year. The United States, and in particular Curtis, contributed to the rise in profits.

Hachette Filipacchi Médias achieved an operating profit of €196 million, which was down by 2.3% on 2003. If the negative impact of the US dollar were not taken into account (down 9% against the euro in 2004), the operating profit would be stable. The burden of new launches particularly affected business in 2004. The difficult competitive environment in France, and more particularly in Italy, combined with a sluggish recovery in advertising investments in Europe (excluding Spain and Great Britain), also hampered the company's performance. Conversely, business in the United States and in the emerging countries (Russia, China) held up very well throughout the year. As announced at the time of publication of the half-year results, the operating profit for the second half year is up (by 3.7%), marking a slight drop in the growth of Hachette Filipacchi Médias' operating profit.

- **A significant improvement in EADS' contribution to LAGARDÈRE'S consolidated operating profit: €361 million (compared to €232 million en 2003)**

The engines of growth driving EADS' operating profit are Airbus, which is benefiting from the first signs of a recovery in the commercial aviation market, and Space business, which is returning to profitability.

In total, the consolidated operating profit of LAGARDÈRE SCA amounted to €865 million (compared to €671 million in 2003).

Financial result

The financial result amounted to a loss of €7 million (compared to a profit of €42 million in 2003).

Leaving aside EADS' contribution and variations in provisions to cover depreciation of the T-Online shares (representing write-backs of €104 million in 2004 and €121 million in 2003), the financial result is stable, i.e. a loss of €60 million (compared to a loss of €59 million in 2003).

Exceptional result

The exceptional result amounted to a loss of €100 million, €22 million of which is attributable to EADS. Most of the remainder consists of provisions created to cover depreciation of intangible assets (€65 million) relative to Rusconi (magazines business in Italy, representing a provision of €40 million), and to various assets of Lagardere Active (€12 million) and Hachette Filipacchi Médias (photographic agencies, *Zurban*).

Taxation

Across the group as a whole, taxation amounted to €258 million (including €107 million attributable to EADS).

The rise in taxation posted mainly reflects the improvement in profitability over the period.

Amortisation of goodwill shows no significant changes.

Profit derived from compagnies using the equity accounting method

This amounted to €53 million, compared to €49 million in 2003.

This rise is explained by the further improvement in the contribution of CanalSatellite (€39 million compared with €27 million in 2003), and the reduction in provisions to cover depreciation of the participation in multiThématiques: €13 million set aside in 2004, compared to €36 million in 2003.

The share of **minority interests** in the net profit amounted to a loss of €48 million, €25 million of which is attributable to EADS.

Taking into account all of these items, **the group's share of consolidated net profit rose by 14.4% to €382 million.**

The group's share of net profit accruing to LAGARDÈRE excluding EADS amounts to €256 million, down 2.6% on 2003. This fall can be explained mainly by the positive impact in 2003 of the disposal of Renault shares realising the sum of €40 million.

(in millions of euros)	2003 LAGARDÈRE Group excluding EADS	2003 EADS	2003 LAGARDÈRE Group Total	2004 LAGARDÈRE Group excluding EADS	2004 EADS	2004 LAGARDÈRE Group Total
Turnover	**7,944**	**4,510**	**12,454**	**8,594**	**4,795**	**13,389**
Operating income	**439**	**232**	**671**	**504**	**361**	**865**
Financial result	**62**	**(20)**	**42**	**44**	**(51)**	**(7)**
Current result	**501**	**212**	**713**	**548**	**310**	**858**
Exceptional result	**(30)**	**(49)**	**(79)**	**(78)**	**(22)**	**(100)**
Net priority remunerations	(8)	-	(8)	(1)	-	(1)
Corporation tax	(121)	(72)	(193)	(151)	(107)	(258)
Amortisation of goodwill linked to integrated companies	(79)	(45)	(124)	(79)	(43)	(122)
Net profit of integrated companies	263	46	309	239	138	377
Contribution made by companies using the equity accounting method	11	38	49	40	13	53
Share of minority interests	(11)	(13)	(24)	(23)	(25)	(48)
Group's share of net profit	263	71	334	256	126	382

(in millions of euros)	2003	2004
Group's share of net profit excluding EADS	263	256
Renault capital gain	(40)	
Writeback of provision on T-Online shares, net of tax	(97)	(88)
Adjusted Group's share of net profit – excluding EADS	126	168
Depreciation of intangible fixed assets	89	78
Adjusted Group's share of net profit – excluding EADS (before depreciation of intangible fixed assets)	**215**	**246**

Debt control

At 31 December 2004, net bank debt amounted to €386 million, representing an improvement on end December 2003 (€882 million).

Leaving aside EADS, TSDI and T-Online, the net debt amounted to €1,652 million, compared to €1,901 million at the end of 2003.

Cash flow generated by operation

At 31 December 2004, the funds generated by operations (operating flows less net investment flows) carried out by LAGARDÈRE excluding EADS stood at €454 million, compared with €506 million in 2003. The various components of the changes here are set out below:

Cash Flow for the part excluding EADS rose by 25% to €550 million.

The variation in working capital requirement (WCR) is close to equilibrium at €-10 million and is mainly explained by a working capital consumption emanating from Lagardere Active and an increase in the activity of Hachette Books.

2003 was also impacted positively by a securitisation operation involving Hachette Filipacchi Médias.

Tangible and intangible investments excluding EADS rose substantially from €208 million in 2003 to €353 million in 2004. This rise was mainly due to the Press division purchasing its head-office (at a cost of €63 million), to a significant rise in Lagardere Active's investments in television production, and to the entry of the retained assets of Editis and Hodder Headline into the consolidation perimeter.

Financial investments excluding EADS rose from €62 million to €456 million. This increase reflects:

- the burden of financial investments, influenced mainly by the Press and Radio acquisitions undertaken in Russia, and by the integration of *Newslink* (HDS) and *Psychologies Magazine* (HFM) ;
- the acquisition of Hodder Headline.

Disposals of assets, which were impacted positively in 2003 by the disposal of Renault shares (generating €138 million) were once again favourably affected by the disposals of Editis' assets (generating €667 million).

An analysis in greater detail is given below of the activity of the Group's two businesses: Lagardère Media and High Technology.

A presentation of "Other Activities", a summary of the results and the dividend recommendation are also given.

Lagardère Media

This includes Lagardère's "Book", "Press", "Distribution Services" and "Lagardere Active" activities.

(in millions of euros)

Income accounts by business	2002	2003	2004
Revenue	**8,095**	**7,944**	**8,594**
Operating profits	385	427	516
Financial results	(363)	55	44
Current results	**22**	**482**	**560**
Exceptional results	(53)	(28)	(8)
Profit derived from companies using the equity accounting method	15	47	53
Income from activities before tax	**(16)**	**501**	**605**

BOOK

Hachette Livre is a publisher of educational, reference, cultural and leisure books for a wide readership in France, Spain and Great Britain, with considerable distribution assets and is present in all editorial areas:

- *France: general literature, illustrated, educational, dictionaries, university and professional; the sector is carried by prestigious houses including: Grasset, Fayard, Stock, Lattès, Calmann-Lévy, Le Livre de Poche, Larousse, Dalloz, Dunod, Armand Colin, etc.*
- *Great Britain: general literature, illustrated and educational, by Hodder Headline, Orion, Octopus and Watts.*
- *Spain: educational, youth and reference, by Salvat, Bruño and Anaya.*

And in a dozen other countries: publication of fascicules, with the particularity of being sold in kiosks.

2004 was an historic year for Hachette Livre, one of transformation, since the company climbed from twelfth to fifth position on the world publishing market, boosted by its acquisitions of Larousse, Dalloz, Dunod and Armand Colin in France, of Anaya in Spain and of Hodder Headline in Great Britain. In France, the publishing sector underwent a major redistribution of roles in a context marked by the re-composition of the publishing landscape and its effects on the sector's equilibriums: sale of Seuil and merger with La Martinière, acquisition by Wendel of the Editis shares that were not taken by Lagardère (see page 15) and pressure on the circulation/distribution conditions.

These elements of transformation occurred in a sector whose ability to resist competition from the new technologies and the relative dynamism of the market are solid assets for the biggest companies: books are now identified as a key value in the diversified portfolios of communication groups.

At a global level, the book market has shown solidity overall, with growth in the order of more or less 3% in the principal markets of Spain, Great Britain and the United States.

In France, Hachette Livre has seen a growth of +4.9% on a market growing by 4% at the end of November 2004 (sources *Livres Hebdo*). This dynamism is linked to the combined performance of all of the segments where the Group is present.

In literature, the editorial event of the year came courtesy of Lattès, with 1.3 million copies of the *Da Vinci Code* sold: a phenomenon unknown in bookshops since *Papillon*. To this should be added a good performance from all houses: Grasset benefited this year from the much anticipated Prix Goncourt des Lycéens for *Le Secret* by Philippe Grimbert; Stock continued to garner post-*Ames Grises* success (Philippe Claudel) with *Rien de Grave* by Justine Lévy; Fayard displayed even greater eclecticism in its editorial choices.

As for Calmann-Lévy, a number of well-chosen titles fitting a general civic *ambiance* hit the bestseller lists – one such success was Nicolas Hulot's *Le syndrome du Titanic* – to such an extent that the performance of the literature department was quite remarkable this year, having increased by 6.4% compared to 2003.

The education activity suffered from the absence of new syllabuses, but the Group's publishing houses – Hachette Education, Hatier, Didier and Foucher – were able to improve their position, from primary school to sixth form, in such a way that the announced performance remained in line with objectives. It is worth noting the good success of Hachette Education's history textbook for Terminale (UK equivalent = senior sixth form), that of Didier's secondary school Spanish textbook and Hatier's history-geography textbook. Finally, the extracurricular business saw a small increase on a very competitive market.

Hachette Illustrated continued to see strong growth in 2004, particularly in the youth sector, where characters such as Franklin delighted the readers of the Bibliothèque Rose collection, and also the practical section (Marabout, Hachette Tourisme), where the success of cooking and wine titles did not slacken. All in all there was a growth of nearly 11% compared with 2003, which makes Hachette Livre a leader on these markets.

