Convening Notice

Annual Ordinary and Extraordinary Combined General Meeting of Lagardère SCA

On Tuesday, May 2, 2006 at 10:00 am

At the Palais des Congrès
2, place de la Porte Maillot - 75017 Paris

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 intended for general information only and should not be considered as completely accurate owing to the unavailability of English equivalents for certain French legal terms.*

Lagardère

Participating in the Annual General Meeting

Attending the Meeting:

Participants must be holders of a registered share account in the Company's books at least five days before the meeting date.

All documents that are legally required to be communicated at annual General Meetings will be available for consultation by shareholders' at the head office or at the securities department of LAGARDERE SCA, ARLIS - 6, rue Laurent-Pichat, 75016 Paris.

Shareholders who wish to attend this Meeting are kindly requested to first complete and sign the admission card request, insert it into the special postage paid envelope enclosed herein and mail it to the address below:

ARLIS

6, rue Laurent-Pichat - 75216 PARIS CEDEX 16

Shareholders who cannot attend the Meeting in person:

May choose to participate through any of the four options below:

- give a proxy to another shareholder;
- ask their spouse to represent them;
- send a proxy form to the Company without indicating any name;
- vote by correspondence;

using the vote by correspondence or by proxy form together with the other documents and information required by law which have been enclosed in this notice.

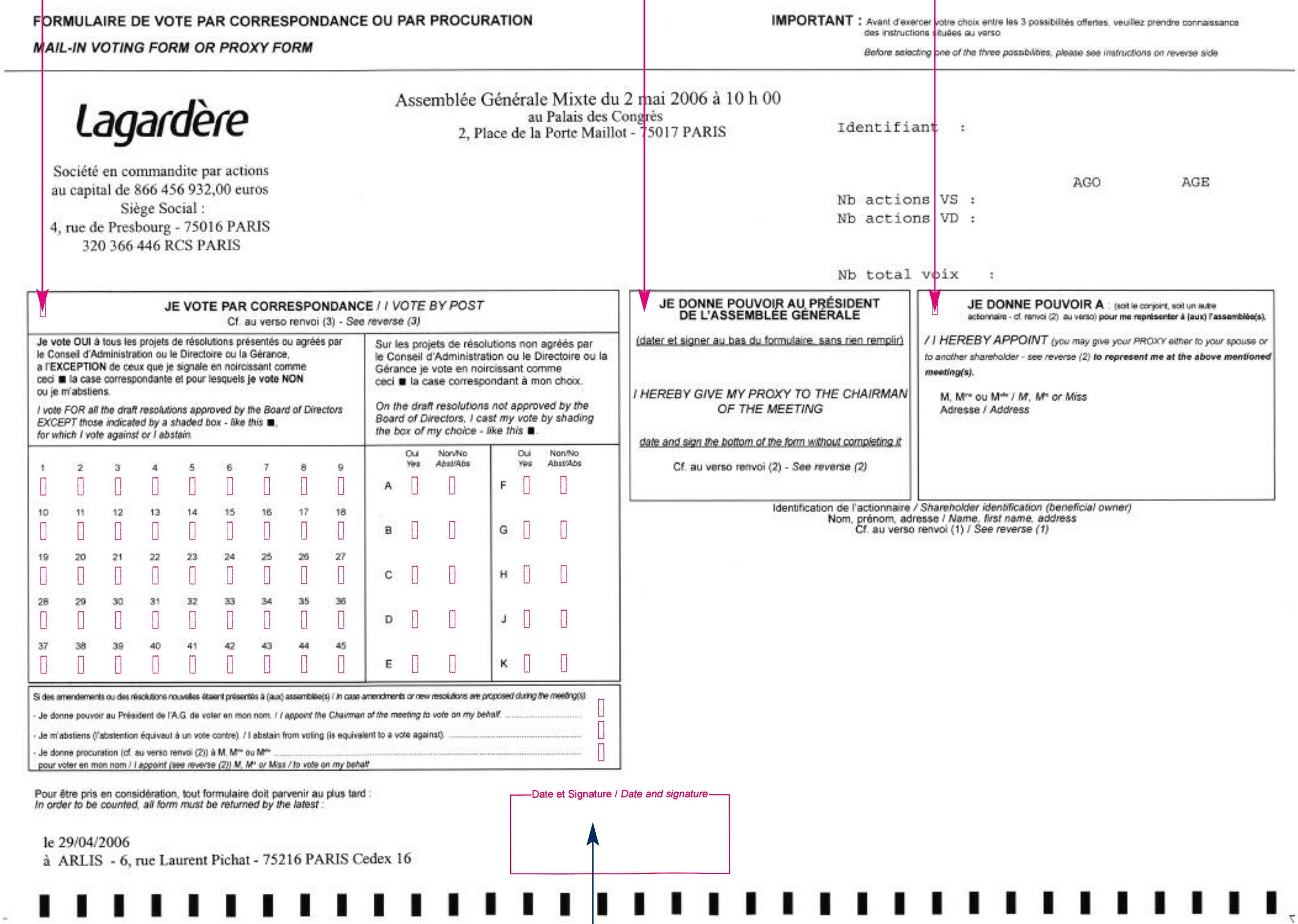
Votes by correspondence will only be taken into account if the duly completed forms reach the Company's head office or securities department, at the address indicated above, at least 3 days before the date of the meeting.

Completing the voting form

I want to vote by correspondence:
Please check here
and follow the instructions.

I want to give proxy to the Chairman of the Meeting:
Please date and sign the bottom of the form.

I want to give proxy to a specific person,
who will attend the Meeting:
Please check here
and indicate the details (full name, 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

Lagardère

Société en commandite par actions
au capital de 866 456 932,00 euros
Siège Social :
4, rue de Presbourg - 75016 PARIS
320 366 446 RCS PARIS

Assemblée Générale Mixte du 2 mai 2006 à 10 h 00
au Palais des Congrès
2, Place de la Porte Maillot - 75017 PARIS

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'Administration ou le Directoire ou la Gérance, a 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) l'assemblée(s).**

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

M, 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 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)) M, Mr or Miss / to vote on my behalf*

Pour être pris en considération, tout formulaire doit parvenir au plus tard :
In order to be counted, all form must be returned by the latest :

le 29/04/2006
à ARLIS - 6, rue Laurent Pichat - 75216 PARIS Cedex 16

Date et Signature / *Date and signature*

Whatever your choice:
Please date and sign here.

Agenda

Annual Ordinary and Extraordinary Combined General Meeting of May 2, 2006

- **Managing Partners' report** (management report on the operations of the Company and Group affairs and on the annual financial statements for the year ended December 31, 2005).
- **Supervisory Board's report**
- **Statutory Auditors' reports** on their audit of the parent company financial statements, the Group's consolidated financial statements and the agreements referred to in article L. 226-10 of the French Commercial Code.
- **Special Managing Partners' report** on share subscription and purchase options.
- **Special Managing Partners' report** on purchasing the Company's stocks.
- **Chairman of the Supervisory Board's report** on the board's organization and internal control procedures.
- **Special Statutory Auditors' report** on financial authorizations
- **Special Statutory Auditors' report** on internal control procedures.
- **Approval of parent company accounts** for the financial year ended December 31, 2005.
- **Approval of consolidated financial statements** for the year ended December 31, 2005.
- **Allocation of net income:** dividend distribution.
- **Approval of agreements** referred to in article L. 226-10 of the French Commercial Code.
- **Authorization to be given** to Managing Partners to deal in Company shares.
- **Renewal of the office of Supervisory board member** of Mr. Georges Chodron de Courcel.
- **Renewal of the office of Supervisory board member** of Mr. Christian Marbach.
- **Renewal of the office of Supervisory board member** of Mr. Bernard Mirat.
- **Non-replacement of Mr. Manfred Bischoff,** resigning member of the Supervisory Board.
- **Authorization to be given** to Managing Partners to grant to employees and directors and officers of the Company and companies affiliated to it share subscription and/or purchase options.
- **Powers to carry out** all required formalities

Draft Resolutions presented by the Managing partners

First resolution

Approval of parents company accounts for fiscal 2005

The Ordinary Annual General Meeting, after having been notified of the Managing partners' report as well as the reports of the Supervisory board and that of the auditors on their audit mission, entirely approves all sections of the aforementioned reports and the parent company financial statements for the financial year ended December 31, 2005 as drawn up and presented to it.

As a result, it approves all the actions carried out by the Managing partners during the fiscal year as they follow from said reports and financial statements, and discharges them for their management during the fiscal year ended.

Second resolution

Approval of consolidated accounts

The Ordinary Annual General Meeting, after having been notified of the Managing partners' report as well as the report of the Supervisory board and that of the auditors on the consolidated accounts of the fiscal year ended December 31 2005, approves them as drawn up and presented to it.

Third resolution

Appropriation of earnings; fixing of dividend at E1,1

(in euros)

The Ordinary General Meeting has noted that the Company's distributable profit for the fiscal year stands at	196 552 791,33

It has resolved, in accordance with the bylaws, to deduct a sum of ?6,697,620 which is equal to 1% of Group share of consolidated net profit as remuneration for its general partners. This dividend will qualify for the 40% reduction referred to in article 158-3-2 of the French General Tax Code and due to natural persons liable to income tax in France.

It has also resolved, upon recommendation of the Managing partners, to pay a unit annual dividend of 1.1 euro per share, on the understanding that:

- shares created as a result of the stock option before the clipping date of this annual dividend shall be entitled to dividends;
- shares that may be held by the Company itself on the dividend clipping date shall not be entitled to dividends.

This dividend will be clipped from the share on May 10, 2006 and paid to holders of registered shares or to their qualified representatives, by check or by bank transfer as from that date.

The annual dividend will qualify for the 40% reduction available exclusively to natural persons who pay income tax in France pursuant to the provisions of article 158-3-2 of the General Tax Code.

It is recalled that the sums of the dividends paid out during the past three fiscal years as well as the tax credits accruing to them, amounted to the sums set out below:

(in euros)	**2004**	**2003**	**2002**
Dividends paid to shareholders	1 + 2	0.90	0.82
Tax credit	-	0.45	0.41
Overall dividend	-	1.35	1.23
Total dividend	410,517,996*	122,815,095.30	111,226,519.54
Dividends paid to general partners	3,818,730	3,339,000	-
Total	**414,336,726***	**126,154,095.30**	**111,226,519.54**

* Including extraordinary dividend of 2 euros per share.

Fourth resolution

Approval of regulated agreements

The Ordinary General Meeting, after hearing the reading of the Statutory Auditor's special report on the agreements referred to in Article L. 226-10 of the French Commercial Code and commitments referred to in article L. 225-42-1 approves this report entirely as well as the agreements referred to in this law.

Fifth resolution

Authorization to be given to Managing Partners for a period of eighteen months to deal in Company shares

After having been notified of the Managing partners' special report on the share buyback program, and in accordance with legal provisions, the Ordinary General Meeting authorizes the Managing partners to acquire Lagardère SCA shares representing up to 10% of the Company's current capital. This will represent a maximum of 14,220,211 shares based on the capital as of February 28, 2006 and an amount of (700 million euros) under the following conditions and as follows:

The maximum share purchase price will be 80 euros; this amount will be adjusted if necessary in case of capital transactions, particularly in case of capitalization of reserves, profits or additional paid-in capital and bonus share issues, splits or stock combinations.

The Managing partners may use this authorization to carry out the objectives below in particular:

- decrease capital through canceling of all or part of the acquired shares;
- remittal or exchange of shares during the exercise of the rights attached to securities giving access, in any way whatsoever, to the Company's capital;
- allocation of shares to stock option beneficiaries exercising their right;
- allocating bonus shares to the Company's employees and its affiliated companies;
- allocating shares to employees in the context of employees profit-sharing schemes;
- any other allocation of shares to the Company's employees and its affiliated companies under the conditions defined by applicable legal provisions;
- conservation and remittance after the exchange or payment in connection with possible acquisitions;

- dealing in and controlling the Company's shares on the market in connection with liquidity agreements signed with an independent investment service provider whose terms will be compliant with the code of ethics recognized by the AMF, the French financial markets authority;
- and more generally, realization of any transaction compliant with the regulation and, particularly with Market Practices admitted by the AMF.

