Lagardère

Press release

2008 FIRST-HALF RESULTS

Recurring EBIT before associates (1) :

- **CONSOLIDATED: €255m for the first half of 2008 (vs. €270m for the first half of 2007)**
- **MEDIA ACTIVITIES: €260m, representing 3.8% growth based on the criteria used for 2008 guidance**
- **ADJUSTED NET INCOME excluding EADS: up 10.4% at €159m**

Paris, August 28, 2008 – Key components of the 2008 first-half consolidated results of Lagardère SCA, as published today, are described below:

- **Net sales**: On a like-for-like basis, net sales growth was 3.6%. On a reported basis, net sales fell by 3.8% to €3,804m, largely due to divestments (primarily the Regional Daily Press business and Virgin stores: negative effect €191m) and to exchange rates (negative effect €90m).

- **Recurring EBIT before associates** from Media activities rose by 3.5% to €260m, or by 3.8% based on the criteria used for our 2008 guidance (i.e. growth in the range "3% to 7%" for recurring EBIT before associates from Media activities, based on a euro/dollar rate of 1.50), demonstrating our resilience in particularly tough economic conditions. Consolidated recurring EBIT before associates was €255m, down on the 2007 figure of €270m, though the 2007 figure was boosted (among other factors) by a gain arising from the settlement of a dispute relating to the former Matra Transport business.

- There was a significant positive contribution from **non-recurring/non-operating items** (€325m for the first half of 2008, versus €335m in the comparable period of 2007). The main component was a €466m gain on the sale of EADS shares, partly offset by various items including impairment losses against magazines in the United States.

- **Net interest expense** was substantially lower (€79m, versus €105m for the first half of 2007), mainly due to a reduction in the charges associated with the Mandatory Exchangeable Bond[2].

- **Net income** was 14.6% higher at €572m. Excluding the contribution from EADS, and after stripping out non-recurring/non-operating items and the effect on net interest expense of the Mandatory Exchangeable Bond, adjusted net income was €159m, an increase of 10.4%.

- **Net debt** as of June 30, 2008 was €2,731m, compared with €2,570m as of December 31, 2007.

(1) *Before the contribution from associates*
(2) *Exchangeable for EADS shares*

CONSOLIDATED NET SALES

Lagardère SCA consolidated net sales for the first half of 2008 were €3,804m, up 3.6% on a like-for-like basis but down 3.8% on a reported basis.

- Lagardère Publishing – Net sales for the first half of 2008 were €908m, an increase of 1.3% on a reported basis and 4.5% on a like-for-like basis. The business achieved a respectable performance in the United States, the United Kingdom and Spain, but there was a further decline in Literature in France. Part-works were affected by a drop in French and Italian sales, partly offset by good performances in the United Kingdom and Japan.

- Lagardère Active – Net sales were down 7.0% on a reported basis at €1,018m, mainly due to the effect of divestments (-€67m) and exchange rates (-€33m). On a like-for-like basis, net sales rose by 2.7%.
  Sales for the Magazines business advanced by 1.6% on a like-for-like basis in the first half of 2008. In terms of advertising revenue, there was a mixed picture by country, with a sharp fall in the United States in the second quarter but growth in Russia and China. Circulation revenues also presented a mixed picture depending on the country.
  Digital revenues continue to grow fast, and accounted for 6.4% of total Lagardère Active sales in the first half of 2008, versus 2.2% for the comparable period of 2007.
  The Broadcast business posted 6.2% like-for-like growth after an excellent second quarter. In radio, Virgin enjoyed strong growth while Europe 1 and RFM were flat, wiping out the effects of a tough start to the year. International radio activities are still reporting strong growth, while theme channels and TV production also had a good first half.

- Lagardère Services – Net sales for the first half of 2008 were €1,681m, up 5.8% on a like-for-like basis (but down 4.2% on a reported basis, due primarily to the divestment of Virgin Stores). All countries except Belgium reported sales growth, thanks largely to the policy of opening new outlets.

- Lagardère Sports – Net sales for the first half of 2008 were down 12.3% on a like-for-like basis at €197m. However, trading was in line with forecasts, in particular as regards the finals phase of the Euro 2008 football tournament.

RECURRING EBIT BEFORE ASSOCIATES

In the first half of 2008, **Lagardère SCA** generated recurring EBIT before associates of €255m, compared with €270m in the first half of 2007.

The **Media** division reported recurring EBIT before associates of €260m for the first half of 2008, 3.5% up on the 2007 first-half figure. Based on the criteria used for our 2008 guidance (an average euro/dollar exchange rate of 1.50), growth amounted to 3.8%. Operating margin was 6.8%, against 6.4% for the first half of 2007.

- Lagardère Publishing: posted recurring EBIT before associates of €71m, unchanged from the 2007 first-half figure, with an improved operating performance canceled out by negative currency effects. Good contributions from the United Kingdom (other than in educational books) and from Education in Spain offset a decline in profits from General Literature in France and Part-works. The contribution from the United States rose by over 10%, driven by an excellent performance in Fiction/Non-Fiction.

- Lagardère Active reported a 7.3% rise in recurring EBIT before associates to €114m. Despite a marked deterioration in the advertising market, especially in the second quarter of 2008, the Press business held recurring EBIT before associates virtually steady at €61m. The effects of the "Active 2009" recovery plan, in particular efforts to improve the cost structure and optimize the portfolio of titles, offset the negative effect on profits of the contraction in revenues (especially from advertising) during the first half of 2008 primarily in the United States, Japan and Spain.