Larousse saw sustained activity in 2004 thanks to the success of the *Petit Larousse Illustré*, which celebrated its 100th anniversary. Specially decorated in the colours of the designer Lacroix it sold a million copies.

Internationally, there was strong growth in Mexico, while Spain redeploys outside the brokerage business.

For the university and professional business – as represented by the Dalloz, Dunod and Armand Colin brands – 2004 was in line with the expected growth and profitability targets. More specifically, we note the excellent performance of Dalloz, which boosted its revenue by 7%.

In addition to these so-called "trade" activities there is a **distribution** activity that is also offered to third-party publishers: in this area, 2004 was a year of seeking to improve productivity and procedures that would allow this business to announce excellent performance, taking into account the high exchange rate. It should be noted that on a market subject to strong pressure from competitors for the distribution of third-party publishers, Hachette Livre renewed the main contracts with partner companies for the distribution of their comic books, fiction and general readership publications.

Finally, the publishing and kiosk-sale activities of **fascicules** had much success in 2004, while their international redeployment confirmed the pertinence of the product offer extension adopted originally. Hachette Fascicoli (Italy) – for example – saw a 10% increase in its activity; the most significant successes were 2CV and *Casse-Têtes* in France, *Couteaux* and *Riva Aquarama* in Italy and *Calligraphy* in Great Britain.

Internationally, the event of the year was the acquisition of the British publisher Hodder Headline, which was taken over by Hachette Livre in September 2004. This was a major step for the Group's development, since it has considerably strengthened its position in the English-speaking markets.

Hodder Headline is the fourth biggest publisher in the United Kingdom and the sixth for educational books. With a revenue of €229 million, it has one of the most balanced portfolios of activities of all the Anglo-Saxon publishers and is present on similar segments to Hachette Livre. It has strong brands in general literature, fiction and non-fiction, with star authors such as Stephen King, John le Carré, Penny Vincenzi and James Patterson; in youth, with general literature and illustrated books selling well to both bookshops and libraries; in education, with a good presence in secondary schools and at sixth-form level, in higher education, the extracurricular sector and scientific and medical publishing.

In addition, there is an activity in Australia and New Zealand, and distribution with the Bookpoint centre. With this acquisition, Hachette Livre becomes number two in the United Kingdom in the "trade" publishing market, while the Group takes a decisive step onto the very profitable educational sector.

We should not forget the activities of Orion (+10% in revenue compared to 2003), while Octopus and Watts also had a very good year, buoyed by the spectacular success of *Himalaya*, which sold more than a million copies.

All of the activities in the United Kingdom – now called Hachette Livre UK – represent 26% of the total revenue, with the French market responsible for 50% and Spain 15%.

In Spain, 2004 was marked by the integration of Anaya into the Hachette Livre stable and by a global activity in line with the results, despite a cancellation of the expected reform of the academic market.

Salvat had a good year in the fascicule sector (+15% compared with 2003) and experienced wonderful success with sales of special items.

New French regulations were introduced to strengthen the protection of books as cultural assets: inter-professional discussions were devoted to the implementation of the solutions found to settle the question of library lending rights. Other subjects tackled included the question of remuneration for private digital copies, which will be very financially valuable in the long term, ways in which academic books might be provided free of charge in sixth-form schools and the question of unauthorised photocopying in primary education.

Above all, 2004 was the decisive year for the introduction of book advertising on television. Following the decision to authorise advertising on the themed channels from 1 January 2004, with the exception of general terrestrial channels, the first campaigns were launched; although it has not yet been possible to truly evaluate their impact on sales.

The policy of innovation – closely linked to the very nature of publishing – continued in 2004.

As far as reorganisation was concerned, measures were taken to adjust the organisation to deal with foreseeable developments in the brokerage sector in France and Spain.

Elsewhere, the measures taken served to help the improvement of internal operation.

In France, 2004 was the year of the "trimming" of the former Editis publishing houses, who had to be given back the means to operate autonomously (accounts, computer systems, computing, editorial, etc.). In fact, the organisation of Hachette Livre has been decentralised to emphasise specific identities, while offering "transversal" services that would optimise the effect of the Lagardère Group: purchases, manufacture, management, circulation, etc.

In this way, the publishing houses acquired in 2004 were welcomed into Hachette with the conditions of autonomy and efficiency that they had been promised

Hachette Livre's strategy is clear: development in the sectors that lie at the core of its business (education, literature, illustrated) in the key language markets, that is to say French, English and Spanish. The expertise that Lagardère has demonstrated in order to reach the level where it is at today is the best guarantee of its ability to repeat its performance in the future.

In the short term, its ambition is to optimise the conditions of reconciliation of the various houses acquired in 2004 and so to build sturdy bases for its future growth strategy.

PRESS

Hachette Filipacchi Médias (HFM) is the largest magazine publisher in the world, with 263 titles to its name in 39 countries representing more than a billion copies and more than 130,000 pages of advertising sold. HFM has a revenue of €2.16 billion, of which more than half comes from its international business (54%).

Interdeco, the largest French book and magazine advertising company, has created the strongest international network, managing international advertising for more than 230 magazines, both those published by the Group and those published by third parties, through Interdeco Global Advertising.

2004 was marked by a strengthening of competition both in France and abroad and by a small rise in advertising investments. In this context, the Group's leader position enabled it to:

- launch new "brands": foremost in France were *Choc* and *Public* – thanks to access to television advertising – while in Spain the key new title was *Nova*; other new brands saw the light of day in countries with strong growth;
- adapt its international brands *(Maxim, Elle Girl,* etc.*)*;
- but also to undertake so-called "quality" investments in its traditional titles so as to defend its market share better.

The cautious recovery of the advertising market was confirmed in most countries (particularly in the United States, Russia and China), benefiting the so-called "flow" media (TV, Radio Internet) in particular. But thanks to the Group's leader position and the development action taken, its advertising performance remains higher than those of the magazine market in nearly all countries.

The Group has also pursued its external growth by acquisition in strongly developing countries and through partnerships:

- acquisition of a magazine group in Russia (television guide and free papers) with effect from 1 January 2004;

- relaunch of *OhLa!* in France, in partnership with the Spanish publisher in April 2004 and acquirement of a 49% holding in the publisher of *Psychologies Magazine* on 1 July 2004.

The fall in the dollar, the yen and the yuan, although somewhat compensated by the good performance of the pound sterling, had an unfavourable impact on the observed growth in the United States, Russia and China.

The launch of new titles (cited below for each business) had a strong influence on results: €39 million, which is €13.3 million more than in 2003. But the swift success of some, which had already exceeded their circulation goals in 2004, reassures the Group concerning their future and their suitability to readers' expectations.

In the area of **French magazines**, the financial year was marked by new regulations that were introduced on 1 January 2004 and which gave press products the opportunity to advertise on television. This opening has allowed a faster growth by newly launched titles, while the Group both suffered (from rival fortnightly titles) and benefited as far as its own launches were concerned. The year was shaken by the launch of fortnightly TV titles using dumping conditions: *Télé 7 jours* resisted the erosion of circulation in the sector rather well, thanks in particular to its subscriptions.

Outside of the TV press, circulation is up thanks to launches and partnerships. Sales by issue are slightly down, like for like: news and celebrity magazines suffered from less interesting news than in 2003, *Elle* has resisted the increased competition on the women's magazine market quite well, while men's magazines continued to demonstrate good performances, as did youth titles.

Subscriptions continued their rise, particularly for youth titles, *Elle* and *Paris Match*.

The second half of the year was marked by a dip in consumption which had an effect on major advertisers' investment in the luxury, beauty and food areas, but the brands of the Group resisted pretty well, benefiting from the traditionally good performance of leaders in periods of budget cuts, hence a stability in advertising income over the year.

There was a particularly large number of launches in 2004:

- *Public:* a weekly, launched in July 2003, exceeded its initial objectives during the first half of 2004, boosted by its first television campaign, and reached an average circulation over the year of more than 280,000 copies; *Public* has been participating in readership research since July 2004 and advertising income is just starting to come in.
- *OhLa !:* a weekly, born from one of the biggest selling Spanish titles, has existed in France since 1999. It was relaunched in April 2004 on different editorial bases (more upmarket and friendlier); since then, average circulation has climbed more than 20% compared with the previous model; Lagardère's objective in 2005-2006 is to confirm this rise through advertising success.
- *Choc:* this fortnightly was launched at the end of June 2004 and was heavily supported by television campaigns; the first issue met with an immediate success that grew even more over the summer issues. Since its launch, average circulation has been higher than 400,000 copies – the December average was more than 420,000 copies. This title is virtually at financial equilibrium after its first year of operation.

As regards **international magazines**, business has been largely marked by the improvement of the situation in the United States, where the advertising recovery has been confirmed, even if it has benefited television and radio more than it has magazines. The good health of Russia and the Far Eastern countries, particularly China, has led Lagardère to accelerate its development in these countries: acquisition of the IMG group in Russia, launches in China (*25 ans, Elle Deco*). In Europe, the situation is more contrasted: performance has remained good in Spain, although the situation is more difficult in Italy and the United Kingdom, where circulation has been hindered by the development of competitive practices.

As far as networks are concerned, the Group has continued to support the new magazines of the *Elle Girl* and *Marie Claire* network and has prepared the first launches of the international versions of *Psychologies Magazine*, which started in Italy in October 2004.

In the United States, the recovery of the advertising market continued and women's titles recorded some very good performances, particularly *Elle* and *Elle Girl*. The decoration titles also saw growth, compensating considerably the slight general market drop in the automobile press. The "circulation" revenue is growing on *Woman's Day*, the upmarket women's press and automobile magazines. In these conditions, the much increased profitability has led the Group to launch a new women's magazine, called *For Me*, in December 2004.

In Italy, the activities of the Group have suffered from difficult circulation, owing mainly to increased competition from "plus-products" offers and sales linked to cut prices; Lagardère was also penalised by the launch of a low-priced competitive “clone” title to the weekly *Gente*. Advertising income is falling on a market that is stable despite the new arrivals. Profitability has slipped because of these drops in revenue, investment in promotion and the editorial quality required to confront this competition.