These shares may be acquired, assigned or transferred by all means, in accordance with legislation, including if necessary by private negotiation or OTC transactions, by block sale or assignment, by using derivative products or by the creation of optional strategies.

The General Meeting gives full powers to Managing partners to decide, in compliance with legal and regulatory provisions, the implementation of the present authorization, enter into all agreements, complete all formalities and generally, do all that will be useful or necessary.

The authorization given to Managing partners is valid for a period of eighteen months as from this General Meeting; it cancels and replaces the one given on May 10, 2005.

Sixth resolution

Renewal of the office of Supervisory board member of Mr. Georges Chodron de Courcel

The Ordinary General Meeting resolves, based on the proposal of the Supervisory board, to renew the office of Supervisory board member of Mr. Georges Chodron de Courcel for a period of six years.

Seventh resolution

Renewal of the office of Supervisory board member of Mr. Christian Marbach

The Ordinary General Meeting resolves, based on the proposal of the Supervisory board, to renew the office of Supervisory board member of Mr. Christian Marbach for a period of six years.

Eighth resolution

Renewal of the office of Supervisory board member of Mr. Bernard Mirat

The Ordinary General Meeting resolves, based on the proposal of the Supervisory board, to renew the office of Supervisory board member of Mr. Bernard Mirat for a period of six years.

Ninth resolution

Non-replacement of Mr. Manfred Bischoff, resigning member of the Supervisory board

The Ordinary General Meeting has noted the resignation of Mr. Manfred Bischoff from his office as Supervisory board member and resolves, based on the proposal of the Supervisory board, not to replace him.

Tenth resolution

Authorization to be given to Managing partners to grant to employees and directors and officers of the Company and companies affiliated to it within the meaning of Article L.225-180 of the French Commercial Code, options to subscribe or purchase the Company's shares, within the limit of 3% of the number of shares comprising the capital stock.

The Extraordinary General Meeting, after having been notified of the Managing partners' reports, as well as the reports from the Supervisory board and the statutory auditors:

- authorizes the Managing partners, pursuant to the provisions of articles L. 225-177 of the Commercial Code, to grant in one or several transactions, to the directors, officers and employees – or to some of them – of the Company and of companies affiliated to it within the meaning of Article L.225-180 of the aforementioned code, options offering the right to subscribe to the Company's new shares, and/or purchase existing shares;
- resolves that the total number of options granted under this authorization may not entitle the recipients of stock options to the subscription and/or purchase of a number of shares exceeding 3% of the number of shares comprising the current capital stock;
- resolves that the options exercise period may not exceed ten years beginning from the date on which the options are granted by the Managing partners;
- resolves, pursuant to the law, that this authorization shall automatically entail shareholders expressly waiving their pre-emptive rights to shares that shall be progressively issued during option exercise periods in favor of the recipients of stock options;
- grants the Managing partners extended powers, within the limits set out above, and within applicable legal limits to:
  - set the price for the subscription and/or purchase of shares under option according to the procedures indicated by the Managing partners in their report and in compliance with any applicable rules and regulations;
  - determine the procedures for these transactions, set the conditions for granting the stock options, designate the beneficiaries, set the period during which they may be exercised, the maximum number of options offered to each of them, and decide, if necessary, to ban the immediate resale of the shares;
  - decide on the conditions for adjusting the price and/or number of shares to subscribe and/or purchase to reflect financial transactions carried out by the Company, whenever necessary;
  - and generally, do all that is appropriate and necessary, and in particular, carry out all acts and formalities related to filing and publication, recognize the definitive performance of corresponding capital increases and amend the bylaws accordingly.

This authorization has been given to Managing partners for a period of thirty-eight months as from the date of this combined general meeting; it supersedes the authorization given by the Combined General Meeting on May 11 2004 for the non-utilized part of this authorization.

Eleventh resolution

Powers for carrying out formalities

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

Managing partners and Members of the Supervisory Board

Managing partners

- **Arnaud LAGARDÈRE**
  4, rue de Presbourg - 75116 Paris

- **Société ARJIL COMMANDITÉE-ARCO**
  represented by:

  Philippe CAMUS,
  Deputy Chairman and Chief Operating Officer
  of ARJIL COMMANDITÉE - ARCO (SA)

  Pierre LEROY,
  Director and Chief Operating Officer
  of ARJIL COMMANDITÉE - ARCO (SA)

  Arnaud LAGARDÈRE,
  Chairman and Chief Executive Officer
  of ARJIL COMMANDITÉE - ARCO (SA)

Members of the Supervisory Board

Chairman of the Board Chairman of the Audit Committee	**Raymond H. LÉVY** Honorary Chairman, Renault SA
Member of the Board	**Bernard ARNAULT** Chairman and Chief Executive, LVMH
Member of the Board	**Manfred BISCHOFF** (1) Member of the Board of Management, Daimler Chrysler A.G.
Member of the Board	**Hubert BURDA** Chairman of the board, Hubert Burda Media
Member of the Board	**René CARRON** Chairman, Crédit Agricole S.A.
Member of the Board	**Georges CHODRON DE COURCEL** Deputy Chief Executive, BNP PARIBAS
Member of the Board	**GROUPAMA S.A.** Represented by Mr. **Helman LE PAS DE SECHEVAL** (Chief Financial Officer, GROUPAMA) Member of the Audit Committee
Member of the Board Member of the Audit Committee	**Pehr G. GYLLENHAMMAR** Chairman, Aviva plc (Londron)
Member of the Board	**Pierre LESCURE** Chairman, AnnaRose Productions
Member of the Board Member of the Audit Committee	**Christian MARBACH** Chairman, “Agence des PME” an Economic Interest Group
Member of the Board Member of the Audit Committee	**Bernard MIRAT** Former Chairman and Chief Operating Officer, Société des Bourses Françaises
Member of the Board Member of the Audit Committee	**Didier PINEAU-VALENCIENNE** Honorary Chairman, Schneider Electric Vice Chairman, Crédit Suisse First Boston
Member of the Board	**Henri PROGLIO** Chairman and Chief Executive Officer, Véolia Environnement
Member of the Board	**Felix G. ROHATYN** Former US Ambassador to France
Member of the Board	**François ROUSSELY** Chairman, Crédit Suisse First Boston in France
Censor	**Bernard ESAMBERT**
Corporate Secretary	**Laure RIVIÈRE-DOUMENC**

(1) M. Manfred Bischoff resigned on May 10, 2005.

Executive summary of the Group's operations and situation

Executive summary of the Group's operations and situation

The Lagardère group has broadened its core business, the media, by acquiring a strategic stake in EADS (European Aeronautic Defense and Space Company).

In the **Media** sector, Lagardère Group's strategy is to capitalize on its major advantages - international presence, strong brand names (*Elle, Paris-Match,* Europe 1, Hachette, Hodder Headline, Relay, Virgin, etc.), expertise in content publishing (book publishing, magazine, film & TV production and new media), world leadership in the businesses of consumer magazines and distribution of cultural/entertainment products and services – in order to develop its presence and performance in all the major sectors linked to content publishing and distribution. The Group's ambition is to ultimately rank among the world's three largest media groups.

Hachette Livre steadily pursued its goal to become a global household name in publishing. After acquiring Hodder Headline, the British editing company at year-end 2004, the Business segment carried out the operational integration of its assets in the UK (Orion, Octopus, Watts) and began to actively prepare a new penetration in the English-speaking world. Therefore on February 6, 2006, the Group announced a 537.5 million dollar deal with Time Warner to acquire Time Warner Books Group. If this transaction is approved by the US antitrust authorities, this acquisition will firmly entrench Hachette Livre on American soil as the controlling company of a highly profitable asset that may serve as a consolidation basis for other US publishing businesses. In addition, this transaction helps to bolster the UK presence of Hachette Livre, where it has become number one. Overall, Hachette Livre has become the world's third largest book publisher, without any negative impact on its operational performance levels. Once more, the Group has clearly demonstrated its ambition in this field.

In 2005, **Hachette Filipacchi Médias** (HFM) stabilized and streamlined its businesses in response to pressure from the tense magazine publishing market in Western Europe, the US and Japan. HFM also developed Internet initiatives expected to materialize in 2006. These were in response to the realization of the key importance of offering alternative access to contents published or controlled by the Segment as a means of attracting new readers and gaining advertising revenues. HFM has therefore developed an electronic version of the magazine offer that is expected to become more extensive this year, both in terms of the number of subscriptions as well as retail sales. Furthermore, significant effort is currently underway to strengthen the editorial offering of leading web sites in order to propose more attractive pages to internet users and more structured offers for advertisers. These developments should be mostly organic but the Group will be able to take advantage of any acquisition opportunities that may help to reach this objective or reinforce the portfolio of HFM securities.

Concerning international development in particular, HFM continued to develop its key themes in new countries, to take advantage of highly-buoyant emerging markets, of Russia and China in particular, which are now strong growth and profit drivers.

The expansion of **Hachette Distribution Services** (HDS) has not resulted in any radical change in its current activities, but is based primarily on the gradual extension of its POS networks, particularly in Central European countries where the growth rate is astounding. However, HDS is also attentive to the impacts of digitalization on its retail activities. For example, the virginmega.fr website, the first to be launched on the market in 2004, is currently the second site where French internet users can pay and legally download music, one of the rare sites where iTunes is faced with a genuine local alternative. HDS has defined key strategic fronts to reinforce its current operations: consolidate its travel retail global leadership; develop new points of sale and launch innovative commercial concepts in town centres and transit areas. In addition, the Division will focus on maximizing the growth drivers created from content digitizing. It intends to achieve this by relying on its powerful brands and recognized commercial expertise.

In its radio operations, **Lagardere Active** has to cope with radical changes on the broadcasting market: the preparation of a new frequency plan for FM and digitizing projects. Although not devoid of risks, these two factors (in particular the acceptance of new entrants to the radio landscape, source of potential pressure on the advertising market), are still envisaged as opportunities to strengthen the Group's position: possibility of varying and segmenting program offerings, improving geographical reach, Lagardere Active is very attentive to the developments in its competitive environment and intends to play its leadership role and be an active figure in these changes.

The growth of Lagardere Active Radio International (LARI) has been strongly boosted from doing business on Central European markets. This region has one of the fastest growing advertising markets. As a result, the Group shall pay special attention to all possible acquisition opportunities to shore up current operations and rapidly increase the scope while improving operating profitability thanks to the potential synergies that LARI may implement.

Regarding the themed channels business, Lagardere Active helped to redefine the Digital Terrestrial Television (DTT) offering in 2005 following the renegotiation of a number of authorizations. For example, in the fall, the Group was able to launch a number of free channels including Gulli (kids) Europe 2 TV (musical), and Canal J in the pay TV package. The first audience ratings have been very encouraging. Priority will now be given to further enhancing its performances to reach the level where the free channels would become profitable through advertising revenue.

Group Lagardère announced on February 17, 2006 a draft agreement with Vivendi Universal concerning the acquisition of a 20% stake in Canal+ France. This investment reflects the Group's ambition in the television sector and gives it the ideal position, as the second shareholder, to become operator if the capital structure were to change. The Canal+ group, thanks to the quality of its teams, its editorial ambition, and the strict management, has re-conquered a unique position in the television landscape in France.

If the merger with TPS is authorized by the antitrust authorities, the group will have access to a more attractive content, an extremely loyal subscriber database and a particularly efficient television distribution platform present on most digital broadcasting networks (satellite, ADSL, DTT, mobile).

