Lagardère

LETTER TO SHAREHOLDERS

April 13, 2010

Ladies, Gentlemen, Dear Shareholders,

Following the earlier documents and notifications sent to you about the Shareholders' General Meeting, and to prepare for our next meeting on April 27, I should like to present the main financial headings so that you can clearly appreciate and assess the Group's results.

During 2009, all the Group's businesses, with the exception of Lagardère Active, posted strong results. Indeed Lagardère Publishing enjoyed a record year with Recurring EBIT before associates surging 24%. While Recurring EBIT before associates from Media activities, excluding Lagardère Active, came in at €448 million thereby outperforming the guidance announced at the beginning of 2009 and up 1.6% at constant exchange rates. Lagardère Active was hit directly by the 24% collapse in advertising revenues, which has weighed particularly heavily on the Press and Radio business. This resulted in a reduction in the consolidated net income of the media activities, which was also affected by asset impairment that was partially offset by a capital gain on the sale of a 2.5% equity stake in EADS. Consolidated net income attributable to equity holders of €137m, down from €593m in 2008, was also hit by the €49m attributable net loss of EADS, principally due to impairment charges on A400M aircraft.

"During 2009 Lagardère held up well"

However, 2009 was a year in which the Group considerably strengthened its balance sheet:
- following a sharp improvement in cash generated by operating activities to €552m in 2009, up from €198m in 2008;
- thanks to the successful issue of a €1bn 5 year bond, providing the Group the resources to execute its strategy in the coming years.

In conclusion, during 2009 Lagardère held up well against the background of an unprecedented crisis in the media industry. More important still, the Group has posted very satisfactory results over the past ten years, which confirms the strategic decisions implemented by the Group.

Lagardère has implemented a strategy to re-focus on and properly control its core businesses so that today it is a fully fledged media group.

This strategic decision has borne fruit given that over the past ten years the Group has posted regular improvements in sales and earnings:
- sales increase of 24% between 1998 and 2009;
- operating margin doubled between 1998 and 2009 to 7.9%. In 2009 the operating margin dropped to 5.9% because of the collapse of advertising revenues;
- average annual increase of Lagardère Media's recurring EBIT was 10.7% from 1998 to 2008 inclusive.

Furthermore, your Group has remained financially strong year on year that has enabled it to withstand economic downturns however difficult they turned out, such that today it still has the resources for further growth:

- the Group has had a prudent balance sheet structure over the past ten years, with:
  > an optimized gearing ratio;
  > controlled debt;
- cash flow, ensuring regular dividend growth, which has almost doubled to €1.30 per share.

Lagardère has always remained open to opportunities for development while continuing to comply with strict criteria for acquisitions.

As a result, backed by its strategy built around strong brands and acknowledged leadership in media content management, over the years, the Group has demonstrated an ability to withstand problems and to maintain performance throughout a particularly difficult economic and financial environment. Today the Group pursues its pure media strategy by carrying out targeted long-term acquisitions in sectors with high growth potential, while staying true to the values which you recognize in the Group: motivation, prudence and accountability.

Arnaud Lagardère
General and Managing Partner,
Lagardère SCA

Lagardère

▶ LAGARDÈRE: STRONG RESULTS OVER THE LAST 10 YEARS

AN EFFECTIVE STRATEGY FOR REFOCUSING THE BUSINESS

For over ten years, Lagardère has pursued a clear strategy to **focus on media**. The Group used to operate in various sectors including Telecommunications, the Automobile industry, Defence and Media.

Today, Lagardère **holds the entire equity of its four divisions**: Lagardère Publishing, Lagardère Active, Lagardère Services and Lagardère Sports.

ORGANIZATION

1998 → **2009**

Lagardère SCA (1998)

High technologies	SPACE **51%** Matra Marconi Space	DEFENCE **50%** Matra BAe Dynamics **100%** Matra Systems & Information **100%** Matra Defense Equipement & Systèmes	CAD-CAM **50%** Matra Nortel Communications **100%** Matra Datavision
Automobiles	AUTOMOBILE **100%** Matra Automobile		
Media Communication	BOOK PUBLISHING **100%** Hachette Livre DISTRIBUTION **100%** Hachette Distribution Services MULTIMEDIA GROLIER **100%** Grolier	PRESS **67%** Hachette Filipacchi Médias	AUDIOVISUAL **45%** Europe 1 Communication
Bank Arjil & Cie		**33%** Minority Shareholders	**55%** Minority Shareholders

Lagardère (2009)

100% Lagardère PUBLISHING
- Book publishing

100% Lagardère ACTIVE
- Magazine publishing
- Audiovisual
- Digital
- Advertising

100% Lagardère SERVICES
- Travel retail
- Press distribution
- High street retail