In Spain, the advertising market displays growth compared with 2003 and the Group’s titles saw higher performance on the market. As far as circulation was concerned, *Elle* and *Diez Minutos* profited handsomely from the fallout of the prince’s wedding, both in terms of advertising and circulation. The Group took advantage of this good performance to launch two new titles: *Nova*, a practical women’s magazine, and *Maxim*, so confirming their position as market leader.

In Japan, business was stable with a small rise in advertising income, but with a drop in circulation owing to the increased competition on the women’s market. The Japanese edition of *Marie Claire*, taken over in April 2003, continues its growth.

In the United Kingdom, advertising revenue continues to grow, particularly for *Elle* and *Red*. Circulation is stable, despite changes in the frequency of the "soap" titles, which offset the fall in "teen" titles in a market upset by plus-product practices. Editorial and promotional investments to support these responses to the competition had an impact on the profitability of this subsidiary.

In Russia, the growth in advertising income remains high, mainly for *Elle* and *Maxim*. The Russian edition of *Marie Claire* continues its growth, while the launch of *Maxim* in Ukraine became positive in its second year.

In China, the growth in revenue came mainly from the explosion in advertising income, particularly for *Elle, Woman’s Day* and *Marie Claire*, launched at the end of 2002.

Concerning the **daily press and supplements**, the circulation of the regional dailies was contrasted, with stability for La Provence and a drop for the Nice Matin titles; this was owing to the bad tourist season and less interesting regional news than in 2003.

It should be noted that the launch of the television fortnightlies might, under very limited conditions, have an impact on Saturday sales of dailies.

Advertising continued its growth, thanks to the good performance of the local space broker.

The *Marseilleplus* free paper continued its growth, taking full advantage of its leadership on the local advertising market for free papers, as well as savings made from the synergies of the Puissanceplus network.

Version Femina confirms its remarkable performance, particularly in terms of advertising. This enabled the implementation of investments to improve the editorial content and to increase the brand’s profile through a TV campaign. *Version Femina* was therefore able to considerably reinforce its readership lead, leaving its competitors trailing far behind.

TV Hebdo also had a good year, maintaining its circulation and slightly raising its advertising revenue.

The restructuring of the **photo business** continued, despite the activity suffering a reverse in revenue abroad.

The growth in merchandising income continued, particularly in Asia, despite the unfavourable impact of the changes.

As expected, the activity of Hachette Filipacchi Films was transferred to a subsidiary of M6 with effect from the 1 of January 2004: the Group is therefore no longer a video publisher and has completed its recentering on its core business.

In a still rather morose press market, the stakes for 2005 will concern the industrial investments that the Group might make in the regional daily press, the maintenance of its policy of free papers in this same area, the success and the continuation of its editorial investments in magazines, particularly through the consolidation of the 2004 launches and the pursuit of the development of its brands’ networks and the brands of its partners (*Elle Girl, Marie Claire, Psychologies*, etc.).

DISTRIBUTION SERVICES

To handle the commercialisation of communication and cultural leisure products and so encourage access for everyone everywhere to the diversity of ideas. This is the mission of Hachette Distribution Services (HDS).

Present in 19 countries in Europe, North America and Asia/Oceania, Hachette Distribution Services makes 69.3% of its consolidated revenue outside France. The breakdown of revenue by geographical area changed again in 2004 to the detriment of the North American zone, mostly because of the fall in the dollar: 30.7% in France, 47.7% in Europe, 20.4% in North America (compared with 22.9% in 2003), and 1.2% in Asia/Oceania.

During 2004, Hachette Distribution Services consolidated its positions across the world by attaining the objectives that it had set itself: reinforcement of the activity of its main brands, the development of new commercial concepts, the winning or renewal of concession contracts in transport locations and the reinforcement of its positions in Australia. At the end of 2004, retail and press distribution represented 51.7% and 48.3% respectively of the consolidated revenue of HDS, which once again translates into growth in relative share of its retail activities (51% at the end of 2003 and 50.1% at the end of 2002).

The activity in 2004, strongly penalised by a 9% drop in the dollar, translated into a small advance in consolidated revenue (0.7%) in current euros. At constant exchange rates the activity would have grown by 2.7%. Like for like, and at constant exchange rates, the growth in revenue for 2004 was 2%, which translates into an essentially organic growth on HDS's core businesses. Thee figures should be put into perspective with the recovery of air traffic, as well as the collapse of Terminal 2 E at Roissy and the maintenance of security procedures in airports. The increase in air traffic was up by + 6.1% in 2004 across the Paris airports, with the exception of Roissy 3, (source ADP) after the successive drops of the last three years (- 2.7% in 2003 and - 1.2% in 2002). Across the world, the recovery of air traffic was evaluated at + 11.3% (source Airport Council International) in late October 2004, with + 9% in Europe and + 8.4% in North America. However, this increase in traffic was not entirely reflected in our business, since the longer security procedures in airports resulted in overcrowding of terminals, which is unfavourable to the act of purchase.

2004 was once again marked by growth in all **press distribution activities** (+ 3% at constant exchange rates) of particular note were:

- strong growth in Spain, where press distribution recorded an increase in revenue of 14.2% linked to the dynamism of the fascicule business, the acquirement of new distributors (Globus, Dispana, Motorpress) and the growth in the magazine press owing to promotional campaigns. These successes reinforce the Spanish subsidiary in its position as the leading national press distributor with more than 20% of the market – its main rival Logista is of a similar size;
- a 4.6% growth in activity in Switzerland (+ 7.4% growth of telephony and - 1.1% drop in the press) and + 4.8% in Belgium (dynamism of publications and telephone cards). However, business dropped by 1.2% in Hungary, which is explained by a fall of 3% in press volumes. Hachette Distribution Services has no real competition in Hungary, Belgium and Switzerland;
- a drop in revenue of - 3.5% in the United States (at constant exchange rate). The significant gain in funds recorded this year by Curtis were not sufficient to compensate for a falling trend in the press in the United States. The market share of Curtis, the leading national magazine distributor in North America, remains stable at nearly 45%. Its competitors are major local players such as TDS/WPS (Time Warner) or COMAG (Hearst/Conde Nast).

As far as **retail** is concerned, Hachette Distribution Services has a two-pronged strategy, driven by an innovation and service policy:

- press points of sale in transport locations (airports and mainline/metro stations): press points of sale developed internationally by all of the Group's companies and various specialised points of sale;
- shops specialising in books, music, video and multimedia under the Virgin brand or the Furet du Nord and Payot bookshops.

  This segment also includes local newsagents.

As far as press points of sale in transport locations are concerned, the consolidation of the retail network continued in 2004. There are 1,150 shops in 13 countries in Europe and North America under the *Relay* brand. This single concept is adapted to the particularities of each country where the brand is established, with a similar offer and mission: supply one million traveller clients with the widest choice of products and services every day so as to make their journey easier and to keep them occupied.

In 2004, Hachette Distribution Services continued to develop variations on this concept so as to adapt to travellers' ever changing demands: *Relay Services* (offer of snacks and local services), *Relay Café* (fast food in addition to usual products), *Relay Livres* (wide choice of books), Discovery concept (promotion of local culture and regional products).

In France, Relais H saw its revenue increase slightly by + 1.8%, in a context of a growing press (+ 3%) and good performance of non-press products, including food products and books, supported by an innovative sales policy of diversification of the offer. Tobacco products are stagnating (- 0.2%) and falling in volume following the price rises of October 2003 and January 2004, while telephony has also retreated by 4.5%, owing to the drop in payphone cards use.

Although the dynamism of the press market and the growth in the sale of telephone cards have permitted a growth of 3.8% in Belgium, the business in Germany displays a growth of + 3.7% following the upturn in airport traffic; it remains disturbed, however, by persistent difficulties with the railways and by the reigning economic recession. In Spain, sales have increased by + 6.4%, compared with + 1.5% at constant scope in Portugal.

In Central Europe, Hachette Distribution Services continues its strong growth, particularly in Poland and the Czech Republic, with business growth of + 31.4% (opening of 52 points of sale) and + 42.4% (thanks to 14 entirely refurbished points of sale) respectively. In Hungary, retail activity increased by + 4.6% thanks to the development of the network comprised of the "Relay" and "In Medio brands" (212 points of sale) and despite the structural reduction of the network to 936 kiosks.

The recovery of the North American retail business in 2004 grew by + 5% at a constant exchange rate after a year (2003) marked by the drop in aircraft passenger and tourist numbers related to the war in Iraq, SARS and fears of terrorist attack. Although this recovery took place at airport points of sale (+ 20% compared to 2003 like for like), it was weak for points of sale located at tourist sites (+ 1% like for like); however, points of sale in town centres ended the year at – 1% like for like. In 2004, air traffic grew by + 9.2% in Canada and + 11.4% in the United States (figures for airports where HDS is present).

In Australia, Hachette Distribution Services increased its participation in Newslink to 100%. Newslink runs forty points of sale in airports and stations and is seeing strong growth, with an increase in revenue of + 14.7% in 2004.

Competition in press sales in transport locations is essentially local: Hudson News (who bought WHSmith's activities), Paradies or HMSHOST in North America, Valora in Switzerland and in Germany, Areas in Spain, Ruch and Kolporter in Poland, etc

Duty-free sales and specialised points of sale in transport locations, run by "Aelia", saw their consolidated revenue reduced by 11.5% compared to 2003. 9.2 of these points can be explained by the continuing drop in the activity of Eurotunnel that has been noticed since the rise in French tobacco prices at the end of 2003. Airport business also appears to be falling because of the full-year effect of the proportional consolidation of the partnership with Aéroports de Paris at Roissy 2 that was implemented in 2003 (- 4 points) and which was partially compensated by a recovery of traffic enabling an increase of 1.7 points.