Lagardère is therefore very optimistic about 2006 for all its business segments. Two major transactions—Canal+ France and Time Warner Books Group—announced since the beginning of the year, confirm the Group's competitive advantages and ambition in the media sector.

In the field of **High Technologies,** EADS is considered as a success model of European integration. EADS was created by a consortium of French (Matra Hautes Technologies, Aerospatiale), German (DASA) and Spanish (CASA) players. The entity has drawn strength from the thirty years of partnership between its founding members and successfully capitalizes on the assets offered by its transnational profile.

The creation of this European company has considerably driven up the overall business volumes of the newly-created entity and resulted in significant savings thanks to the synergies generated. Today, the Group reports net sales of nearly 34 billion euros and employs some hundred thousand people in more than seventy business locations. Its portfolio of world-renowned brands such as Airbus, Eurocopter and Astrium, places it at the forefront of the global aeronautic, space and defense industry, providing Europe, via the extensive reach of its combined businesses, with the capacity to compete with the sector's heavyweight players, in the United States especially.

Lagardère plays, on a balanced footing with its partners, a decisive role in the management and strategy of this new entity. The entity's critical size on the global stage, the improved operating income driven by the synergies realized, are advantages for both EADS and all its shareholders.

I. Financial highlights and key remarks on fiscal 2005

- Net sales of Lagardère Media: 5.3% growth to 7,901 million euros (+2.5% like for like).
- Current operating income of consolidated companies of Lagardère Media: 7.1% growth to 503 million euros. Excluding stock-options costs, DTT investments, and at a ?/$ exchange rate of 1.3, the increase stands at +10.3%, exceeding the objective of "+5% -+9%" indicated in September 2005.
- Solid 20.0% growth in the net consolidated income of Lagardère excluding EADS (+20.8% in Group share).
- Flows generated by Lagardère's operations (operating cash flow) excluding EADS: nearly +10% increase to 654 million euros versus 595 million euros in 2004.
- Continued defeasance: net bank debt (excluding EADS and T-Online) of 1,120 million euros versus 1,699 euro in 2004.
- Proposal of a dividend of 1.10 euro per share for 2005 earnings, to be compared to the 1 euro paid in 2004 (excluding the extraordinary 2 euros dividend paid in July 2005).

The Group's consolidated net sales

The consolidated net sales of Lagardere SCA jumped +5.8% to 13,013 million euros versus 12,296 million euros in 2004.

- **2.5% increase in the net sales of Lagardère Media on a like-for-like basis:**

Lagardère Media reported net sales of 7,901 million euros, up by +2.5% on a like-for-like basis.

The "Book Publishing" division recorded another year of solid growth with 3.5% increase in net sales like for like. In addition, in 2005, Hachette Livre's figures were boosted by the full year consolidation of Hodder Headline (+176 million euros). The "Print Media" division inched up 0.6% like for like. The "Distribution" division rose +2% like for like, the poor performance of the first quarter gradually changed and became fairly good in the last quarter of the year. Lastly, Lagardere Active reported an excellent year for all its businesses with an increase in net sales of 9.2% on a like-for-like basis.

- **In 2005, EADS contributed +6.6% more to consolidated net sales bringing its total contribution to ?5,112 million.**

Although the growth reported by EADS growth was generally driven by all its divisions (except MTA or Military Transport Aircrafts) Airbus and Eurocopter were the principal engines. Airbus delivered 378 aircrafts in 2005, representing 58 aircrafts more than the previous year, mainly family single aisle aircrafts of the A320 range.

Eurocopter's deliveries reached 334 units, i.e., 55 more aircrafts than in 2004, five of which were Tigre fighter helicopters. These deliveries together with invoices on military programs raised the net sales of Eurocopter (at 100%) to 3.2 billion euros, being 15% more than the previous year.

Current operating income of consolidated companies by business segment

- **10.3% increase in the operating income of Lagardère Media (excluding stock-options, DTT investments at ?/$ parity of 1.3)**

Lagardère Media's contribution totaled 503 million euros (up 7.1%), representing a rise (excluding DTT investments, stock-options costs and at a ?/$ parity of 1.3), of 10.3% in relation to 2004.

Lagardère Media	2004	2005	%
Operating income	**470.1**	**503.3**	**+ 7.1%**
Stock-options plans	+10.1	+21.8	-
DTT Investments	0	+7.3	-
2005 at a ?/$ parity of 1.3		(2.5)	-
Restated operating income	**480.2**	**529.9**	**+10.3%**

Operating margin (Operating income/Net sales) of Lagardère Media in current data (including DTT investments and stock-options) crept from 6.3% in 2004 to 6.4% in 2005.

The "Book Publishing" division reported very good performance. The Education segment in France continued to improve its market share on a shrinking market. Anaya reported an excellent year, fuelled by the Education segment and parts works' sales. As expected, the General Literature segment in France, was the primary driver for improved performance. Sales of the *Da Vinci Code* (750,000 copies sold in 2005), and *Angels and Demons* (1 million copies) were followed by those of numerous literary awards at the end of the year (Prix Goncourt for Grasset; Prix Interallié for Fayard, Prix Renaudot for Stock, etc.).

The Larousse group however suffered from difficult comparison bases. Hodder Headline performed much better than expected. Overall, the operating margin rate was maintained at 11.5% (compared to 11.6% in 2004), despite the consideration of an additional annual semi stock-option plan.

Lagardere Active reported a record operating income of 47 million euros versus 37 million euros in 2004, after taking into account the weight of DTT investment -7.3 million euros and the additional semi-stock option plan. Operating margin clearly jumped from 6.6% in 2004 to 7.5% in 2005. The impact of the declining sales of Europe 2 on operating income and the lackluster performance of Europe 1, was more than offset by the contribution of International Radios and the good performance of film and TV operations. The capital expenditure posted as expenses for Lagardere Active Broadband (digital operations excluding "Radio" and "Television") weighed -9 million euros compared to -5 million euros in 2004. It corresponds to the increased support to the fast growing activities of BlingTones in the US (digital content for cellular phones).

The "Distribution" division reported nearly 5.5% increase in operating income to 106 million euros. The excellent performance of France-based companies was driven by the rebound of Aelia and the strong contribution of Relay. Virgin exceeded its breakeven point. American and Australian holdings also reported a very good year. Belgium continued to lag behind in 2005, while the growth of Eastern countries was in line with expectations.

The "Print Media" division achieved operating income of 161 million euros, as expected, in relation to 2004 (down 4%). Excluding the impact of stock-options, operating income shrank was down by -2.2%. The weight of new launches (slightly less than 40 million euros) particularly affected business in 2005, just as the loss of a custom publishing contract with Philip Morris (roughly 5 million euros of contribution). In France, the fierce competition continued unabated as advertising investments attempted a sluggish recovery. Nevertheless, the success of new launches and the discontinuance of loss-making titles enabled France to return to growth.

Performance in the United States was pulled down primarily by the loss of the custom publishing contract and low investments from automobile companies, especially at the beginning of the year.

Italy and Japan, two subsidiaries under restructuring, returned to growth with decent results after a difficult 2004.

Just as in previous financial years, emerging countries (Russia, China) performed remarkably well throughout the year.

- **EADS contributes a huge 392 million euros to Lagardère's consolidated operating income versus +350 million euros in 2004**

Once again, 2005, EADS broke the record in 2005. This excellent result was primarily driven by the astounding growth figures of not just Airbus but also the activities of the Defense and Space division.

Overall, for Lagardère SCA, the current consolidated operating income of consolidated companies rose to +896 million euros versus +823 million euros in 2004.

Income of equity-method companies

For Lagardere, excluding EADS, the contribution from companies consolidated by the equity method stood at 63 million euros, compared to 41 million euros in 2004.

This increase was driven by the higher contribution of CanalSat (+45 million euros compared to +39 million euros in 2004), together with the solid performances of *Marie-Claire* and the Amaury group. Furthermore, 2004 had been impacted by an estimated depreciation expense for the equity interest in multiThématiques of -13 million euros which disappeared in 2005.

Non-recurring items

They amounted to -67 million euros for Lagardère excluding EADS of which -59 million euros of loss in value on intangible assets in radio and television (mainly on themed channels), and in Press (publication titles and photo agencies). The rest mainly consisted of restructuring costs incurred by the Print Media division.

Financial income

The financial income of Lagardère SCA reached -76 million euros (versus -97 million euros in 2004).

Excluding the contribution of EADS, financial income stabilized at -53 million euros (versus -52 million euros in 2004).

The 2004 figure did not include interests on debt relating to the sold assets of Editis, amounting to slightly less than 15 million euros. Compared to the financial income of 2004 restated of this expense, the 2005 financial income has improved, in line with the Group's defeasance.

Income taxes

For the entire Group, the amount of income taxes reached -142 million euros (of which -126 million euros assignable to EADS).

The expense accruable to Lagardère excluding EADS is positively impacted by non-recurring items for an amount of 99 million euros, mostly reversals of non-recurring provisions (resolution of tax litigations and new rules published on tax lax for perpetual subordinated notes).

Minorities share in net income totaled -32 million euros, of which -5 million euros assignable to EADS.

In light of all these items, **consolidated net income – Group share increased by +35.3% to +670 million euros.**

The net income of Lagardère excluding EADS stood at +404 million euros, representing a 20.8% increase on 2004.

		2004			2005	
(in millions of euros)	Lagardère Group excluding EADS	EADS	Total Lagardère Group	Lagardère Group excluding EADS	EADS	Total Lagardère Group
Net sales	**7,501**	**4,795**	**12,296**	**7,901**	**5,112**	**13,013**
Operating income	**473**	**350**	**823**	**504**	**392**	**896**
Non-recurring items	30	(18)	12	(67)	(3)	(70)
Net income from companies accounted for by the equity method	41	13	54	63	31	94
Earnings before interests and taxes (EBIT)	**544**	**345**	**889**	**500**	**420**	**920**
Net financial expenses	(52)	(45)	(97)	(53)	(23)	(76)
Income tax	(132)	(108)	(240)	(16)	(126)	(142)
Consolidated net income	**360**	**192**	**552**	**431**	**271**	**702**
Minority share	(25)	(32)	(57)	(27)	(5)	(32)
Net income - Group share	**335**	**160**	**495**	**404**	**266**	**670**

	2004	2005
Net income - Group share excluding EADS	**335**	**404**
Non-recurring items linked to taxes	0	(99)
Reversal of provision on T-Online securities, net of tax	(88)	0
Net income - Group share - excluding EADS	**247**	**305**
Impairment of property, plant and equipment and intangibles	85	55
Net income – adjusted Group share – excluding EADS (before impairment of PPE and intangibles)	332	360

Control of indebtedness

On December 31 2005, net bank debt totaled -863 million euros up on late December 2004 (-433 million euros).

Excluding EADS and T-Online, net debt totaled -1,120 million euros, versus -1,699 million euros at year end 2004.

The acquisition transactions of Time Warner Book Group and the 20% of Canal+ France occurred after the balance sheet date and do not affect net debt on December 31, 2005.

Flows generated by transactions

At December 31, 2005, the sum of operational flows and investments generated by Lagardère excluding EADS had risen sharply, passing from +463 million euros in 2004 to +857 million euros in 2005.

The different components of this change are detailed below:

- cash flow for the non-EADS part rose from +4.1% to +663 million euros;
- the change in WCR is close to -9 million euros to be compared to -41 million euros in 2004. Lagardère Media generated a slightly positive WCR, after the consolidation effects linked to Hodder Headline in the 4th quarter 2004, and contributions from Other Activities also rose considerably (huge loss in 2004);
- tangible and intangible investments net of assignments and excluding EADS dropped sharply from 192 million euros in 2004 to 150 million euros in 2005. This drop was primarily due to the buyback of the "Print Media" division of its head office (63 million euros) in 2004;
- in 2004, financial investments net of assignments and excluding EADS were affected, especially by the sale of the assets of Editis (+667 million euros) counterbalanced by the acquisition of Hodder Headline. The Group generated a net positive flow of +275 million euros. In 2005, it leveled off at -20 million euros;
- the decline of Investment Securities (+582 million euros in 2005) can be explained by the assignment of T-Online shares.