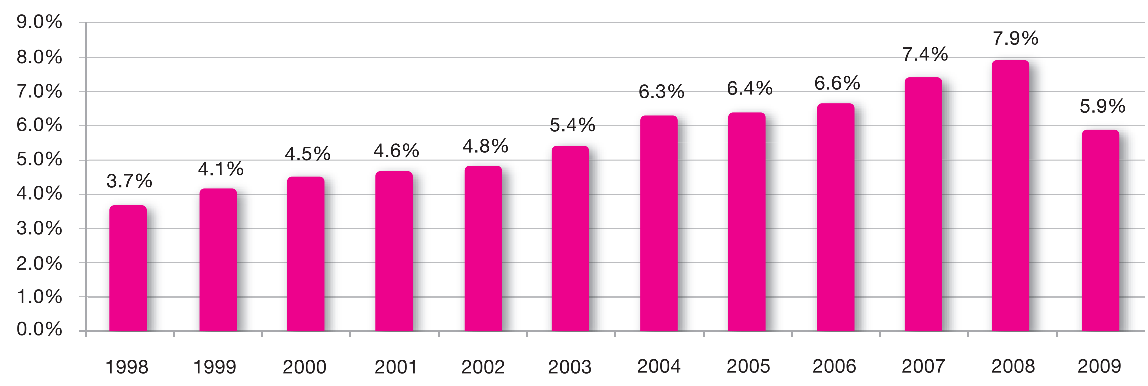
100% Lagardère SPORTS
- Sports economy
- Sports rights

CONSISTENT IMPROVEMENT IN PROFITABILITY

Improvement in operating margin

Between 1998 and 2008, the operating margin more than doubled to 7.9% while sales grew at an average rate of 2.7% per year. The 2009 dip in the operating margin is explained by the 24% fall in advertising revenues. Excluding Lagardère Active, the operating margin would be 7.3% in 2008 and in 2009.

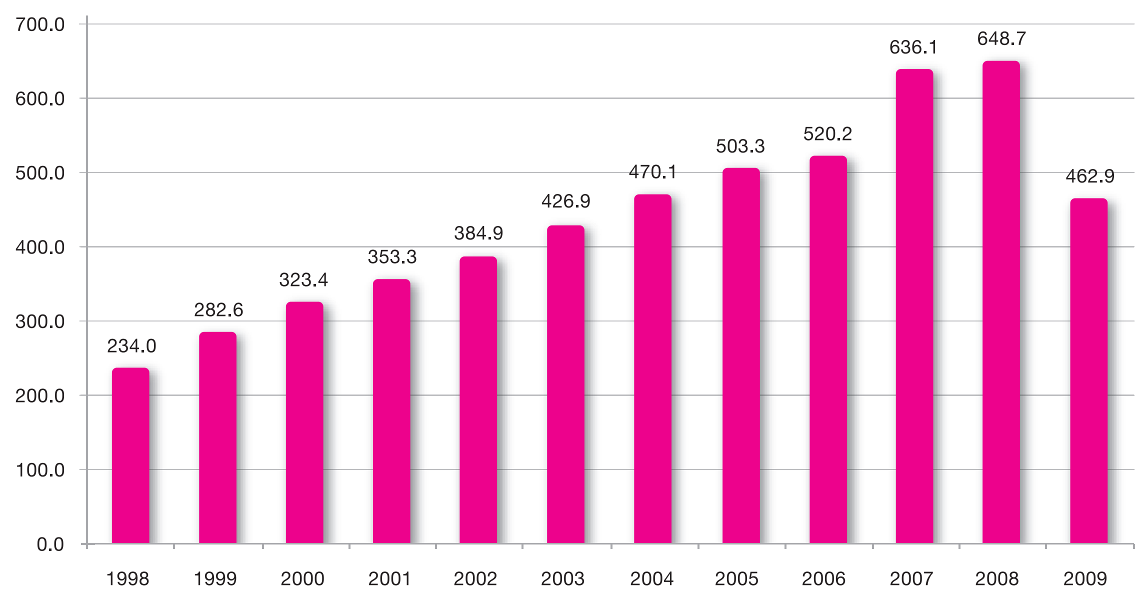
Lagardère Media operating margin from 1998 to 2009