Despite 2004 being upset by the collapse of terminal E at Roissy 2 in May, Aelia was able to maintain its position as French leader and fifth in the world for airport sales by redeploying to the other Paris terminals where the company is also present. 2004 was also marked by the first implantation in an airport outside France, with the opening of a point of sale in the United Kingdom (Belfast), as well as by the reinforcement of its position on the gastronomy sector, thanks to the acquisition of a regional competitor. Aelia now manages a network of around 115 shops under specialised brands, both franchised and directly. The company also has an on-board activity selling upmarket products for the account of airlines including Air France, Royal Air Maroc and, since 2004, Swiss Airlines.

The main players on this market are DFS (LVMH), TNG (The Nuance Group), WDF (BAA), Heinemann and Dufry, as well as European companies such as Aelia, Aldeasa and Alpha.

As far as specialised book, music, video and multimedia shops are concerned, 2004 saw a clear continuing slowdown in the music market, with a drop of - 9% (after - 13% in 2003), while books, videos and stationery saw remarkable growth (+ 8%, + 15% and + 15% respectively). Despite this difficult context for music, the overall activity of the **Virgin Megastore** shops grew by + 2.0% in 2004, or + 1.5% at constant scope, thanks to the increase in sales of books, videos and stationery. The share of non-digital activities (books, stationery) therefore grew from 28.5% to 30.5% of the business to the detriment mainly of the music activity (drop of - 3.7 points to 31.0%). The activity of **Furet du Nord** saw a growth of + 4.9% compared to 2003.

In France, the network now includes 33 Virgin Megastore shops, and 11 shops under the Furet du Nord brand, representing a total revenue of €405 million. 2004 was marked by the opening of two additional shops at Orly airport and at Gare de Lyon. Hachette Distribution Services retains its place as the second group specialising in the distribution of cultural products in France with 9% of the music market, 5% of the book market and 6% of the video market.

In Switzerland, **Payot** bookshops notched up a growth of + 7.1% in 2004 with a new opening at Nyon, while two other bookshops opened in transport locations, in France and in Germany.

The Virgin brand also continued its growth in transport locations, with a total now of 4 points of sale in stations (3 in France and 1 in Spain), as well as 20 points of sale in airports: 12 in France, 1 in Spain, 5 in North America and 2 in Australia. Finally, the Virgin Megastore network of shops franchised in the Middle East continued to develop and now includes 10 points of sale that are now seeing steady growth.

The growth perspectives for Hachette Distribution Services in 2005 will depend in part on the growth of traffic through airports; so far, the recovery has been slower than that hoped for by the airlines.

Nevertheless, during 2005 and beyond, Hachette Distribution Services intends to maintain a steady growth in its core businesses, while penetrating new markets through either internal growth or by acquisitions that are suitably complementary to their existing activities.

As far as retail activities are concerned, the objectives are focussed on the pursuit of the consolidation of activities under the Virgin brand in France, the development of specialised points of sale (particularly internationally) and the transferral of concepts to transport locations.

LAGARDERE ACTIVE

Lagardere Active includes the themed channels, audiovisual production and distribution, radio, advertising and new media activities of Lagardère, as well as the participation in Canal-Satellite (34%).

In 2004, Lagardere Active was able to exploit opportunities on a market that, after a period of uncertainty, proved to be a fruitful one, particularly in the area of radio. The Group therefore achieved a good level of performance in all areas of activity, by combining ability to innovate, expertise in its various businesses, commercial strength and rigorous management.

For the **Themed Channels** business, 2004 was marked by the launch of Filles TV on 1 September 2004, the first channel launched in France to be aimed at girls aged 11 to 17, and broadcast exclusively by satellite via CanalSatellite and via the main cable networks. Lagardere Active now produces ten themed channels covering four areas:

- **music**, with a quality music offer from 5 channels:
  - MCM, the musical and generational channel for the 15 to 34 year olds;
  - MCM TOP, 100% music videos of today's hits and the top-selling singles, aimed at the 15 to 24 year olds;
  - MCM POP, 100% music videos of hits from the 80s until today, aimed at 25 to 34 year olds;
  - Mezzo, the classical music and jazz channel,
  - MCM Belgique, leader of Belgian music channels for the 7th year running;
- **youth**, with Canal J, TiJi (aimed at children under 7), and Filles TV;
- **daily** life with La Chaîne Météo;
- **celebrities/news** with Match TV.

The excellent results obtained for the 7th wave of audience ratings for the cable and satellite channels (MediaCabSat, period from 29 December 2003 to 13 June 2004) confirm the performance of Lagardère's channels, despite the intensified competition:

- MCM, the leading cable and satellite music channel for the 10th year running, is also the leading themed channel for the 15 to 24 year olds and the 15 to 34 year olds. MCM Music (MCM + MCM TOP + MCM POP) provide the strongest themed offer on cable and satellite for 15 to 34 year olds;

- Canal J is the third cable and satellite channel for all audiences, while TiJi shares fourth place. Canal J and TiJi are the first and second cable and satellite youth channels respectively. Between them they share 38% of the youth channel market (target 4 to 10 years old) in an increasingly competitive environment (16 competing youth channels by the end of December 2004).

In 2004, the Group pursued its efforts to implement Terrestrial Digital Television (TDT) in France. The start of free channels running the MPEG2 standard was set by the Conseil Supérieur de l'Audiovisuel (CSA) as of 31 March 2005. In order to respect this calendar, Nouvelles Televisions Numériques (NTN), the operator of Multiplex R2, a 50% subsidiary of Lagardère Images concluded the necessary agreements in September 2004 and February 2005 with the technical service, providers (network head, satellite, transport and wireless broadcast) for the first 32 sites designated by the CSA.

Following an action for cancellation lodged by TF1, which claimed that Canal+ had more than the five terrestrial digital television (TDT) authorisations permitted at the time that these authorisations were allocated, the Council of State ruled that contrary to the shared belief of the parties concerned, Lagardère Thématiques was controlled jointly by Lagardère and Canal+ Group.

Consequently, on 20 October 2004 the Council of State announced the revocation of some of the TNT authorisations held directly and indirectly by Canal+, in particular those held through Lagardère Thématiques (Canal J and iMCM).

On 14 December 2004 the *Conseil Supérieur de l'Audiovisuel* announced a call for candidacies so that they could allocate the newly freed resources. Lagardère Group, who had returned the TDT authorisation that they held for the Match TV channel, proffered its candidacy for the Canal J and iMCM channels, in partnership with France Télévisions, for a new youth channel from Jeunesse TV Company, in order to retain a major role in the emergence of this new technology. The result of this call for candidacies should be known before the summer of 2005.

After the developments undertaken during the previous financial years, 2004 was a year of consolidation for the **Audiovisual Production and Distribution** business. Through the 17 subsidiaries of Europe Audiovisuel, Lagardere Active is a major partner of the terrestrial channels for primetime fiction and flow programmes (magazines, entertainment programmes, etc.) with 950 hours produced in 2004.

In the area of primetime fiction, and for the 3rd year running, Europe Audiovisuel comes first in the annual ranking (*Ecran Total* n°528), with 87 hours broadcast over the 2003/2004 season. Europe Audiovisuel stands out for its production of one-off programmes and prestige fictions, and through its mini-series: *Capitaine des ténèbres*, directed by Serge Moati for Arte, with Richard Bohringer; *93, rue Lauriston* (produced by GMT Productions for Canal+, with Michel Blanc and Samuel Le Bihan), *Clochemerle* (one-off programme for France 2 produced by DEMD Productions); *A cran 2* (mini-series produced by DEMD/Studio International for France 2).

To meet the expectations of the public, who like these programmes, Europe Audiovisuel is also a major supplier of star series with recurrent heroes: *Julie Lescaut* (GMT Productions for TF1), which combines longevity with ratings success, achieving 10 of the 100 best ratings of 2004; *Joséphine Ange Gardien* (DEMD Productions for TF1); *Père et Maire* (Aubes Productions for TF1), etc.

As far as flow programming is concerned, Europe Audiovisuel has climbed from 3rd to 2nd place in the ranking of flow producers by number of hours broadcast over the 2004/2005 season (*Ecran Total* n°534), thanks to Maximal Productions (*C' dans l'air*, daily on France 5); Angel Productions (*20 h 10 pétantes* for Canal+ until the end of June 2004 and *Nous ne sommes pas des anges* since early September 2004); Léo Productions (*La Grande Course* for Canal+); Image et Cie (*Ripostes* for France 5), etc.

The distribution business (acquisition, distribution of programmes), with M5/Europe Images International, now sells a catalogue of 13,000 hours of programmes, achieving nearly 50% of its business abroad in 2004.

Furthermore, after the undertaking of a study concerning the creation of a pan-Arab educational youth channel, the Quatar Foundation has granted Lagardère Images International responsibility for a mission of assistance for the launch of this youth channel, which should come about in June 2005.

Lagardere Active, a major producer for terrestrial channels and producer of themed channels, can count on the combined expertise of its subsidiaries to undertake a major development in its audiovisual activities.

After the drop recorded in 2001, the **radio** advertising market has shown a sustained growth rhythm, 2004 included.

With its three national networks, Lagardere Active covers a wide market share of the radio audience:

- **Europe 1**, an interactive and dynamic general interest radio station, broadcasts a News & Talk programme that attracts a million executives on average each day, providing information according to their centres of interest: international politics, domestic politics, the economy and sports and cultural news.

2004 enabled Europe 1 to reinforce its position in the radio landscape and to stabilise itself at around 9.7 accumulated audience points, that is 4.8 million listeners on average each day*. The programme schedule for September 2004 saw only a few changes made to it, ones which did not upset the coherence and balance responsible for its success.

In November 2004, the station welcomed a new editorial team, so giving itself a powerful tool capable of anticipating the developments of the next few years, thanks to which Europe 1 will be embedded in the news and information business on which the future of non-music stations will depend.