II. Detailed analysis of business operations

A more detailed analysis of the activity of the Group's two business segments is given below: Lagardère Media and High Technologies. "Other activities", summary of results and the dividend proposal will also be presented.

A. Lagardère Media

This business segment includes the Group's "Book Publishing", "Print Media", "Distribution services", and "Lagardere Active" operations.

(In millions of euros)

Income statement of the business segment	2004*	2005
Net sales	**7,501**	**7,901**
Current operating income of consolidated companies	470	503
Net income from companies accounted for by the equity method	41	63
Non-recurring items	35	(67)
Earnings before interests and taxes (EBIT)	**546**	**499**
Net financial expenses	(59)	(52)
Pre-tax income	**487**	**447**

* Contributions are recalculated retrospectively in order to readjust the fees invoiced by Other Activities on the bases and rates applied in 2005.

A.1. Book publishing

Consolidated net sales 2005: 1,644 million euros.

Analysis of sales by business operations - France

	2005
• Education	22.3%
• General Literature	19.3%
• Illustrated works	16.3%
• Academic and professional books	9.9%
• Other	32.2%
Total Sales	**100.0%**

Analysis of sales by geographical area

	2005
• France	48.8%
• United Kingdom	28.2%
• Spain	13.8%
• Other	9.2%
Total Sales	**100.0%**

2003 and 2004 had been two years of strong development with the consolidation of Anaya in Spain and the acquisitions of Larousse, Dalloz, Dunod and Armand Colin in France and of Hodder Headline in the UK.

2005 was an interesting year with strong organic growth and commercial victories in France and abroad. Hachette Livre was able to optimize its businesses and brands and therefore reported remarkable performance across-the-board in all its sectors in General Literature, Education, Illustrated Books and Parts Works.

After the large scale acquisitions of Hachette Livre in 2004, no significant investment took place in 2005, as the Group decided to focus on consolidation.

A.1.1 In France

In "Literature", 2005 was a remarkable year, rewarded by numerous literary awards and by the huge success, this year again of the *Da Vinci Code* (Dan Brown) published by J.C. Lattès, with more than 2 million copies sold, 750,000 of which were in 2005, on top of the 1 million copies of *Angels and Demons* (Dan Brown). The prestigious houses of Grasset, Fayard and Stock garnered nearly all the literary awards: The Prix Goncourt for *Trois jours chez ma mère* by François Weyergans published by Grasset; Fayard was crowned with the Interallié Prize for *La Possibilité d'une île* by Michel Houellebecq and Stock received the Renaudot Prize for *Mes mauvaises pensées,* by Nina Bouraoui.

In "Text books", Hatier took advantage of the more sustained market growth and boosted in income from primary school textbooks, Hachette Education for Junior high and other school books and Didier in high school, while Rageot and Didier Jeunesse pursued their brilliant development.

In the publishing of general public Illustrated Books, "Hachette Illustré" once again demonstrated its reactivity and enormous creativity: in particular by creating new characters and new success formats published by Hachette Jeunesse Image, Hachette Jeunesse Roman and Hachette JD, and by renovating its editorial policy on the Workbooks. Once again, victories were won in 2005 for Marabout and Tourism which remained leaders on their markets. Lastly, in an increasingly competitive environment, Chêne and Hazan succeeded in maintaining or improving their positions.

Concerning "Parts Works", the performance in 2005 nearly reached the 2004 record, mainly thanks to successful international development in South America, early encouraging signs from the Japanese subsidiary and the brilliant performance of Hachette Fascicoli in Italy and outstanding creativity.

In "Reference" (Encyclopedias) and "Dictionaries", 2005 was the year for preparing the transition from Larousse to Hachette Livre Distribution, accompanied as usual by a dynamic editorial policy.

The "Academic and Professional" segment was marked by the announcement and the preparation of the sale of Dalloz to the ELS (Editions Lefebvre Sarrut) group, scheduled for 2006. Dunod defended its positions on a disappointing academic market while improving its positions on the professional market. Armand Colin, which increased its portfolio of magazines and clarified its collections, is a quality asset for the group.

2005 was a highly intensive year for "Distribution" marked by the passage at Hachette Distribution, of Larousse, and preparation for the arrival of two new editors: Payot-Rivages and Tonkam.

A.1.2 Outside France

The highlight of 2004 had been the acquisition of Hodder Headline in September, a major step in the development of Hachette Livre on the English-speaking region. 2005 was marked by the reorganization of Hachette Livre UK and the realization of expected synergies in the context of the acquisition.

In 2005, Hodder Headline totally overachieved the objectives of the acquisition file thanks to an excellent "general public" (Trade Publishing) activity, in spite of a slight dip in Education on a declining textbook market. Hodder Headline reaped several victories in "Fiction": prize-winning titles such as *Small Island* by Andrea Levy (Whitbread Prize 2005), and releases from regular bestselling authors: Martina Cole *(The Take);* Penny Vincenzy *(Sheer Abandon);* James Patterson *(Mary, Mary, Honeymoon)* or Jodi Picoult *(My Sister's Keeper);* as well as "Non Fiction" in the sports field: *Being Freddie* (A. Flintoff); *Farewell But Not Goodbye* (R Bobson).

In Spain, Bruño returned to profits and Anaya had an excellent year, crossing the -100 million euros milestone for text books.

A.1.3 Disposal of assets

Hachette Livre announced in 2005, its intentions to sell off Editions Dalloz to Editions Lefebvre Sarrut.

This transaction has been scheduled for 2006, and will be gradually implemented to allow Dalloz the optimum conditions required to achieve operational autonomy after it withdraws from the academic and professional divisions of Hachette Livre.

For Hachette Livre, this transaction is linked to the specificities of the legal professional publishing market, object of a strong concentration at global level and held by specialized groups.

Particularities which, considering the vocation of Hachette Livre as general public publisher, justify this transaction with ELS who will be able to mobilize the resources required to reinforce the position of Dalloz on these markets.

In 2004, Editions Dalloz reported net sales of 48 million euros.

A.1.4 Strategic options and outlook as from 2006

Hachette Livre is the publishing group to report the most spectacular growth in global publishing since 2002. Today, with the stature of a leader and top performances, Hachette Livre intends to anchor its future development on three pillars, with the ambitious goal of becoming the most efficient of leading global players in coming years.

- The use of the synergies allowed by recent acquisitions, in particular its new size and diversity, especially by coordinating international resources to seize opportunities previously hard to access, and usually in English and Spanish,
- Development in the linguistic regions where it is already present: 2006 like 2005, will be devoted to the Group's consolidation and transformation.
- The extension of its control to new geographical borders and to new businesses.

In this context, Lagardère signed an agreement on February 6, 2006, towards the acquisition of Time Warner Books Group, America's fifth largest book publisher and holder of prestigious publishing houses (Little Brown, Warner Books, etc.) for an amount of dollars 537.5 millions. This transaction is currently under scrutiny by the antitrust authorities in the United States. Its realization will make Hachette Livre the world's number 3 on the publishing market. It marks an ambitious strategic movement towards the American market and significantly reinforces the present of the Division in the English-speaking world, by allowing it in particular to conquer the first place in the UK.

So, Hachette Livre pursues its rise in the global publishing landscape and confirms its ambitions and positions on all markets.

A.2. Print media

Consolidated net sales 2005: 1,863 million euros.

Distribution of net sales by business operations

	2005
• Magazine Publishing France + Film and TV production	29.9%
• Magazine Publishing outside France	54.6%
• Regional Daily Press	14.7%
• Other activities	0.8%
Total Sales	**100.0%**

Analysis of sales by geographical area

	2005
• France	45.4%
• USA	18.9%
• Asia - Pacific	7.7%
• Italy	7.6%
• Spain	6.8%
• Other	13.6%
Total Sales	**100.0%**

2005 was marked by stability on the advertising markets of Magazine Publishing in most countries, mostly in the luxury and beauty sectors and a certain downturn for the automobile press in the US. The year also saw the breakthrough of the Internet which affected the advertising investment strategies of advertisers in other media. In a lackluster advertising world where competition grew fiercer on distribution both in France and other countries, HFM capitalized on the growth procured by its recent investments in launching, to shore up its flagship brands which performed remarkably well to preserve its market shares.

Accordingly, HFM continued its launch efforts with notably launching country-specific versions of *Psychologies Magazine* outside France (Italy at year end 2004, Spain, UK and Russia in 2005), which represented an investment of 37 million euros in 2005 (versus 41 million euros in 2004). The Business division also continued to streamline its operations, notably in Italy (discontinuance of 4 titles), in the US and in France (restructuring of services and editorial teams) and discontinuing titles without any prospect of positive margins in the future (*Oh La* in France, *Nova* in Spain, *Elle Girl* in Germany and in the UK).

A.2.1 Magazine Publishing in France

In 2005, advertising investments from food, luxury goods and beauty product advertisers pursued the downward trend began in 2004.

Advertising sales have declined on a constant number of titles: primarily in TV magazines and to a lesser extent in women's monthly magazines. However, the flagship titles in their segment such as *Psychologies Magazine* or *Elle* continued rising, and the recently-launched titles are performing well.

Distribution was boosted by a highly eventful first six months (*Paris-Match* record good results) and the success of new launches and acquisitions 2004-2005:

- *Public:* for the 2nd year in a row, this title confirmed success with a paid total average distribution exceeding 380,000 copies a week (non audited figures). Summer performances were very good, despite the launch of a competitive title, backed by intensive advertising, by EMAP in June,. The magazine gained more than 1,150,000 readers for its first AEPM 2004 audience study and is the leading magazine for women aged between 15/34 years. Advertising revenues also exceeded objectives. The website developed in November 2004, receives more than 80,000 single visitors and boasts over 2.5 million pages consulted every month;
- *Choc:* the "bi-monthly" launched at the end of June 2004, was an instant hit. The average distribution in 2005 exceeded 360,000 copies (at the price of ?2.5) with strong performances recorded by the summer issues and a slight slowdown in December. This title had a considerably positive impact on 2005 earnings since it started garnering profit merely sixmonths after it was launched. *Choc* launched a website and also created mobile internet services (2,500 MMS received between each publication);
- *Psychologies Magazine:* the first full year of this equity interest acquisition recorded a decent rise in distribution, whose monthly total average for 2005 exceeded 340,000 copies (non audited figures), mainly thanks to the success of the small format sold more than 110,000 copies. The investment agreement signed in 2005 under which HFM acquired 49% of *Psychologies Magazine* is aimed at jointly developing upmarket magazines and web sites.

On the other segments, *Elle* consolidated its leadership among upmarket women's magazine; the kids print media continued reporting good results while TV magazines declined. Initiatives were taken to boost *Première* (totally new concept, new price) and *Isa* (totally repositioned concept).

A.2.2 International Magazine Publishing

This division operations were marked in several countries by the rising influence of the Internet, and by fiercer competition of distributions (launch of "clones", boom of "cover-mounts".).

In the United States, apart from the foregoing phenomena, the performances of HFM US were affected by the loss of the Philip Morris custom publishing[1] contract. Distribution sales were driven up by the launch of *For Me* at the end of 2004 and publication frequency changes of the Decoration titles in particular. *Elle* and *Premiere* maintained their good performance.

In Italy, results were significantly improved by the restructuring of Hachette Rusconi activities Distributions of *Gente* and *Gioia* stabilized after the launch of competitive titles in 2004. Advertising revenues rose in 2004 (excluding discontinued titles), particularly on *Elle, Marie-Claire* and *Psychologies Magazine* (first full year).