Continuous growth in EBIT

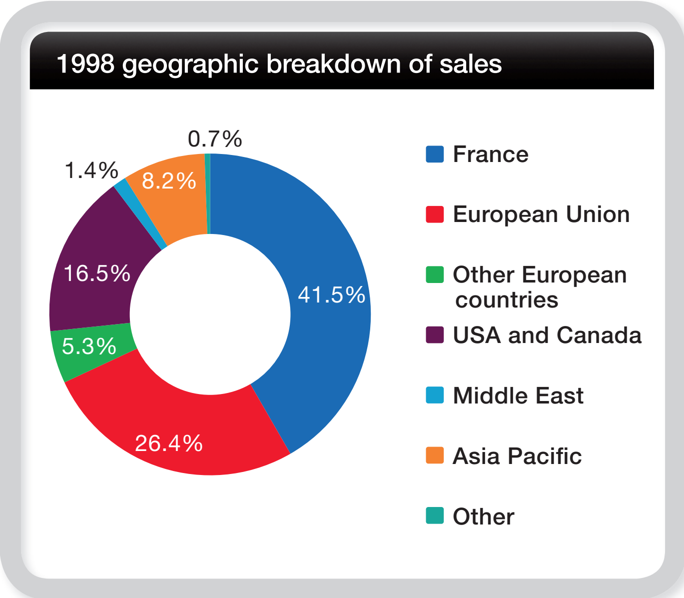
Recurring EBIT before associates from Media activities increased by 10.7% per year on average. The 2009 fall in Media recurring EBIT is explained by the impact of the sharp fall in advertising revenues for Lagardère Active. Excluding Lagardère Active, recurring EBIT would have edged up by 1.1%.

Growth of Lagardère Media recurring EBIT before associates from 1998 to 2009 (€m)

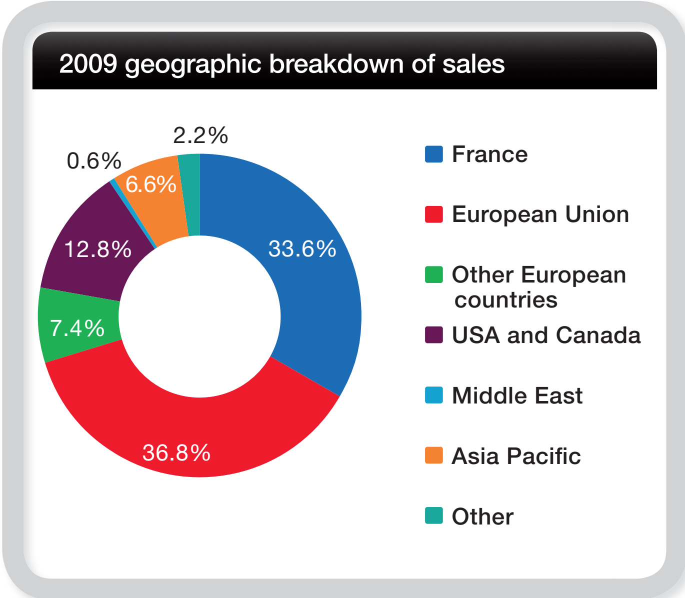


BETTER REVENUE DIVERSIFICATION – INTERNATIONAL GROWTH

The proportion of France in the total consolidated sales of the Group reduced from 41.5% in 1998 to 33.6% in 2009. This improved sales diversification will enable the Group to take advantage of future opportunities for growth worldwide.



1998 geographic breakdown of sales



2009 geographic breakdown of sales

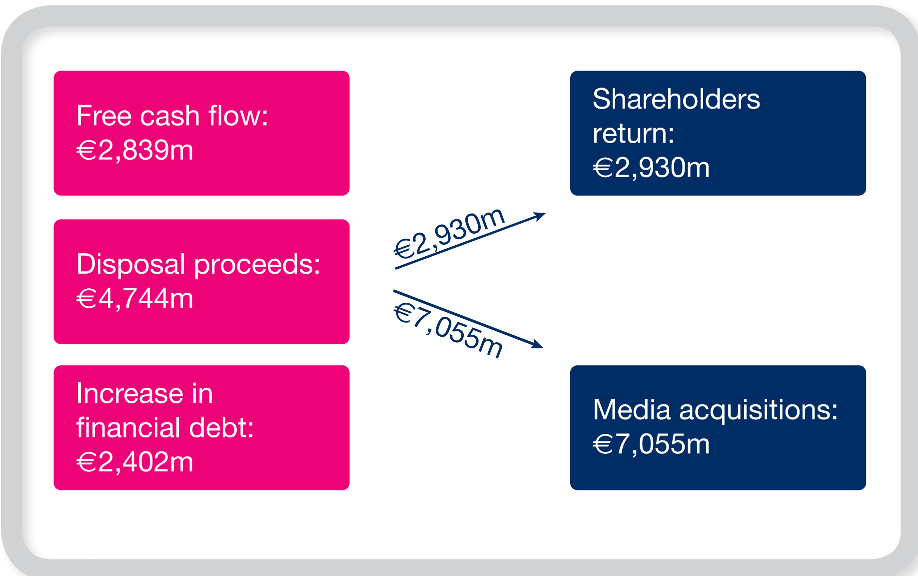
REDUCTION IN MINORITY SHAREHOLDERS

To control the cash of all its businesses, the Group has pursued a policy to buy out its minority shareholders. Consequently, within Lagardère Active, the Group has acquired complete control of several of its assets: in 1999 it purchased 55% of Europe 1 Communication for €258m and in April 2000 it purchased 33.2% of Hachette Filipacchi Médias for €1.1 bn.