- **Europe 2** is a generational music radio station (for 15 to 34 year olds). Its programming is centred on pop and rock and contributes to the enrichment of music radio. Europe 2, a station that discovers and nurtures new talents, takes to the stage by proposing two novel events in partnership with MCM: Europe 2 Live (6 bands at Bercy for a best-of concert) and Europe 2 Campus Tour (3 young bands touring 15 of the biggest French towns, supported by a local band at each venue). Europe 2 is a live and lively station; it is also an entertainment station. Indeed Radio presenter Arthur has chosen Europe 2 for his return to the radio in November 2004. “Arthur et les pirates” (4 pm to 6 pm) proposes a new and original radio show every day of the week.

Since mid-January Europe 2 has been the stage of another event, with Patrick Timsit live and in public between 9 am and 10 am. Europe 2 obtained 6.1 cumulated audience points for listeners aged 13 and older in the Médiamétrie survey of November-December 2004. The station attracts an average of 3.1 million listeners each day*.

- **RFM** is a contemporary adult music station. Its format, namely the best music from the 80s to the present, is the result of very careful study and research of positioning in a market that is already heavily supplied.

The main novelty of the September programme schedule was the arrival of the warm and friendly Bruno Roblès, the star presenter of the FM generation, on the morning slot, with his show entitled “Roblès fait le matin”. RFM obtained 5 cumulated audience points for listeners aged 13 and older in the Médiamétrie survey of November-December 2004. RFM is the leading music station by listener share for 25 to 49 year olds, in front of Nostalgie and Chérie F.M. RFM attracts 2.5 millions listeners every day*.

During 2004, Lagardere Active decided to strengthen the synergies between its FM radios (Europe 2 and RFM) and its music TV stations (MCM, except Mezzo) by creating a music business which will come fully into its own in 2005.

Moreover, Lagardere Active and Hachette Distribution Services are joint shareholders of **VirginMega**, which launched a new online version of its fee-paying music download service in May 2004: www.virginmega.fr. With more than 300,000 titles available today, this site proposes a pick-and-pay download offer for singles and albums. It represents an alternative in the current debate concerning music piracy on the internet.

Internationally (Eastern Europe, Germany and South Africa), **Lagardere Active Radio International** (LARI) accentuates the growth of its audience across the 7 countries where it is based. Its radio stations attract more than 11 million listeners daily in Russia (*source: TNS Gallup Media*), 8 million in Poland (*source: SMG/KRC*) 3 million in Romania (*source: IMAS*), 2 million in Germany (*source: AG.MA*); all in all that makes more than 27 million listeners across all of the countries where LARI operates (*other sources: AC Nielsen, Szonda-GFK, Median + GFK Prague*) compared with 25 million one year earlier. LARI is the leading radio operator in Poland, the Czech Republic and Romania, the second in Russia and the fourth in Hungary.

LARI has also accelerated its development in Russia, South Africa, Hungary and Germany. Moreover, LARI’s radio stations have obtained 21 additional broadcast licences, so enabling an increase in the population covered and encouraging future increases in listeners.

Thanks to strong brands in three media (radio, television, internet) and products that are both historic, leaders and innovative, **Lagardere Active Advertising** sells a strong offer:

- First radio advertiser, with 31.7% of cumulated audience of 13 years and older*: Europe 1, Europe 2, RFM, the Les Indépendants economic interest group (network of more than 80 radio stations), Ouï FM, Autoroute FM, Autoroute Info, 107.7 FM. Lagardere Active Advertising is the most attractive offer on the major targets in the radio advertising market, with an average of 15.8 million listeners a day;

** Source: Médiamétrie 75,000+ Radio Nov-Dec 2004, Monday to Friday, 5 am to midnight, 13 years and older.*

- Advertising leader on the themed channel market: Lagardere Active's channels, AB's channels, including RTL9, making a total of 23 themed channels;
- Advertising on the Group's websites, as well as third party sites (Club-Internet, SeLoger.com, etc.). The advertising contract with Club-Internet has been renewed for 2005;
- Finally, Lagardere Active Advertising enters the advertising market of the terrestrial channels with the new sales contract signed with Arte.

The recognised expertise and talent of its teams, the dynamism of its management and the attractiveness of its commercial offer make Lagardere Active Advertising a strategic asset in the success and growth of Lagardere Active.

In 2004, **Lagardere Active Broadband** reinforced its position as a major player in France and abroad in the production of mobile services broadcast by the operators and the media.

In France, Plurimedia is the pioneer and leader of key mobile telephony services: downloading of mobile music (logos & ring tones) with Virginmega.fr, SMS with Live1 and astrology with Astralia. Buoyed by its technical and editorial expertise, Plurimedia also provides interactive programmes to the audiovisual and press media; apart from Lagardere Active these include *20 minutes*, PinkTV, Gameone, MTV, Ciné Cinéma Info, 19 radios of the Les Indépendants economic interest group, etc.

Internationally, Lagardere Active Broadband is present in Germany, the United Kingdom, Greece and, since late 2003, the United States through its subsidiaries.

In Europe, Lagardere Active Broadband has confirmed its growth in the production of interactive services and counts the biggest national media among its clients: Prosieben Sat1 and Radio SAW in Germany, Daily Mail and EMAP Radio in Great Britain, Antenna Group in Greece, etc. Moreover, Lagardere Active Broadband as developed partnerships with the main European mobile operators (Orange, Vodafone, Telefonica, Mobistar, Cosmote).

In the United States, Lagardere Active North America (LANA) produces services originating from the content and brands of Hachette Filippachi US (*Elle, Car&Driver*).

In November 2004, LANA launched "BlingTones" with great success; this is the first Hip Hop label devoted exclusively to mobile telephony; it distributes services to the main mobile, operators (T-Mobile, Cingular, ATT, Sprint, Nextel, Boost, etc.).

In 2005, Lagardere Active Broadband will be seeking to pursue the growth of its business by reinforcing its editorial, marketing and technological expertise.

CanalSatellite

CanalSatellite now offers 290 channels, including 65 exclusive ones, which makes it the leader on its market, particularly concerning the youth or family & discovery offers. This offer has enabled CanalSatellite to attract 230,000 new subscribers in 2004, so taking its market share to 60% of new subscribers, and limiting the unsubscribe rate to 8.6%, an improvement of 0.5 of a point compared to 2003.

CanalSatellite's revenue reached €962 million in 2004, a rise of 7% compared with last year. Its profitability has been established for several years now, so giving it the means to support its growth, both in terms of programme content and in collective equipment and terminals.

Although it started a little later than its rival, CanalSatellite already has 30,000 subscribers to its television offer via ADSL. Its digitisation strategy enables it to win over new subscribers in town centres where satellite equipment is more difficult to install.

multiThématiques

At the beginning of 2004, multiThématiques achieved the rationalisation of its activities with the disposal of a majority share in its remaining activities in Italy, the disposal of EuroChannel broadcasting to South America and Planète in Poland, and the closure of its activities in Germany.

Now recentred on France, multiThématiques has added to its offer with the purchase of the Comédie! and Cuisine TV channels in the second half of 2004.

Finally, in September 2004, Planète Choc replaced Planète Future to strengthen the Planète offer and to bring a new tone to documentary film: sustained rhythm, pertinent images snatched on the go, effective editing with the assistance of reconstructions and people's recounting of their experiences.

The revenue of multiThématiques was €149 million in 2004; this is stable compared to 2003.

In January, Canal+ and Lagardère Group announced having signed an agreement to disentangle their crossed participations in multiThématiques, which will now be held 100% by Canal+ Group, and in Lagardère Thématiques, which will now be held virtually entirely by Lagardère Group.

By this operation that took place on 11 February 2005 which was submitted to the scrutiny of the French competition authorities, shows that Canal+ and Lagardère Group have learnt their lesson following the decision of the Council of State of 20 October 2004 which revoked the TDT authorisations of six channels, owing to their joint ownership in Lagardère Thématiques.

The two companies therefore decided to proffer themselves for the call for candidacies from the CSA on 14 December 2004 for the allocation of the TDT frequencies.

High Technologies (EADS)

(in millions of euros)

Income statements[1]	2002	2003	2004
Revenue	**4,339**	**4,510**	**4,795**
Operating profit	63	232	361
Financial result	(29)	(20)	(51)
Current result	**34**	**212**	**310**
Exceptional profit[2]	(8)	(49)	(22)
Profit derived from companies using the equity accounting method	20	38	13
Profit from activities before taxation	**46**	**201**	**301**

[1] Indicators expressed as a share attributable to the Lagardère Group, as 15.10%.
[2] Excluding exceptional depreciation of goodwill.

The decisions taken at the end of 1999 by the French State, Lagardère SCA, DaimlerChrysler AG and the Spanish State (via its holding company SEPI), led the three companies Aerospatiale Matra (ASM), DaimlerChrysler Aerospace AG (DASA) and Construcciones Aeronauticas SA (CASA), to group their activities together to create EADS N.V.

The group's organisational structure complies strictly with EADS' founding principles, namely:

The principle of parity

- At the level of controlling bodies: this equal representation principle is firstly translated at the level of the controlling French holding company represented by the limited partnership with a share capital Sogeade: 50% of its share capital is owned by Sogepa (which in turn is owned by the French State) and 50% by Désirade, a company whose entire share capital is owned by Lagardère.

This equal representation principle is also expressed within the Partnership constituted under Dutch law which has been assigned the task of exercising the voting rights belonging to Sogeade, DaimlerChrysler and SEPI at EADS N.V. shareholders' meetings, in accordance with their shareholders' agreement. Sogeade and DaimlerChrysler own an identical percentage of its share capital.

- At managerial level: Sogeade has four representatives on the board of directors of EADS N.V. They are proposed and appointed by Lagardère, with DaimlerChrysler itself appointing the same number of representatives. The other board members are two independent key personalities, one appointed by Sogeade and the other by DaimlerChrysler. In addition, although SEPI no longer has any right in this respect, Sogeade and DaimlerChrysler will propose to the General Meeting of EADS N.V. to appoint a Spanish director.

In fact, the mandates of office of the EADS N.V. Board members expire at the annual general meeting called to give its verdict in 2005 on the accounts for 2004.