In Spain, the net sales of Hachette Filipacchi Spain rose slightly thanks to launches (*Psychologies Magazine* in January 2005 and *Maxim* in May 2004). The publication of *Nova* was discontinued in June 2005. *Elle* reported very good performances both in advertising and distribution.

In Japan, the context is still tense on distributions and the advertising market declined in 2005; however, Hachette Fujingaho preserved its earnings by streamlining operations (print quantity, discontinuance of *Première* in February). The end of the year was marked by the centenary of the magazine *Fujin-gaho* (upmarket women's magazine).

In the UK, the "kids" print media was bombarded by cover-mount freebies: magazines such as *B* and *Sugar* suffered from this trend and *Elle Girl* was discontinued in 2005. *Psychologies Magazine* was launched in September 2005 and Hachette Filipacchi UK acquired a decoration magazine *Real Home* and sold *TV Hits.* Women titles *Elle* and *Red* reacted well to the new launches on this sector and the "Soap" magazines continued on a positive trend thanks to the promotional campaign in 2004. The

1. Publication of a specific magazine for a third party (usually an advertiser).

advertising market slowed down sharply in the second half of the year following consumer trends in the UK.

The sharp economic growth in Russia and China continued to boost the performances of the subsidiaries of HFM which pursued its development in these countries either by conquering new cities for its Russian TV guides, or by proposing adapted versions of its international themes. For example, *Psychologies Magazine* was launched in Russia in November 2005 and the project took off in China for launch early 2006. Investments were also required for promotion and editorial content on our flagship products in these countries to support the advertising boom. Reinforcement of structures and support activities (Finance, Distribution and Control), launched in 2005, will continue in 2006.

A.2.3 Daily Press and supplements

The distribution figures for regional dailies remained tense in 2005; Saturday sales in particular suffered from the arrival of bimonthly TV guides. Faced with this erosion, emphasis was placed in 2005 on the development of piggybacking and setting up of supplemental sales outlets. Nevertheless, price increases resulted in higher distribution net sales figure, despite the impact of the strike of Corsican carriers. Local advertising continued growing, offsetting the decline of extra-local activities.

The industrial plan started in Marseille with the removal of the third rotary press and the development of the site, for the installation of new rotary presses in 2006.

The free *Marseilleplus* continued to gain more readers, and the Villeplus network expanded with the introduction of *Montpellierplus.*

Concerning supplements, *TV hebdo* which maintained its net sales and redesigned its strategy for 2006, pursued business in a radically changing market driven by the competition from bimonthlies. *Version Femina,* which suffered from the declining investments from beauty, food and retail advertisers which affected the entire market, nevertheless increased its leadership on women's print media by exceeding an audience of 10 million readers.

A.2.4 Other business operations

The restructuring programs of the Agences Photos business division continued, with notably the liquidation of Katz (British subsidiary). Sales on a like-for-like basis rose in comparison to 2004.

The increase in *licensing* revenues continued, particularly in Asia, despite the difficulties in the Europe region.

A.2.5 Outlook

In a changing press market, the challenges in 2006 will concern:

- the success and continuation of editorial investments in magazines, in particular through the consolidation of recent launches and the development of networks (*"Elle"* and its differnet versions, *"Marie Claire", "Psychologies Magazine"*…);
- the use of the Internet as a growth vector by:
  - increasing digital distributions of HFM magazines (30,000 subscritions in the US and the possibility of selling the issue by the number in the near future). This could replace sometimes totally the subscription to the paper media (a conversion test is planned with *"Elle Girl"* in the United States),
  - creating revenue-generating traffic sites conveying the magazine brands' values (blogs, chats, exchanges between readers, magazine tips…);
- using the regional daily press and its current industrial investments (change of rotary presses at La Provence, setting up of a printing plant in Corsica) and looking for new partnerships to launch a free daily newspaper in Paris to supplement the Villeplus network.

HFM's leader position and the solidity of its major brands will enable it to meet theses challenges.

1. Publication of a specific magazine for a third party (usually an advertiser).

A.3. Distribution Services

Consolidated net sales 2005: 3,773 million euros.

Distribution of net sales by business operations

	2005
• Retail	62.7%
• Distribution	37.3%
Total Sales	**100.0%**

Analysis of sales by geographical area

	2005
• France	36.4%
• Europe	55.9%
• North America	5.7%
• Asia/Pacific	2.0%
Total CA	**100.0%**

In 2005, HDS consolidated its positions worldwide by achieving fixed objectives: strengthening the activity of its leading brand names, developing new commercial concepts, gaining or renewing franchise agreements in transit areas, and bolstering its positions in Asia/Pacific.

At the end of 2005, the print media retail and distribution trade represented respectively 62.7% and 37.3% of the consolidated sales of HDS, which translates once again an increase in relative share of retail activities (61.5% at the end of 2004).

The market environment in 2005 was marked by the continued recovery of the air travel industry which began in 2004, and by the consequences of the collapse of Terminal 2 E at Roissy, scheduled to resume operations in mid 2008. The foregoing combined with the stringent security procedures at airports have resulted in congested terminals and a generally unfavorable environment for shopping.

A.3.1 Special shops for travelers

In France, Relais H reported stable business thanks to the good performance of non press products (food, books and souvenirs) backed by an innovative sales policy of diversified offering which offsets the decline recorded on press and tobacco.

Other European countries reported upward trends: Germany increased thanks to higher airport traffic; Spain benefited from gains of significant contracts on railway networks. The gain of the new Madrid Barajas airport whose opening is scheduled for the first half of 2006 is a growth factor for 2006. Belgium also registered an increase in its sales driven by the acquisition of new points of sale. In Switzerland, the Naville brand and a strong sales team resiliently withstood the sluggish press market.

In Central Europe, HDS continued its development at a high pace, particularly in:

- Poland: opening of 90 sales outlets in 2005 (360 in all);
- Czech Republic: 11 openings and plan to modernize sales outlets. HDS negotiated at the end of 2005 the buyback of 50% of the shares held by Rautakirja, the Finnish group which allowed it to hold, as from January 2006, 100% of the capital;
- in Hungary: expansion of the network under the "Relay" and "In Medio" store names (276 points of sale);

The recovery observed in 2004 in the US retail sector continued in 2005. Although it was mainly boosted by points of sales at airports, it was also significant in downtown points of sale.

In Australia, HDS, which in 2004 had raised its 40% equity interest in Newslink to 100%, grew sharply in 2005, particularly through the buyback on the last quarter of 2005, of all WHSmith shops in Australia and Hong Kong (5 in Australia and 10 in Hong Kong).

Aelia's operations recorded a significant rise in 2005 boosted by higher passenger traffic at Aéroports de Paris first, and second, the recent development of Aelia in the UK at the Luton and Belfast airports.

Aelia maintained its position as French retail leader in airports by constantly renewing the Roissy 1 franchise and winding the tender to operate the duty free business at the Marseille airport.

A.3.2 The specialized commerce of communication products

The 33 Virgin stores (including 4 Music Railways) and 12 Furet du Nord stores, specialized in books, music, video and multimedia realized a stable sales figure in relation to 2004. In 2005, 2 sales outlets were opened in Saint-Quentin-en-Yvelines (under the Virgin name) and Roubaix (under Furet du Nord) while the Megastore in Rosny was shut down on June 30.

2005 was marked by the steady decline of the music market which lost -11%, after falling -9% in 2004 and -13% in 2003, while books and stationary continued their remarkable growth in Virgin stores. The redeployment of shopping areas to the benefit of the most buoyant segments helped to stabilize net sales at almost the sale level.

Henceforth, the activity of Virgin stores is mainly centered on 3 flagship products: music (30% of sales), which has been falling while books rise (27% of sales), and video (23% of sales).

The Virgin also continued its development in transit areas and now has a total of 4 train station outlets (3 in France and 1 in Spain) as well as 20 sales outlets in airports: 12 in France, 1 in Spain, 5 in North America and 2 in Australia. Lastly, the network of Virgin Megastores was boosted by the sustained growth of franchise operations in the Middle East.

Lastly, the online paying music download site opened in 2004, VirginMega.fr, recorded 5 million paying downloads. It now proposes 750,000 titles and ranks as the second French operator in legal paid music downloading on line.

A.3.3 Press Distribution

2005 was marked by a slight decrease of all press distribution activities.

This trend was observed mainly in Spain where 2004 had nevertheless been exceptional (+14.2% compared to 2003). This slight decline can be mainly explained by the decline of the parts works business linked to a number of launches of new collections below that of 2004 and less success of the collections launched. The magazine business on the other hand, advanced in a satisfactory manner.

In Belgium as well, the net sales of AMP's distribution activities fell: the development of the distribution of phone cards helped to partially offset the erosion of press sales. Furthermore AMP will reorganize press distribution activities to deal with the departure of the Sanoma publisher on January 1, 2006 (nearly a quarter of the activity).

The eroding press sales also affected Naville's distribution activity in Switzerland.

However, activity rose significantly in Hungary in 2005, thanks mainly to the very strong development of non print media businesses (phone cards and tobacco).

In the United States, consolidated sales shrank. Market share gains recorded in 2005 at Curtis were not enough to fully offset the downward trend of magazine publishing kiosk sales.

A.3.4 Outlook for 2006

The outlook in 2006 for changes in HDS business once again depends partly on the traffic trends at airports, given that the risks of avian flu have negatively affected the observed recovery.

Nevertheless, for 2006 and beyond, HDS intends to maintain the steady growth of core businesses, and at the same time penetrate new markets through organic growth or by acquisitions while systematically seeking geographical or operational complementarity with existing operations.

In regard to retail trade operations, objectives are focused on Asia Pacific activities following the buyback of WHSmith, the consolidation of business operations under the Virgin brand in France, the development of specialized sales outlets (airports) especially outside France, and the various expressions of sales concepts in transit areas.

Hachette Distribution Services, known for its leadership positions on its businesses, its operational discipline, tradition of excellence and international brands, has numerous competitive advantages to achieve its objectives.

A.4. Lagardere Active

Consolidated net sales 2005: 621 million euros.

Distribution of net sales by business operations

	2005
• Television	41%
• Radio	43%
• New media	16%
Total Sales	**100.0%**

Analysis of sales by geographical area

	2005
• France	88.4%
• Outside France	12.6%
Total Sales	**100.0%**

Thanks to its portfolio of diversified businesses, in 2005 Lagardere Active managed to tap into all the opportunities on each of its markets both in France and outside France. The Business division achieved a good global performance level, by combining the capacity to innovate, control of expertise in different businesses, commercial power and strict management.

A.4.1 Radio

Some highlights in 2005 included the arrival of Jean-Pierre Elkabbach at the helm of Europe 1, a new logo, a promotional campaign on television and a new buzzword, *Parlons-nous (Let's talk about it).* The shows have been redesigned around current affairs, information and panel discussions; the Europe1.fr website was relaunched in summer 2005 and in October, podcasting was launched to become one of the leading radio shows to be downloaded on the podcast section of the iTunes site.

The relevance of these choices were confirmed with an audience rating of 8.0% [2], up by 0.4 points and listening time that had increased by 10 minutes since September 2005.

Europe 2 is still making news with, since September 2005, a new identity conveyed by a new logo designed to reflect the values of Europe 2: passion and authenticity, sharing and strength, a musical style based on music from the 90s. In September 2005, Europe 2 launched *On plaisante pas (No kidding)*, a breakfast show hosted by Alexandre Pesle (of well-known French comedies *les Nuls, H, Caméra Café, les Guignols*) and his team. With an average daily audience of over 2.8 million people aged 13 year and up in November-December 2005, Europe 2 recorded stable performances in relation to September 2005 [3].