Today, the proportion of the minority interests held by the Group has considerably reduced and the remaining minority interests in Marie-Claire, Amaury, Canal+ France and EADS will not be retained in the long term.

SHAREHOLDERS RETURN AND FINANCING OF EXTERNAL GROWTH

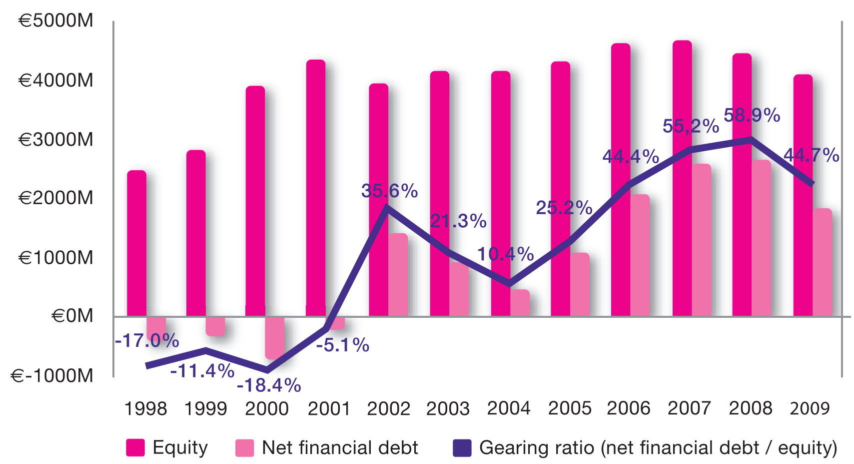
Between 1998 and 2009, the Group acquired media companies amounting to nearly double the value of its equity. These acquisitions were largely financed by operating cash flow and the proceeds of asset sales. Free cash flow was fully returned to shareholders while two thirds of the acquisitions were financed by asset sales and the balance by increasing financial debt.



HEALTHY FINANCIAL SITUATION

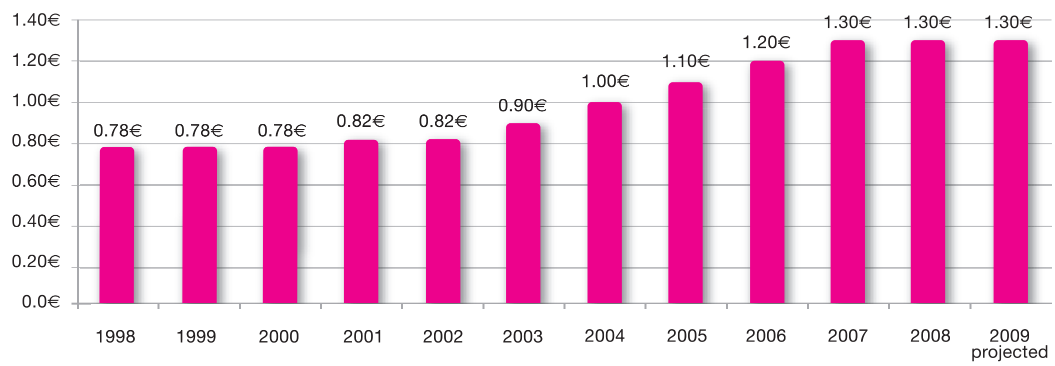
Balanced assessment structure
Changes in debt over the last twelve years enabled the Group to seize investment opportunities when they arose. As of 2008 when the first signs of a credit crunch became apparent, the Group gradually began to reduce debt. Consequently, the gearing ratio (net debt divided by equity) reduced from 58.9% to 44.7%. This situation gives the Group some measure of flexibility to fund future acquisitions while retaining a healthy financial structure.

Financial debt and equity from 1998 to 2009



Active shareholder dividend policy
Over the period, the entire free cash flow was returned to shareholders while acquisitions were exclusively financed by the proceeds of asset sales and increases in net financial debt. In 2005, Lagardère paid out a special dividend of €2 per share following the sale of its T-Online shares received for the sale of Club Internet, which accounted for nearly half of the price of investments sold in 2005. Since 2003, the Group has also bought back 16.1 million shares amounting to €822m. These share buy-backs have a direct positive impact on the share price and earnings per share.

Dividend per share growth rate from 1998 to 2009



Since 1998, the dividend per share paid to shareholders has almost doubled to €1.30, which will be the amount submitted for your approval at the April 27, 2010 shareholders' general meeting.

Document issued by the Corporate Communications Department.

Lagardère

infos www.lagardere.com