The Board of Directors of EADS N.V., which is responsible in particular for developing the group's strategy, has two Chairmen: Mr Arnaud Lagardère and Mr Manfred Bischoff. The task of executive management is entrusted, based on the same principle of equal representation, to two CEOs: until 11 May 2005, the CEOs in office are, Messrs Philippe Camus and Rainer Hertrich.

It should be borne in mind that this Board takes its decisions on the basis of a qualified majority vote, which requires joint agreement between Sogeade and DaimlerChrysler.

The principle of unity

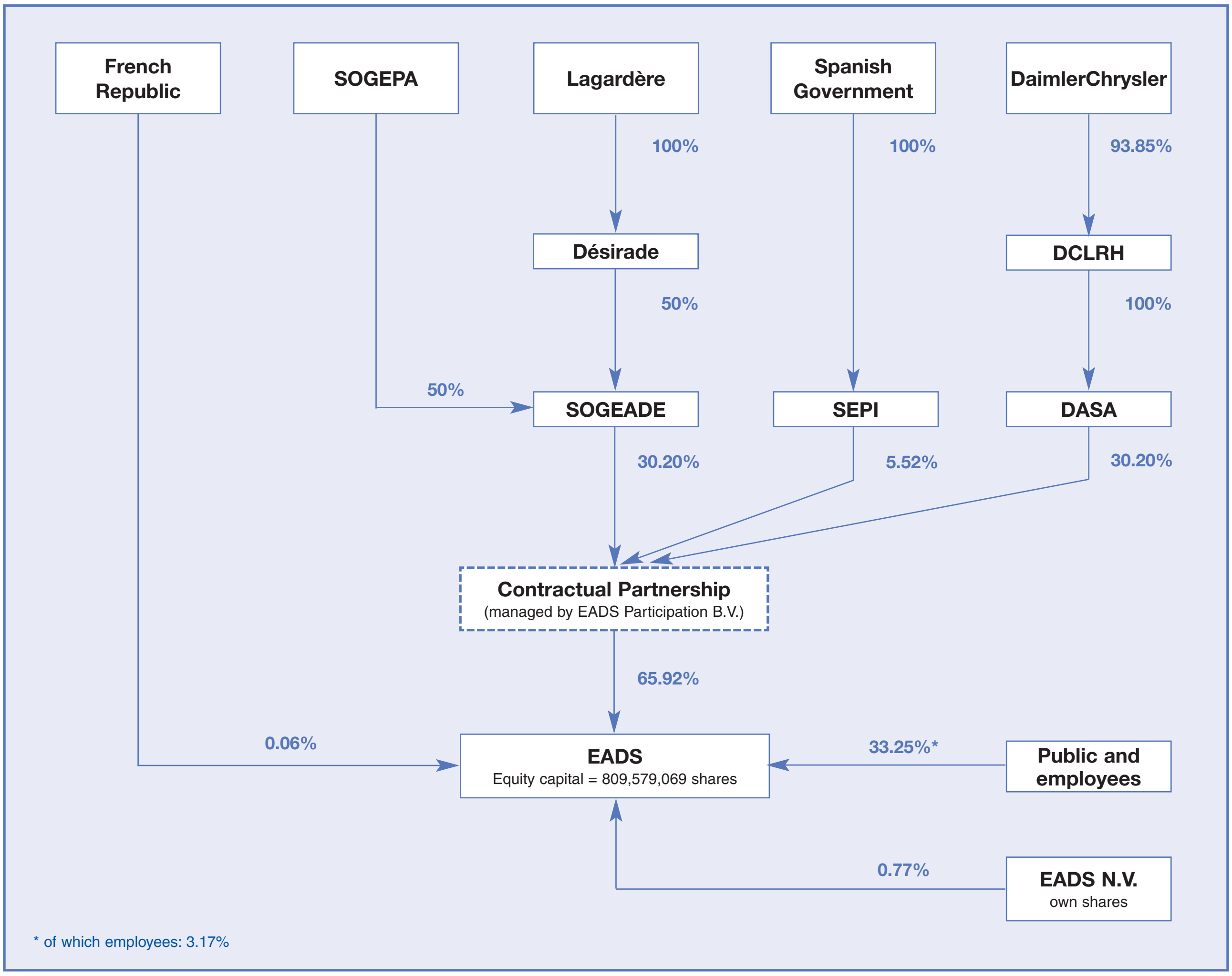
- in accordance with the wishes expressed at the time of its creation, EADS N.V. is made up of a single General Management body (although this is managed jointly by the two CEOs), a single Financial Management body, a single Strategic Management body, etc.

- the executive committee of the EADS N.V. group, which is jointly responsible together with the CEOs for the Group's executive management, is composed of twelve members.

Lagardère thus benefits, at all levels of EADS N.V.'s controlling structure, from prerogatives that guarantee it top-level access to the management of this entity; this arrangement also combines the twin aims of protecting the rights enjoyed by Lagardère under the equal representation principle and of efficient corporate management of EADS N.V, which its single management structure should achieve.

Since 1 July 2003, the EADS N.V. shares owned by all its controlling shareholders within the Partnership have been freely transferable on the market, subject to a right of pre-emption between Sogeade and DaimlerChrysler.

Shareholding of EADS N.V. as of 31 December 2004



With a consolidated revenue of €31.8 billion in 2004, EADS, ("the Group"), is Europe's leading aeronautical, defence and space group and is ranked second in the world.

EADS leads the world in the production of commercial aircraft, civil helicopters, commercial space launchers and missiles. It is also one of the world's major suppliers of military transport and combat aircraft, and of satellites and electronic defence systems.

In 2004, three quarters of the Group's revenue came from civil activities and one quarter by activities in the military sector.

2004 saw the start of a recovery in worldwide air traffic volumes. Whilst this recovery bodes well for aircraft sales, the continuing instability in the Middle East, the underlying threat of terrorism and tension over oil prices have all hampered airlines' profitability. In the defence sector, tight budget controls for each country participating in EADS are still in place.

Throughout 2004, EADS continued to position itself to achieve increased growth and profitability, in line with its strategy of consolidating its worldwide leadership and its competitive edge. The end-of-year order book for 2004, totalling a record €184.3 billion, constitutes a major asset for EADS, as it represents nearly five years of turnover in commercial aviation and more than six years in defence.

For the second consecutive year, Airbus delivered more aircraft and won more orders than Boeing. In 2004, Airbus booked 370 gross orders, representing over 57% of all orders placed during the year; and over the same period it delivered 320 aircraft, compared to 305 in 2003.

In 2004, the A380 programme completed further major technical stages in its development, and confirmed its commercial potential with a total of 139 firm orders from thirteen customers at the year end. In December 2004, the EADS Board gave the go-ahead for the commercial launch of the A350, with a view to strengthening the mid-range Airbus product offering in the face of new competition from Boeing.

2004 was also marked by the dispute between the United States and the European Union over government subsidies to finance the development of new commercial aircraft; negotiations resumed at the end of 2004 and EADS expects the final agreement to define common rules on both sides of the Atlantic.

One ongoing strategic priority for the group is to broaden its product range and expand its activities in the defence sector. Its defence order book grew in value from €42 billion at the end of 2003 to 49.1 billion at the end of 2004. This growth is primarily attributable to a number of major orders; the signing of Tranche 2 of the Eurofighter, the contract to produce the M51 French ballistic missile, an order for tanker aircraft from the Australian Armed Forces, the contract from the Romanian Ministry of the Interior for an integrated security system for its borders and the first non-European order for the NH90 from the Sultanate of Oman. In 2004, defence revenue increased by 8% to 7.7 billion.

EADS Space business returned to profitability in 2004, reflecting the results of the restructuring and industrial reorganisation plans implemented within the division. A number of large orders were placed, which will have a significant effect on the division's future activities, notably the order for 30 Ariane 5 launchers and completion of stage one in the Galileo European satellite navigation programme.

In 2004, the Group's EBIT rose strongly to €2,444 million, compared to €1,543 million in 2003, reflecting the rise in Airbus deliveries and the Space Division's return to profitability. EADS' operating margin reached 7.7%.

The improvement in profitability, the steady flow of advance payments from customers and strict control of liabilities linked to customer financing arrangements combined to enable EADS to continue to improve its net cash position considerably. This stood at €4.1 billion at the end of 2004, compared to 3.1 billion at the end of 2003.

EADS' share price rose by 14% during the year, reflecting investors' confidence in the Group's management and its long-term growth strategy. Since the time of EADS' creation in July 2000, its share price had risen by around 20% by the end of 2004, easily outperforming all its competitors, and especially the companies in the CAC 40 French share index, which lost around 40% of its value over the same period.

STRATEGY

To maximise shareholder value and to balance its portfolio, EADS' Management ("the Management") intends to position EADS as a world leader in the fields of aeronautics and Defence. Its strategy is based on four key elements:

Strengthening EADS' competitive position

EADS plans to maintain its leading role in the markets for airliners (with Airbus), helicopters (with Eurocopter), missile systems (with MBDA and LFK) and commercial space launchers (with EADS Space Transportation).

The target of generating a medium-term revenue of €10 billion in defence and internal security activities is crowning EADS current efforts to strengthen its market positions in the defence and space sectors. These efforts are being sustained by EADS' modern and competitive portfolio, which includes programmes such as the A400M military transport aircraft, Eurofighter, the Tiger and NH90 helicopters, the Aster and Meteor missile programmes and the Skynet 5/Paradigm secure communications network.

The intention is to achieve mainly organic growth in the field of defence activities.

Becoming a world-class industrial group

EADS plans to strengthen its leadership in Europe and its worldwide competitiveness by consolidating its international industrial presence. The Group has therefore identified a number of strategic countries with a view to its development and embarked on its *Global Industrial Strategy* in order to determine how best to develop its commercial offerings in these promising markets (China, the United States, India, Korea, Japan and Russia), and to accompany its transition from the status of a European-level industrial group with worldwide sales to a worldwide industrial group. EADS will rely on industrial partnerships and/or an industrial presence to pursue this objective. The Group also sees this as a way of broadening its technology portfolio and hedging its exposure to exchange rate risks. At the same time, efforts have been deployed in terms of sourcing with a view to maintaining EADS' competitiveness, particularly in those countries where budgetary decisions traditionally favour its American competitors.