For its breakfast show, RFM has been receiving Jean-Luc Reichmann since September 2005. Bruno Robles, a regular voice on RFM for the past 3 years, now hosts afternoon shows. Thanks to this new programming, RFM continued to attract more listeners and reached an average daily audience of 2.5 million for a daily listening time of 106 minutes per listener.

Lagardere Active strengthened the synergies between musical radio shows and its TV musical shows by housing both teams on the same premises in 2005.

In a tough advertising market in 2005 for traditional media, the radio media resisted better overall. Admittedly, like other media, it was also affected by the fall in the advertising budgets of consumer retail, but on the other hand it benefited from the migration of sectors such as cleaning, skin care and beauty products or beverage brands which usually invest in television.

Outside France, LARI continued gaining more listeners in all seven countries where it is established. Taken together, these radios have more than 14 million listening in every day in Russia [4], nearly 8 million in Poland [5], 3 million in Romania [6], 2 million in Germany [7],

(2) Source: Médiamétrie survey 126000 radio 13 years and +, Sept.-Oct 2005 and Nov-Dec 2005 waves.
(3) Source: Médiamétrie survey 126000 radio 13 years and +, Sept.-Oct 2005 and Nov-Dec 2005 waves.
(4) Source: TNS Gallup Media.
(5) Source: SMG/KRC.
(6) Source: IMAS.
(7) Source: AG.MA.

in the Czech Republic and in South Africa, representing 30 million listeners in all countries where LARI does business [8] compared to 27 million the previous year.

Continuing its strategy, LARI is now the 100% shareholder of its activities in Poland, and has acquired Radio Bonton in the Czech Republic. In Russia, the historical presence of LARI enabled it to pursue the extension of its Europa Plus and Radio Retro networks by obtaining 18 new broadcasting licenses in a country where the advertising market has experienced one of the highest growths worldwide [9].

A.4.2 Themed channels

In the field of themed channels, 2005 was marked in February by the settlement agreement between Lagardere Active Broadcast and the Canal+ Group of their cross holdings in multiThématiques and in Lagardère Thématiques. Prior to this transaction, multiThématiques was 70% owned by the Canal+ Group and 30% by Lagardere Active Broadcast, but now belongs 100% to the Canal+ Group. Lagardère Thématiques which was 51% owned by Lagardere Active Broadcast (via Lagardère Images) and 49% by the Canal+ Group is now almost wholly owned by the Lagardère Group.

In October and in November, Lagardere Active launched two new channels on the free DTT: Europe 2 TV, a music channel, and Gulli, a kids' channel hosted jointly with FranceTélévisions. Europe 2 TV offers an original musical television with special themes slotted for every day of the week. Its target audience is young adults and in addition to video clips or live shows, it also proposes series and mangas. Gulli is the first free channel entirely dedicated to kids which makes is a highly innovative and ambitious project. Canal J is also broadcast on the paying DTT channels since November 2005.

After Match TV was discontinued, Lagardere Active now hosts 11 themed channels. The excellent audience results[9] obtained confirm the performance of the Group's channels, in spite of fiercer competition:

- MCM has been the first musical channel of cable and satellite since nearly 10 years and the 1st themed channel for 15-24 year olds. The MCM (MCM, MCM Pop and MCM Top) offering represents 3.2% of the audience share of 15-24 year olds and is higher than the sum of audience shares of all competitive musical offerings for 15-34 year olds;
- in an increasingly competitive environment, Canal J, TiJi and Filles TV account for 12.5% of the audience share of 4-14 year olds and represent 35% of the market share of the kids themed channels market. Canal J, which celebrated its 20th anniversary in 2005, is the 4th channel of cable and satellite for all ages with 1.2% audience share for 4 years and up.

A.4.3 Film and Television production and distribution

Through its film and television production and distribution operations, Lagardere Active is a major partner of terrestrial channels for prime-time drama and shows for immediate broadcast (features, entertainment, etc.) with roughly 850 hours produced in 2005 and 22 of the 100 best prime-time audiences in 2005 for all shows [11].

In the field of prime-time drama, and for the 4th year in a row, Lagardere Active ranked 1st in the 2005 annual classification [12] with 114 hours broadcast in 2004/2005. Europe Audiovisuel excels in the production of individual episodes and prestigious drama, and its miniseries productions: *D'Artagnan and the Three Musketeers* (produced by GMT Productions for TF1 with Emmanuelle Béart), *Dans la tête du tueur* (GMT Productions for TF1, Drama of the year award at the Saint-Tropez Festival, with Thierry Fremont, who received an Emmy Award, and Bernard Giraudeau).

To meet the demands of viewers who endorse the shows, Europe Audiovisuel is also a major provider of flagship series with recurrent heroes: *Julie Lescaut* and *Diane femme flic* (GMT Productions for TF1), where the two taken together achieved 11 of the 100 best audience ratings in 2005 [13], *Joséphine ange gardien* (DEMD Productions for TF1), *Père et Maire* (Aubes Productions pour TF1).

Lagardere Active is also a leader in the field of shows for immediate broadcast, thanks mainly to Maximal Productions (*C' dans l'air,* daily show on France 5), Angel Productions (*Nous ne sommes pas des anges* for Canal+ and *Sagas* for TF1), Léo Vision (*La grande course* for Canal+), Image et Cie (*Ripostes* for France 5), DMLS TV (*Les 500 choristes ensemble, Podium, Le Top du rire* for TF1).

(8) Other sources: AC Nielsen, Szonda-GFK, Median + GFK Prague.
(9) Source: ZenithOptimedia Suvery, July 2005.
(10) Source: MédiaCabSat Survey, December 2004 – June 2005.
(11) Source: Mediamétrie / Médiamat on the 4+ age group.
(12) Source: Ecran Total No 576 of September 14, 2005.
(13) Source: Mediamétrie / Médiamat on the 4+ age group.

Following a study on the setting up of a pan-Arabic educational youth channel, Lagardère Images International was selected by the Qatar Foundation to accompany the launch of this youth channel which was launched in September 2005.

A.4.4 New Media (Lagardere Active Broadband)

In 2005, Lagardere Active Broadband continued its growth in the areas of the production and distribution of mobile services in France and outside France.

In France, Plurimedia became in 2005 the second advertiser in magazines of customized mobile services. With an offering of some hundred and more services for the three national operators, Plurimedia ranks among the first three download content publishers (logos and ringtones) and was boosted by the booming mobile internet growth (Wap and i-mode).

In the United States, Lagardere Active Broadband had launched at the end of 2004 BlingTones, the first Rap / R&B label whose contents (ring tones, pictures and videos) are specifically produced for mobile phones. BlingTones as well as other 100% mobile theme labels launched in 2005 (Bario Mobile for example, specialized in Hispanic music) are currently distributed by all the leading American operators and allow Lagardere Active Broadband, one year after the launch of its activities, to rank among the leading players on the US mobile market.

In Germany, Legion GmbH is the premier supplier of interactive and voice services for the media. In 2005, Legion GmbH recorded nearly 100 million calls and surcharged SMS, particularly with its leading clients (Pro7, Endemol, RTL,).

In the UK, Lagardere Active Broadband sold its equity interest in Greenland which was jointly owned on a 50/50 basis with the Daily Mail group. It is now focusing on Legion UK, its 100% subsidiary which will continue the development of its mobile operations in England with especially ringbacktones of Orange UK and ongoing developments with the different British mobile operators.

In Greece, Plurimedia developed for Antenna, the first Greek television channel, numerous interactive voice services and is the largest publisher of i-mode sites for Cosmote, the premier national mobile operator.

Regarding the still very difficult market of CD-ROMs, Hachette Multimedia sold in 2005 to the Emme Group its CD Rom distribution business. This agreement resulted in the merger of sales teams and the two catalogues, thereby contributing to the sector's consolidation.

A.4.5 Outlook

The radio activity in France will depend on the advertising market. Today, it is highly difficult to make any forecasts for 2006.

The stakes for coming years for radio operations in France are mainly linked to broadcasting networks:

- Pursuant to the law of July 9, 2004 concerning electronic communications and Radio and Television communication services, the CSA carried out in 2005 contradictory public consultation known as "FM 2006" relating to the development of the terrestrial spectrum and the preparation of a new frequency plan for FM radio in France. Lagardere Active hopes that the definitive selections that will be announced in 2006 by the CSA will allow it to optimize its current coverage.
- Furthermore, the CSA also launched in 2005 a public tender on digital ratio that will be followed by a call for bids in the prospect of assigning frequencies. The advent of digital radio could expand access to the radio market and encourage the entry of new competitors which Lagardere Active will have to face. But digital radio must also be an opportunity for strengthening brands and contents thanks to a portfolio of streamlined stations and an optimized cost structure.

Outside France, LARI is well positioned to take advantage of the growth expected in the countries where it is established. LARI also continued to apply its strategy to streamline its geographical locations to concentrate its resources on countries where it might reinforce its leadership.

Early 2006, LARI finalized the acquisition of 100% of the 4 radios mainly held by the Warburg Pincus investment funds (2 radios in Moscow: Radio 7 and Mélodia Moscou, and 2 in St Petersburg: Eldoradio and Mélodia Saint Petersbourg). This acquisition allows LARI to become a premier radio operator in Moscow and in Russia [14].

(14) Source: Gallup audiences.

After it was launched late 2005, Digital Terrestrial Television will be the unforgettable event of 2006 for the television operations of Lagardere Active which will focus on optimizing this opportunity to consolidate its leadership positions in music and youth channels. At the same time, the radio and television production activities will continue to propose to the different channels new products, while building on the tried and tested existing formats.

Group Lagardère announced on February 17, 2006 a draft agreement with Vivendi Universal concerning the acquisition of a 20% stake in Canal+ France. This investment allows Lagardère to become the 2nd shareholder of Canal+ France, behind Vivendi Universal which has 65%, and to be ideally positioned in the event of significant change to the Company’s shareholding, to become the operator of the leading television player in France.

Concerning Lagardere Active Broadband, the challenge for 2006 entails reinforcing the penetration of its added-value mobile service offering both for the general public and European and US mobile operators, so as to cross a critical threshold which should allow the rapid achievement of operating profitably.

In coming years, Lagardere Active will strive to capitalize on all the relevant technological developments to ensure that its current positions remain robust for a long time. The rapidly-changing field of digital media is a landscape fraught with a world of opportunities which Lagardere Active must strive to seize thanks to its reactive and skilled teams, which applying the strict analysis characteristic of a major group.

CanalSatellite (minority stake of 34%)

CanalSat offers more than 290 channels including 60 exclusive ones, making it the market leader especially in programs for kids, family and discovery. In 2005, CanalSat added 14 new channels to its offering including Sci-Fi, Fox Life, Nickelodeon, Gulli, and Discovery Real Time. Thanks to this offering, CanalSat raised its market share to 65% on new subscribers, including ADSL, and reached 2.9 million subscribers at year end 2005.

CanalSat reported net sales of 1,030 million euros in 2005, up by 7% on the previous year. The Company’s now long-standing profitability allows it to drive sustained growth both in terms of program contents as in collective equipment and terminals.

13. Source: Gallup audiences.

B. EADS

(in millions of euros)

Income statement of this division[1]	2004	2005
Net sales	**4,795**	**5,112**
Current operating income of consolidated companies	350	392
Net income from companies accounted for by the equity method	13	31
Non-recurring items	(18)	(3)
Earnings before interests and taxes (EBIT)	**345**	**420**
Net financial expenses	(45)	(23)
Income (loss) before income tax	**300**	**397**

1. Indicators expressed in percentages attributable to Lagardère (14.95%).

The decisions by the French government, Lagardère SCA, DaimlerChrysler and the Spanish government (through the SEPI Holding) at the end of 1999, led the three companies, Aerospatiale Matra (ASM), DaimlerChrysler Aerospace AG (DASA) and Construcciones Aeronauticas (CASA), to group their operations to create EADS N.V. .