The Group's experience in Australia provides an example of the successful implementation of this strategy. In Managing Partner's opinion, the local industrial presence established by the acquisition of Australian Aerospace in 2001 created a competitive advantage for the Tiger contract and was a factor in the signing of the A330 tanker and NH90 helicopter contracts.

Providing a comprehensive systems and services offering

The new requirements of the American and European armed forces, and of the public security agencies, combined with the budgetary constraints they face, have led EADS' customers to call for the supply of complete systems with integrated service solutions. In response to this situation, EADS wishes to boost its expertise in the area of main system integration and its capacity to offer service solutions.

More precisely, EADS aims to achieve leadership in the new growth sectors, such as extended anti-aircraft defence, C4ISR systems (intelligence, surveillance, command and control), drones and military space programmes. The contract for the supply of an integrated security system covering Romania's borders, which was awarded to EADS in 2004, represents a significant step in this direction.

In addition to these systems, EADS is supplementing its offering of major programmes by offering service solutions, notably in terms of outsourcing, to the armed forces and the public security agencies, such as secure telecommunications services using Paradigm and in-flight refuelling capacities within the framework of the FSTA programme.

Concentrating on innovation and technology

By combining a wide product range with its expertise in integrated high-added-value systems, EADS is aiming to penetrate new markets, optimise its margins and offer strongly differentiated solutions, adapted to the increasingly complex requirements of its civil and military customers. New programmes such as the complete territorial security systems, Galileo navigation satellites and military derivatives based on Airbus platforms illustrate EADS' ability to combine know-how with products in order to develop mutually complementary activities.

Ongoing innovation has been the basis of EADS' success in the past and the Managing partners expect technological progress to be an increasingly dominant factor in competition. Innovation cycles are growing ever shorter and new competitors are emerging in all areas of the Group's activity. EADS intends to position itself as one of the main suppliers of innovative solutions covering a wide range of technologies including new materials, manufacturing techniques, rupture technologies, system integration and quality control.

Both in terms of absolute value and as a percentage of revenue, EADS has consistently devoted a larger proportion of its own resources to research and development than its peers have. The Managing Partners firmly believe that this sustained investment in R&D will deliver a major competitive advantage and produce a positive return on investment. Value creation for shareholders is based on this long-term vision.

ACTIVITIES

The EADS N.V. group comprises five main divisions: Airbus, Aeronautics, Military Transport Aircraft, Defence and Security Systems, and Space.

(in millions of euros)

EADS * Group	2003	2004	Variation
Revenue (in M€)	**30,133**	**31,761**	**5%**
Operating profit (in M€)(1)	1,543	2,444	58%
Net profit (in M€)(2)	644	1,030	60%
Orders taken (in M€)	61,150	44,117	- 28%
Order book (in M€)	179,280	184,288	3%
Number of employees	109,135	110,662	2%

** Data published by EADS.*

(1) Operating profit before amortisation of goodwill and exceptional items.
(2) Net profit and EPS are now given in accordance with IFRS 3; goodwill is no longer amortised on a straight-line basis. The net profit published for 2003 amounted to €152 million, following amortisation of goodwill.

Airbus

In 2004, in a recovering market, Airbus posted sound business results and consolidated its position as number one, competing against Boeing.

Airbus offers a complete and competitive family of commercial aircraft with over 100 seats, and passed the symbolic threshold of 5,000 orders last August.

Since the time of its creation in 1970 through to the end of 2004, Airbus has delivered a total of 3,752 aircraft to more than 230 users. With an order book of 1,500 aircraft, for the fourth consecutive year Airbus is positioned well ahead of its competitor Boeing, with a portfolio representing over 57% of the commercial aircraft on order in the world. The first A380s have now been assembled and the inaugural flight is due to take place in early 2005, with marketing scheduled for 2006. Airbus has also received authorisation from its shareholders (EADS 80% and BAe Systems 20%) to offer its customers a new aircraft, the A350, which is a derivative of the A330-200. The final decision concerning its industrial launch is due to be made in 2005.

At 31 December 2004, Airbus had an order book of 364 aircraft (after cancellations), representing over 57% of the global market. With 320 aircraft delivered in 2004, its world market share has risen from 15% in 1990 to 53% in 2004.

Airbus generated revenue of €20.2 billion in 2004 and increased its profitability with an operating profit of €1,922 million (compared to €1,353 million in 2003). This increased profitability mainly reflects the rise in deliveries, a favourable distribution of the aircraft types delivered and the first effects of the cost-cutting plans decided upon at the end of 2001. The operating margin thus reached 9.5%.

In 2005, the recovery that begin in 2004 looks set to continue and Airbus now expects to deliver over 350 aircraft in 2005. The "Route 06" programme, which should enable Airbus to reduce its annual operating costs substantially by the end of 2006 and offset the weakness of the dollar, is continuing. Airbus's EBIT should continue to rise in 2005, sustained by the rise in deliveries; nevertheless, this rise will be held back by the persistent weakness of the dollar and the slight decline in the proportion of large aircraft delivered.

↳ Military Transport Aircraft

The Military Transport Aircraft Division designs, produces and markets small and medium-capacity military transport aircraft; it is also responsible for the management and integration of the A400M programme, a European, high-capacity military transport aircraft that uses Airbus technology and meets the requirements of European armies and a promising export market. The division also produces and markets mission-specific aircraft, which are derivatives of existing aircraft, produced to undertake special missions such as maritime surveillance, anti-submarine warfare and in-flight refuelling.

In 2004, the Division generated revenue of €1,304 million, representing growth of nearly 40%. The commencement of the execution phase of the A400M programme is the main factor behind the growth in revenue, although this growth is not fully reflected in the operating profit, mainly due to exceptional charges of €28 million to cover restructuring.

The order for A330 MRTT tankers placed by the Australian Armed Forces, valued at €730 million, was the main contract concluded in 2004, whereas EADS is still negotiating with the British Ministry of Defence to obtain the final signature of the FSTA contract.

In 2005, the division is anticipating substantial growth in its revenue, from the development of the A400M programme and the Australian A330 MRTT. The restructuring process that began in 2004 should bear fruit in terms of profitability.

↳ Aeronautics

The Aeronautics division groups civil and military aviation activities together with helicopters (Eurocopter), light and regional aircraft (EADS Socata and ATR), maintenance and conversion activities (EADS Sogerma Services and EADS EFW), and aerostructure activities.

In 2004, the Aeronautics division posted revenue of €3.9 billion, representing almost total stability; Eurocopter's repeated successes offset the difficulties encountered in regional aircraft (ATR) and civil aircraft maintenance (Sogerma) activities. The operating margin fell slightly from 5.7% to 5.3% due to the weakness of these two activities, combined with the weakness of the dollar.

With its Eurocopter, EADS is one the world's main helicopter manufacturers, and the largest in Europe. Its main competitors in the military segment are Agusta Westland in Europe and Bell Helicopter, Boeing and Sikorsky in the United States. In the civil segment, the main competitor is Bell Helicopter. In 2004, Eurocopter confirmed its world leader status in the civil helicopter market, achieving a 52% market share. EADS is anticipating a substantial increase in its military sales as deliveries of the Tiger attack helicopter to the German and French armed forces begin, and the NH90 transport helicopter starts to be delivered.

In the regional aircraft field, ATR, the world's number one producer of regional turbo-prop aircraft fitted with between 40 and 70 seats, delivered 12 aircraft and took 13 orders for new aircraft. Nineteen second-hand aircraft were also sold. Nevertheless, trading conditions continue to be particularly difficult and hampered ATR's performance.

Thanks to an order book worth just over €10 billion, the Aeronautics division has a substantial growth reserve. The entry into service of the new Tiger and NH90 military helicopters should enable Eurocopter to consolidate its position as world leader and improve its profitability. Even so, the weakness of the dollar, pressure on margins in the aerostructure business and the restructuring in progress at Sogerma look set to burden the Division's EBIT. As a result, its performance should remain more or less stable in 2005, despite an anticipated increase in revenue.

↳ Defence and Security Systems

The Defence and Security Systems Division (DS) groups together activities covering missile systems (MBDA, which is 37.5%-owned and LFK), defence electronics systems (Defence Electronics) and secure communications with both civil and military applications (Defence and Communications Systems). The division also includes service activities (EADS Service), meeting a growing demand for military outsourcing. The restructuring process that began in 2001 is ongoing and in particular, the division has announced the sale of EADS Enterprise Telephony to Astra Technologies. This business generated revenue of approximately €170 million in 2004.

In 2004, the division generated revenue of €5.4 billion, up 4% on 2003, with an EBIT of €228 million (171 million in 2003). The 2004 EBIT includes restructuring charges of €90 million (compared to 50 million in 2003) and the writeback of a €106 million provision covering litigation.

The delivery of the first tranche of 148 Eurofighter aircraft that began in 2003 is continuing, and 34 aircraft were delivered in 2004. In December 2004, tranche 2 was ordered, covering 236 aircraft; EADS' share of this piece of business represents €4.3 billion. This contract plus the contract for the integrated security system for the Romanian borders are the main reasons for the 31% rise in the value of the Division's order book, to €17.3 billion.

In the field of missile systems, MBDA, which is 50%-consolidated by EADS, became the world leader in this sector in 2004, thanks mainly to the commencement of delivery of the Storm Shadow/Scalp cruise missile to Great Britain and France. LFK, for its part, won its first export contract for Taurus, in Spain. The two entities also benefited from the launch of the ground-based MEADS air defence programme, destined for the United States, Germany and Italy. In the near future, EADS plans to integrate EADS LFK into MBDA.

European budgets will still be under pressure in the near future, but Europe's demand in terms of military capabilities looks set to grow in the areas of new-generation systems, services and products. EADS' unique portfolio of complex information gathering and management systems (intelligence, surveillance, command and control – C4ISR), encompassing the fields of command, information, communications and recognition, constitutes a sound asset in terms of meeting these demands. Enhanced competitiveness should also enable EADS to expand its presence in the market with transatlantic partnerships within the framework of NATO initiatives.

In 2005, the division's revenue is expected to remain at the high level achieved in 2004, and the EBIT should benefit from the effects of restructuring. Nevertheless, the exceptional provision writeback posted in 2004 covering €106 million is a non-recurrent item.

Space

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

The Space Division designs, develops and manufactures satellites, orbital infrastructures and launchers, mainly via its subsidiary companies EADS Astrium and EADS Space Transportation ("EADS ST") and supplies space services via its subsidiary EADS Space Services. The Space Division also supplies launch services via the participations it holds in Arianespace, Starsem and Eurockot, as well as services linked to telecommunications and earth observation satellites, via its specialised companies such as Paradigm.

In 2004, the Division posted revenue of €2.6 billion, up 7% on 2003, mainly by virtue of its Paradigm military activities. Its industrial reorganisation and restructuring efforts have been crowned with a return to profitability. The Division thus generated a positive EBIT of €10 million, in the wake of three years of operating losses.

As a pillar of the European space industry, and now fully adapted to the changes taking place in the market, the Division is set to achieve profitable growth. The improvement in its operating profitability should continue in 2005.

In 2005, EADS plans to generate revenue of approximately €33 billion. The revenue forecast is based on the assumption of an average exchange rate of USD 1.30 to €1 in 2005, compared to USD 1.24 to €1 in 2004; this rate is used to convert into euros the proportion of its dollar-based revenue, which is of course covered by purchases denominated in dollars.

EADS expects its Airbus division to deliver 350-360 aircraft in 2005, compared to 320 in 2004; all of these are already in the order book. Moreover, the global revenue from defence activities should continue to grow and reach approximately €8.5 billion in 2005, compared to 8 billion in 2004.

EADS anticipates that its 2005 EBIT will exceed €2.6 billion, compared to 2.4 billion in 2004.

The 2005 EBIT target reflects the expected improvement in Airbus, Military Transport Aircraft and Space activities. Nevertheless, this improvement should be held back by the non-recurrence of certain exceptional positive accounting items posted in 2004 (notably at Airbus and in the Defence and Security Systems Division), and also by the deterioration in EADS average exchange rate cover in 2005, compared to 2004.

Per-share earnings should increase by 5% to 1.36 in 2005, calculated on an average number of 803 million shares.

Lastly, EADS plans to maintain a strong net cash flow. The available cash flow should remain positive, prior to financing of customers of the commercial aviation business and prior to industrial investments devoted to the Paradigm programme.

Non-sectoral activities

(in millions of euros)	2002	2003	2004
Operating profit	(15)	12	(12)
Financial result (including priority remunerations)	14	(1)	(1)
Exceptional profit	(8)	51	(5)
Total	**(9)**	**62**	**(18)**

The "Other Activities" structure covers the Group's financing and other activities that cannot be attached to the two previous businesses.

For the most part, the operating profit comprises operating expenditure for which the central holding companies remain liable, together with the contributions made by Banque Arjil and Matra Automobile's Spare Parts department, whose incomes is posted under "other operating income". At 31 December 2004, this shows a deficit of €12 million, mainly due to the deficit posted by Banque Arjil (€7 million in 2004 compared to €1 million in 2003), a smaller contribution from the Spare Parts business and new charges linked to sponsorship operations.

The financial result remains close to break-even, with a slight deficit of €1 million.

The exceptional result comprises firstly writebacks of provisions previously created in connection with disengagement from Matra Automobile consequent upon a favourable trend in the forecasts of future disbursements (€+39 million), and secondly charges and non-recurrent provisions created following the acquisition of Editis's assets (€-37 million).

Lastly, in December 2004, the Group sold off the Banque Arjil's activities. These were consolidated across the whole of 2004 and the disposal, posted at the year-end, generated a capital loss of €5 million.

In 2003, the exceptional result included a €40 million capital gain on disposal of Renault shares.

Summary of results and other information

Based on the trading profit before tax, the Group's share of net profit is obtained as follows:

(in millions of euros)	2002 reported	2002[2] proforma	2003	2004
Trading Profit[1]	(199)	30	702	906
Other Activities	(9)	(9)	62	(18)
Profit before minority intereste, goodwill and taxation	**(208)**	**21**	**764**	**888**
Taxation	143	143	(193)	(258)
Provisions and depreciation of intangible fixed assets	(222)	(222)	(213)	(200)
Total net profit	**(287)**	**(58)**	**358**	**430**
Mo,ority interests	(4)	(4)	(24)	(48)
Group's share of net profit	**(291)**	**(62)**	**334**	**382**

[1] Sum total of the profits of businesses previously presented: Lagardère Media, High Technology (Automobile until 2002).
[2] With effect from 1 January 2003, the Automobile business, the estimated costs of disengagement from which had been covered by provisions created at 31 December 2002, is deconsolidated. The reminder of the accounts published at 31 December 2002 is accompanied by the presentation of pro-forma accounts excluding the contribution made by this business.

The consolidated taxation charge amounts to €258 million in 2004 - a rise of €65 million, reflecting that of operating profits.

Provisions for depreciation and amortisation of intangible fixed assets amount to €200 million in 2004, compared to €213 million in 2003, and are split between:

- recurrent amortisation of amortisable goodwill amounting to €122 million, which is stable in relation to 2003 (€124 million);
- exceptional amortisation amounting to €78 million in 2004 and €89 million in 2003, posted in the Lagardère Media business, to take account of identified losses in value. In 2004, this is assigned mainly to the intangible assets of the Italian media group Rusconi (€40 million), to the photography activities of the Media branch (€6 million), to audio-visual production companies (€6 million and to the participation held in multiThématiques (€13 million). In 2003, this amortisation related mainly to the Virgin retailing group (€40 million) and to multiThématiques (€36 million).

The share of results attributed to minority interests rose is up from €24 million in 2003 to €48 million in 2004, and is split equally between the Media business (up from €11 million to €23 million) and EADS (up from €13 million to €25 million).

Dividend

Managing Partners have decided to recommend the distribution of a dividend of €1 per share to the Shareholders' General Meeting, compared with the €0.90 dividend paid on the 2003 result. This recommendation reflects the good financial health of **Lagardère SCA** and confidence in its future performance.

Managing Partners will recommend to the Shareholders' General Meeting payment of a bonus of €2 per share, demonstrating the group's wish to allow its shareholders to enjoy a share of the proceeds of the disposal of the T-Online shares completed in early 2005.

Finally, Managing Partners will recommend that the Shareholders' General Meeting fixes the payment dates of the €1 dividend on 19 May 2005, and of the €2 bonus on 6 July 2005.

Results of Lagardère SCA

of the last five financial years

Articles 133-135 and 148 of the decree of 23rd March 1967 on commercial undertakings

Nature of information	2000	2001	2002	2003	2004
Year-end capital *(in euros)*					
a) Share capital	838,916,807	845,878,899	849,229,824	**851,664,914**	**858,993,979**
b) Ordinary shares outstanding	137,573,338	138,668,672	139,218,004	**139,617,199**	**140,818,685**
c) Maximum number of future shares to be created by exercising stock options	6,319,495	5,890,385	2,653,353 (1)	**3,550,108** (1)	**1,944,724** (1)
d) Maximum number of future shares to be created by bond conversion	-	-	-	-	-
e) Maximum number of future shares to be created by the exercise of scrip certificates	-	-	-	-	-
Operations and results of the fiscal year *(in thousands of euros)*					
a) Turnover net of taxes	23,377	744	926	2,357	**1,072**
b) Result before tax and calculated charges (depreciation and provisions)	194,606	(119,935)	(72,115)	15,421	**(9,021)**
c) Company tax	66,127 (2)	104,517 (2)	53,316 (2)	50,774 (2)	**65,396** (2)
d) Result after tax and calculated charges (depreciation and provisions)	1,098	96,475	(65,952)	91,572	**131,631**
e) Earnings allotted to shareholders	106,989	110,839	111,227	122,815	(note 3)
Earnings per share *(in euros)*					
a) Result after tax, but before calculated charges (depreciation and provisions)	2.00	(0.11)	(0.14)	0.47	**0.40**
b) Earnings after taxes and calculated expenses	-	0.70	(0.47)	0.66	0.93
c) Dividend per share	0.78	0.82	0.82	0.90	(note 3)
Personnel					
a) Average headcount	-	-	-	-	-
b) Total emolument for the year	-	-	-	-	-
c) Sums paid under the terms of welfare schemes for the year	-	-	-	-	-

(1) The specified number of shares corresponds to the option plans for which the exercise price is lower than the quotation rate as of 31 December
(2) Primarily tax integration bonuses.
(3) The distribution of a dividend of €1 per share shall be proposed at the General Meeting in May 2005.
The Managing Partners will also propose to the Shareholders' General Meeting to pay an exceptional dividend of €2 per share in July 2005.

Admission card application

LAGARDERE

Ordinary and Extraordinary Combined Meeting

Tuesday 10th May 2005 at 10:00 a.m.

at the Carrousel 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 in .... on 2005

Signature:

This application should be returned to ARLIS using the prepaid envelope attached.

LAGARDERE SCA
A limited partnership with shares
with a share capital of €858,993,979
Registered office: 4, rue de Presbourg - PARIS 16e (75) - France
320 366 446 R.C.S. PARIS – SIRET : 320 366 446 00013

Application for the submission of documents and information

LAGARDERE

Ordinary and Extraordinary Combined Meeting*

Tuesday 10th May 2005 at 10:00 a.m.

at the Carrousel 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 decree of 23 March 1967, to send me the documents and information set out in Article 135 of said decree, in order for me to prepare the 10 May 2005 General Meeting.

Established in .... on 2005

Signature:

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

This application should be returned to ARLIS using the prepaid envelope attached.

* In accordance with legal provisions, the Combined General Meeting will convene for an initial session on Wednesday 27th April 2005 at 10:00 a.m., at 121 avenue de Malakoff, Paris 75016, France. 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 10th May 2005.

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