The organization of the Group remains strictly compliant with the founding principles of EADS, namely:

➥ The principle of parity

- *As regards controlling structures: this principle of parity is first expressed in the control by the French holding company represented by the limited equity partnership Sogeade: the latter's capital is indeed 50% owned by Sogepa (held by the French government) and 50% by Désirade, wholly owned by Lagardère.*

  The principle of parity is also expressed in the Partnership created in the Netherlands, that has been given the mandate to exercise the voting rights of Sogeade, DaimlerChrysler and SEPI during the General Meetings of shareholders of EADS N.V. in accordance with the shareholders' pact. Sogeade and DaimlerChrysler have a strictly identical interest in the capital of this partnership.

- *On the managerial level: Sogeade has four representatives sitting on the EADS N.V Board of Directors. They have been appointed upon the recommendation of Lagardère, DaimlerChrysler who appoint an identical number of representatives. The Board of Directors is completed by two independent persons, one appointed by Sogeade and the other by DaimlerChrysler.*

In accordance with these principles, the EADS N.V. Annual General Meeting of May 11, 2005 appointed the members of the Board of Directors for a period of 5 years.

Notwithstanding the fact that SEPI no longer has the right to appoint a board member, the aforementioned Annual General Meeting further appointed, at the proposal of Sogeade and DaimlerChrysler, a Spanish director.

The EADS N.V Board of Directors, which is more particularly in charge of preparing the Group's strategy is still headed by two "Chairmen", Jean-Luc Lagardère and Manfred Bischoff whose terms of office where renewed for a period of 5 years at the Board of Directors meeting of May 11, 2005.

According to the same principle of parity, executive management is wielded by two CEOs, Mr. Noël Forgeard and Mr. Thomas Enders who were appointed to these functions by the Board of Directors meeting of June 25, 2005 for a period of 5 years.

It is recalled that decisions within this Board are taken by a qualified majority which necessarily requires the joint agreement of Sogeade and DaimlerChrysler.

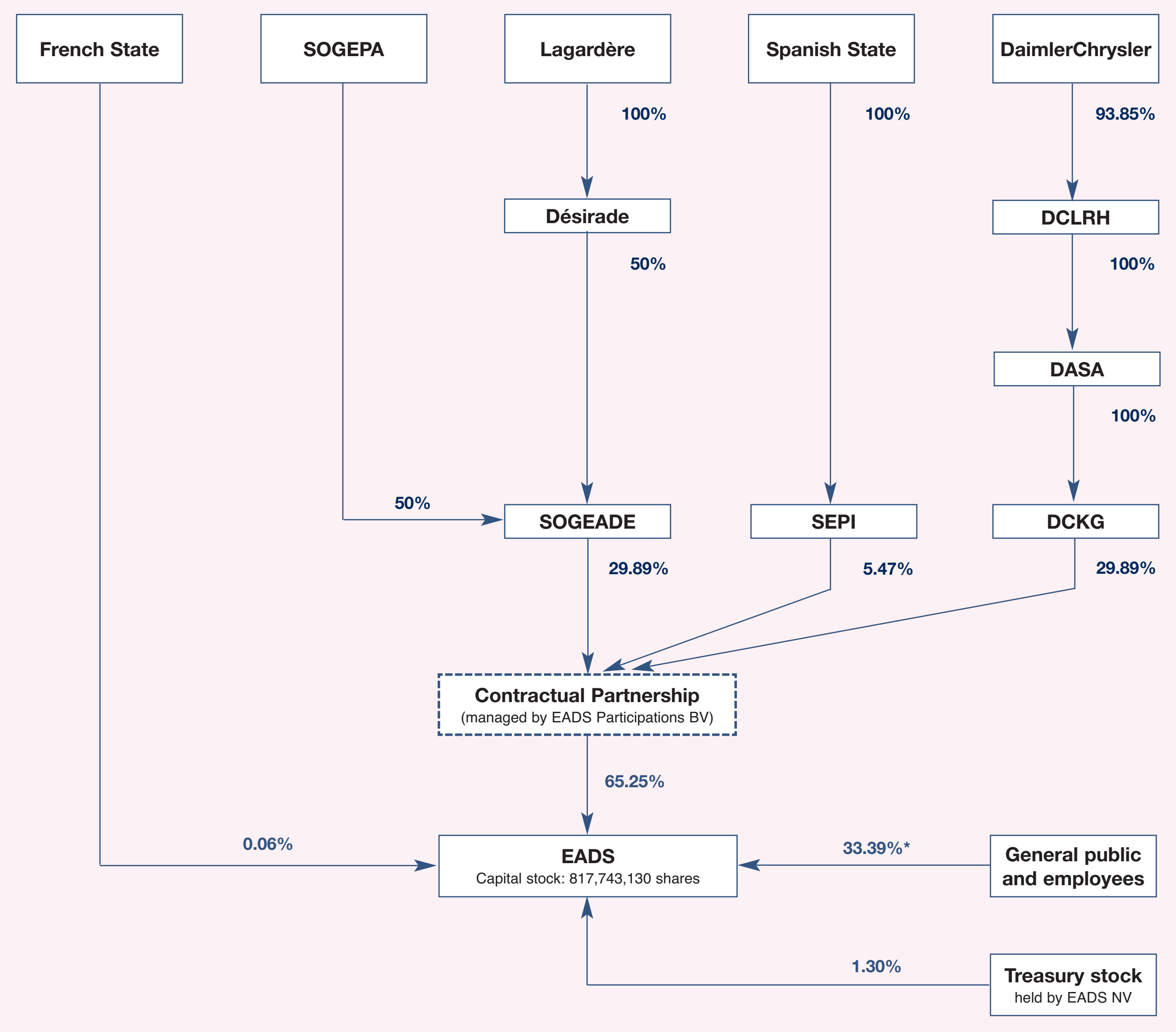
➥ Principle of unity

- *in accordance with the wishes expressed when it was created, EADS N.V. has only one General Management (even if it has two CEOs), a single Financial Department, and just one Strategy Department, etc.*
- *The EADS N.V. Group's executive board, in charge of the group's executive management with the CEOs, is composed of 11 members.*

Lagardère also has prerogatives on all levels of EADS N.V's control structure that guarantee it full access to the management of the entity. This arrangement is combined with the protection of Lagardère's rights provided by the principle of parity with the effective management of EADS N.V. to ensure the unity that presides over the operation of the international group.

Since July 1, 2003, the shares of EADS N.V. held by all its controlling shareholders in the Partnership are freely transferable on the market, subject to a pre-emptive right between SOGEADE and DaimlerChrysler.

Eads N.V. Share ownership at December 31, 2005



* Employees : 2.25%

B.2. Business operations

The EADS N.V. group comprises five main divisions: Airbus, Military Transport Aircraft, Eurocopter, Space and Defense and Civil Systems.

EADS Group *	2004	2005	Variation
Net sales, (in ?million)	31,761	34,206	+8%
of which Defense operations (in ?million)	7,694	7,700	+/-0%
EBE [1] (in ?million)	3,841 [3]	4,365	+14%
EBIT [2] (in ?million)	2,432 [3]	2,852	+17%
Research & Development costs (in ?million)	2,126	2,075	-2%
Net income (in ?million)	1,202 [3] [4]	1,676	+39%
Net earnings per share (NEPS)	1.5 [3] [4]	2.11	+0,61%
Available Cash flow (in ?million)	1,614	2,413	+50%
Available Cash flow before client financing (in ?million)	1,802	2,239	+24%
Dividend per share	0.50	0.65 [5]	+30%
Order taking [6] (in ?million)	44,117	92,551	+110%
Order book [6] (in ?million)	184,288	253,235	+37%
of which Defense operations (in ?million)	49,075	52,363	+7%
Net cash position (in ?million)	3,961	5,489	+39%
Employees	110,662	113,210	+2%

* Data published by EADS.

1. Operational income before interests, taxes, depreciation, amortization and extraordinary items.
2. Operational income before amortization of goodwill and exceptional items.
3. Previous net sales are restated to take into account expenditure linked to stock purchase options (-12 million EUR for the EADS group) pursuant to the first-time adoption of IFRS 2.
4. EADS continued using the term « Net income ». This is identical to the benefit for the period assignable to the shareholders of the parent company, as defined in IFRS. The revised application of IAS 32 caused relative changes in the accounting of the sale option given to BAe Systems as the minority shareholder of Airbus. These changes contributed EUR 289 million to net income (2004: EUR185 millions), i.e., 0.36 EUR to earnings per share (2004: 0.23 EUR).
5. Proposal submitted to the Annual General Meeting of May 4, 2006.
6. The contributions of commercial Aircraft activities are stated at the catalog price.

B.2.1 Airbus

Airbus consolidated its leadership on the commercial aviation market in 2005 by achieving its best year in terms of deliveries, orders taken and profitability. EBIT* soared and reached 2,307 million euros (2004: 1,919 million euros). This increase was mainly driven by higher deliveries (378 versus 320 in 2004) and the « Route 06» cost-cutting program, which helped to offset a less favorable EUR/USD exchange rate. Net sales increased 10% to 22,179 million (2004 20,224 million euros). The EBIT* of Airbus rose from 9.5% to 10.4%.

With 1,111 gross orders recorded in 2005, Airbus reported record order taking in the for civilian aircrafts, outperforming its primary competitor for five years in a row. These new orders can be partly explained by the rapid growth of commercial aviation in Asia which represents 47% of the total orders taken by Airbus in 2005. Demand from low cost airliners was also very high since Airbus placed more than one aircraft out of three on this segment (36%) in 2005. Orders for family aircrafts (918 models) and the A330/A340/A350 large-body aircrafts (166 units) have reached an unprecedented level on each of these segments. This list is completed by orders for twenty A380s and seven A300 cargo aircrafts. At year end 2005, the Airbus order backlog represented a total value of 202 billion euros, based on the catalogue price, representing an increase of 48% in relation to year end 2004. The backlog at year end stood at 2,177 commercial aircrafts to be delivered (2004: 1,500).

The A380 is well on the way to certification, in preparation for the first deliveries scheduled for year end 2006. To date, Airbus has already accumulated 1,000 hours of test flights with four aircrafts and counts a total of 159 firm orders from 16 clients, including three new ones in 2005. Launched last October, the A350 had 172 firm orders and purchase commitments from 13 clients at year end 2005.

B.2.2 Military Transport Aircraft

EBIT* for the Military Transport Aircrafts (MTA) soared and reached 48 million euros (2004: 26 million euros) in 2005. This increase reflects the success of transactions and the end of the previous year's restructuring process. Net sales shrank to 763 million euros (2004: 1,304 million euros) due to the time lag in the first quarter of 2006 of revenue from an internal stage of the A400M program for an amount of 539 million euros. Since the next contractual stage was successfully crossed on the expected date in February 2006. Orders from South Africa and Malaysia raised total firm sales to 192 A400M. Furthermore, Chili expressed its intention of acquiring up to three copies. The production phase is still underway and the construction of the final assembly chain in Seville, in Spain, is well advanced. On the segment of medium capacity carriers, the MTA division recorded 16 new orders for its CN-235 and C-295. This includes 12 units for Brazil, which also signed a modernization agreement for 8 missions.

The division's backlog increased by 5% to 21 billion euros (2004: 19.9 billion euros) The AirTanker consortium, led by MTA, was pre-selected in 2005 in the context of the program for strategic tanker aircrafts in the UK. In view of a similar tender in the US, EADS has signed a partnership agreement with Northrop Grumman to supply the U.S. Air Force with the fastest tanker aircraft in the world. In addition, EADS has teamed up with Raytheon to answer the tenders concerning the FCA (Future Cargo Aircraft) in the United States.

B.2.3 Eurocopter

Eurocopter maintained its global leadership on civilian and Para public markets while gaining more ground on the military segment and reinforcing its international presence. 0EBIT* recorded an upward trend to 212 million euros (2004: 201 million euros), while net sales gained 15% and leveled off at 3,211 million euros (2004: 2,786 million euros). The increase in net sales was mainly driven by the sharp rise in helicopter deliveries (334 versus 279 in 2004) and the first-time consolidation of Australian Aerospace. The low EBIT* is explained by a less favorable product mix, the impact of currency translation risk and the increase in R&D expenditure.

In 2005, the division recorded 401 new helicopter orders (2004: 332), of which 71% outside its European domestic markets. The multi-role transport helicopter NH90 gained three new clients: Belgium, New Zealand, and Spain. At the end of 2005, the order backlog of Eurocopter represented an overall value of 10 billion euros (2004: 9.1 billion euros).

The creation of the Eurocopter España entity, the construction of a new industrial site at Albacete, in Castille, and the selection of the NH90 consolidating the place of Spain as the third Eurocopter domestic market. The division also reported a sharp

* **EADS uses EBIT before amortization of goodwill and non-recurring items** as a key indicator of its economic results. The term « non-recurring items » refers to revenues or expenses of a non recurring nature, such as assets revaluation impairment costs.

rise on a booming Asian market. Eurocopter and China agreed to co-develop a new 6 - 7 ton transport helicopter. In South Korea, a market that is traditionally dominated by the United States, the government selected Eurocopter and KAI for the development of the country's first military utility helicopter. In the United States, Eurocopter maintained its lead on the commercial market. In order to increase its military operations in North America, Eurocopter struck an alliance with Sikorsky Aircraft to apply for the Light Utility Helicopter (LUH) program of the U.S. Army.

B.2.4 Space

The Space division made significant progress by improving its profitability and releasing EBIT* that is significantly higher than 58 million euros (2004: 9 million euros). This improvement demonstrates the growth of activity despite a commercial environment that is still unfavorable and the positive impact of lower cost base, after the completed restructuring. Net sales totaled 2,698 million euros (2004: 2,592 million euros). This increase was made possible by all the division's operational units. It was driven by the delivery of telecommunications satellites and the steady rise of the production of the Ariane 5 launcher, as well as by the acceleration of the net sales generated by the services of Paradigm. Ariane 5 successfully carried out five missions, two of which were with the new heavy 10 metric tone version. In 2005, EADS Space Transportation completed for the first time, its role as the leading prime contractor of the Ariane 5 launcher.

The main orders recorded by EADS Astrium include the contracts signed with South Korea and ESA which pertain respectively to a multi-mission geostationary satellite and an observation program from the Earth. EADS was pre-selected by Germany to equip itself with a system of military telecommunication by satellite. The development of the European Galileo satellite navigation system was confirmed with the construction agreement for the first four satellites. Signed in January 2006, the Galileo agreement will reinforce the space operations of EADS. At the end of 2005, the order backlog of the Space division stood at 10.9 billion euros (2004: 11.3 billion euros) The division further expanded its scope by taking over Dutch Space, the Netherlands' leading aerospace company. This acquisition made EADS the only space company with operations in five nations.

B.2.5 Defense and Civil Systems

2005 was an excellent year for the Defense and Civil Systems division (DS) in terms of deliveries and orders taken, while it continued to reinforce its capacities in high-potential sectors. The division's net sales were boosted by the missile and Eurofighter programs which resulted in organic growth of 5% and revenues of 5,636 million euros (2004: 5,385 million euros). EBIT* shrank to 201 million euros (2004: 226 million euros), particularly due to the reversal of a provision for litigation in 2004 and expenses allocated to Drones operations in 2005. This fallback was nevertheless nearly offset by better operational performances.

The principal transactions carried out concerned orders for Exocet missiles from India and Taurus surface-to-air cruise missile by Spain, the purchase of a Eurofighter autoprotection system and confirmation of the contract for the integrated border security system for Romania. EADS/LFK and MBDA were entrusted with part of the design and development contract for the trinational Medium Extended Air Defense System known as MEADS. At the end of 2005, the order backlog had increased by 7% to reach 18.5 billion euros (2004: 17.3 billion euros), and reveals a strong growth potential for net sales in coming years.

In the perspective of reinforcing its capacities on buoyant segments, the division acquired PMR (professional mobile radio telecommunications) from Nokia, propelling EADS to the ranks of world-class player in secure telecommunications. Furthermore, EADS and ThyssenKrupp Technologies jointly acquired Atlas Elektronik, the naval electronics company which reinforced the Group's position in naval electronics and related systems, without any impact on the income 2005 statements of EADS. A better integration of the division's central functions will optimize its efficiency in generating synergies and slashing costs.

B.2.6 Head office and other operations (not part of any division)

Concerning the Head office of EADS, EBIT* improved thanks to the higher contribution of EADS (46.30%) in Dassault Aviation.

The EBIT* of Other Activities (ATR, EADS EFW, EADS Socata and EADS Sogerma Services) leveled off at EUR -171 million (2004: 2 million euros), despite the positive contributions of ATR, EADS

* *Id.* p. 29

EFW and EADS Socata. The deficit of EADS Sogerma Services further worsened by 198 million euros in relation to 2004, particularly due to operating losses, impairment of assets and restructuring costs. The goal consists in restoring the balance as rapidly as possible in accordance with a restructuring plan that will be decided next month.

Economic growth and demand for high-performing regional carriers helped to re-launch the market of propjet engine aircrafts. With 80 orders, ATR arrived first on its segment at the global level in 2005. At the end of the year, its backlog represented an overall value of 707 million euros.

EADS EFW increased the number of conversions of commercial aircrafts into cargo carriers, rising from 8 in 2004 to 14. Its Aérostructures operations were boosted by the accelerated production rhythm of Airbus. EADS EFW's backlog totaled 384 million euros at the end of 2005, and a significant percentage was comprised of 43 conversions.

Other Activities generated net sales of 1,155 million euros (2004: 1,123 million euros). At the end of 2005, the overall backlog for Other Activities sharply rose and leveled off at 2.1 billion euros (2004: 1.1 billion euros).

B.3. Strategy

In order to maximize value for its shareholders and balance its portfolio of operations, EADS management (the "Management") aims to position EADS as a leader on the major aeronautics and defense markets. Accordingly, EADS has defined four strategic objectives to support sustainable growth and improve its profit earning capacity:

- Maintain the long-term parity on the commercial aviation market:

  EADS intends to maintain its leadership role on the global market of commercial aircrafts by focusing on delivering innovative products and meeting the needs of its clients, while developing international partnerships;

- Develop strong growth vectors in the non Airbus range of EADS:

  In light of the budget restrictions affecting European government equipment and the shortage of new programs in Europe, EADS intends to continue its strategic growth by adopting a global approach, with strategic acquisitions on key markets and renewed efforts to offer new solutions while capitalizing on the Group's extensive skills and products;

- Become a genuine world-class industrial group:

  To ensure access to the growth potential of markets where the traditional commercial approach has reached its limits, EADS is envisaging a long-term industrial strategy and has set up an industrial establishment policy on the leading markets of the Globe;

- Achieve the best levels of the sector's profitability:

  EADS strives to achieve its long-term objectives, while achieving the best margin levels in each of the sectors where the Group is present. The Group has already considerably improved its EBIT* from 2001, and EADS intends to continue improving it in future.

To reach the strategic objectives described above, the Management of EADS relies on three leading growth and profitability principles: globalization, innovation and improvement.

* *Id.* p. 35

C. Other Activities

(in millions of euros)

Income Statement	2004*	2005
Current operating income of consolidated companies	3	1
Non-recurring items	(5)	-
Earnings before interests and taxes (EBIT)	**(2)**	**1**
Net financial income	7	(1)
Pre-tax income	**5**	**0**

* The figures have been recalculated retrospectively to readjust the fees invoiced to the Media Business Segment on the on the bases and rates applied in 2005, in other words a positive impact for Other Activities of 25 million euros in 2004.

The "Other Activities" structure encompasses Group activities and financing that cannot be categorized under the previous two business segments.

Current operating income includes, mostly, operating costs remaining at the expense of central holdings such as the contribution from the "spare parts" department of Matra Automobile. They also included in 2004 the activities of Banque Arjil, sold at the end of 2004.

D. Summary of results and other information

Based on the pre-tax results of operations, the net income Group share is obtained as follows:

(in millions of euros)

	2004	2005
Lagardère Media earnings before tax	487	447
EADS earnings before tax	300	397
Other activities	5	-
Pre-tax income	**792**	**844**
Tax expense	(240)	(142)
Consolidated net income	**552**	**702**
of which Group share	495	670
Share of minority interests	57	32

For 2005, the tax expense amounted to 142 million euros compared to 240 million euros for 2004 representing a fall of 98 million euros. The EADS tax increased from 18 million euros in line with higher results. For the non EADS part, the tax reduction represents 116 million euros and levels off at a tax expense of 16 million euros. It is explained by non recurring profits of 99 million euros derived first, from the reversal of a provision funded for tax litigation, and second the new rules published in the 2005 Finance Act regarding the taxation of withdrawals from TSDI schemes.

III. Dividends

Managing partners have decided to propose to the Annual General Meeting of Shareholders the payment of a dividend of 1.10 euros per share, to be compared to the dividend of 1 euro paid in 2004. This proposal reflects the solid financial health and the confidence of Lagardère SCA in its future performance.

Results of Lagardère SCA for the last five years

Articles 133-135 and 148 of the decree of March 23, 1967 on business corporations

Type of indications	2001	2002	2003	2004	2005
Capital at year end *(in euros)*					
a) Shareholders' equity	845,878,899	849,229,824	851,664,914	858,993,979	866,456,932
b) Number of existing ordinary shares	138,668,672	139,218,004	139,617,199	140,818,685	142,042,120
c) Maximum number of future shares to be created by exercice of share subscription options	5,890,385	2,653,353	3,550,108 (1)	1,944,724 (1)	1,706,788 (1)
d) Maximum number of future shares to be created by bond conversion	-	-	-	-	-
e) Maximum number of future shares to be created by subscription warrants	-	-	-	-	-
Transactions and results for the year *(in thousands of euros)*					
a) Sales net of tax	744	926	2 357	1,072	258
b) Income (loss) before tax and calculated expenses (amortizations and provisions)	(119,935)	(72,115)	15,421	(9,021)	76,291
c) Income tax	104,517 (2)	53,316 (2)	50,774 (2)	65,396 (2)	87,008 (2)
d) Income (loss) after tax and claculated expenses (amortizations and provisions)	96,475	(65,952)	91,572	131,631	196,553
e) Income distributed to shareholders	110,839	111,227	122,815	410,518	(3)
Earnings per share *(in euros)*					
a) Earnings after tax, but before calculated expenses (amortizations and provisions)	(0.11)	(0.14)	0.47	0.40	1.15
b) Earnings after tax and calculated expenses	0.70	(0.47)	0.66	0.93	1.38
c) Dividend paid per share	0.82	0.82	0.90	1.00 + 2.00 (4)	(3)
Employees					
a) Average number of salaried employees	-	-	-	-	-
b) Payroll amount for the year	-	-	-	-	-
c) Amount of sums paid as social benefits for the year	-	-	-	-	-

1. The number of shares indicated corresponds to the options plan for which the exercise price is less than the stock price at Dec. 31.
2. Mainly tax integration bonus.
3. A proposal for the payment of a dividend of 1.10 euro per share will be submitted to the AGM.
4. Exceptional devidend of 2 euros per share.

LAGARDERE SCA

Limited partnership with shares (Société en commandite par actions)
with a capital of 866,456,932 euros
Headquarters: 4, rue de Presbourg - PARIS 75016
Registered with the Companies Registry of Paris under number 320,366,446

Labrador 01 53 06 30 80