In TV, recurring EBIT before associates rose substantially to €12m (versus €1m for the first half of 2007), but in Radio it was flat at €41m (versus €42m for the first half of 2007). These trends reflect a good performance by international radio activities, offset by poorer results from France where economic conditions were tough. In TV, there was an improvement in the Lagardère Entertainment contribution, mainly due to reversals of provisions following settlements of disputes.

- Lagardère Services reported recurring EBIT before associates of €46m for the first half of 2008, 2.8% up on the comparable period of 2007. The impact of start-up losses on the opening of a large number of new outlets held back growth.
- Lagardère Sports[3] generated recurring EBIT before associates of €29m for the first half of 2008, similar to the 2007 first-half figure. The contribution from the Euro 2008 and African Cup of Nations football finals offset the expected decline due to event timings (the 2007 first-half figure was boosted by the Euro 2008 qualifiers and World Handball Championships). In addition, a good performance from annual events was offset by spending on new events such as the Transoriental Rally Raid.

Recurring EBIT before associates from **Non-Media** activities dipped to a loss of €5m in the first half of 2008, against a profit of €19m for the comparable period of 2007. The main factor was the inclusion in the 2007 first-half figure of a gain arising from the settlement of a dispute relating to the former Matra Transport business.

NON-RECURRING/NON-OPERATING ITEMS

Non-recurring/non-operating items were virtually unchanged, showing a net gain of €325m (versus €335m in the first half of 2007). The main components were:

- €466m gain on the disposal of part of the interest in EADS (2.5% of the capital);
- €93m of impairment losses on magazine titles in the United States.
- €37m of amortization charged against acquisition-related intangible assets.
- €7m of restructuring costs, mainly in the Magazines business.

CONTRIBUTION FROM ASSOCIATES

The contribution from associates rose by approximately 80% to €98m[3]. More than three-quarters of this increase was due to a higher contribution from EADS. Excluding EADS, the contribution from associates was €46m, versus €36m for the first half of 2007, reflecting an increase in the Canal+ France contribution.

Earnings before interest and taxes (EBIT) rose by 3% to €678m.

NET INTEREST EXPENSE

Consolidated net interest expense for the first half of 2008 was €79m, against €105m for the comparable period of 2007. This significant improvement reflects a reduction in charges associated with the Mandatory Exchangeable Bond, more than outweighing the negative effects of an increase in the average amount and cost of debt.

[3] *Before amortization of acquisition-related intangible assets*

INCOME TAX EXPENSE

Income tax expense for the first half of 2008 was €13m, versus €41m for the comparable period of 2007.

The first-half figure cannot be extrapolated over the full year. The main reason for the reduction in income tax expense relative to the first half of 2007 is the reversal of deferred tax liabilities (with no cash impact) as a result of the recognition of impairment losses against magazine titles in the United States.

MINORITY INTERESTS in net income for the period came to €14m, in line with the 2007 first-half figure.

As a result of the factors described above, **NET INCOME** for the period was **€572m, versus €499m for the six months ended June 30, 2007, an increase of 14.6%.**

€ MILLION	H1 2007			H1 2008		
	MEDIA DIVISION	NON-MEDIA & EADS	TOTAL LAGARDÈRE GROUP	MEDIA DIVISION	NON-MEDIA & EADS	TOTAL LAGARDÈRE GROUP
Net sales	**3,955**		**3,955**	**3,804**		**3,804**
Recurring EBIT before associates (3)	**251**	**19**	**270**	**260**	**(5)**	**255**
Non-recurring/non-operating items	(137)	472	335	(141)	466	325
Contribution from associates (3)	36	18	54	46	52	98
EBIT	**150**	**509**	**659**	**165**	**513**	**678**
Net interest expense	(63)	(42)	(105)	(85)	6	(79)
Income tax expense	(53)	12	(41)	(20)	7	(13)
Net income before minorities	**34**	**479**	**513**	**60**	**526**	**586**
Minority interests	14	0	14	14	0	14
Net income	**20**	**479**	**499**	**46**	**526**	**572**

(3) *Before amortization of acquisition-related intangible assets*

ADJUSTED NET INCOME (excluding equity-accounted contribution from EADS)

Adjusted net income, the calculation of which is shown below, provides a relevant year-on-year comparison by eliminating (i) the net effect of non-recurring/non-operating items and (ii) the equity-accounted contribution from EADS. Adjusted net income for the first half of 2008 was up 10.4% at €159m.

(€ million)	**H1 2007**	**H1 2008**
Net income	**499**	**572**
Equity-accounted contribution from EADS	(18)	(52)
Amortization of acquisition-related intangible assets, net of taxes	19	28
Net income excluding EADS, before amortization of acquisition-related intangible assets	**500**	**548**
Restructuring costs, net of taxes	18	5
Net gain on disposals and other items, net of taxes	(481)	(453)
Impairment losses on goodwill and intangible assets, net of taxes	78	53
Impact of Mandatory Exchangeable Bond on interest expense, net of interest income calculated at market rates	29	6
Total non-recurring items, net of taxes	**(356)**	**(389)**
Adjusted net income excluding EADS	**144**	**159**

NET CASH GENERATED BY/USED IN OPERATING AND INVESTING ACTIVITIES

The net cash outflow (sum total of cash generated by or used in operating and investing activities) showed a substantial improvement relative to the first half of 2007 (€34m, versus the 2007 first-half figure of €475m).

This improvement mainly reflects:

- An increase in net cash used in operating activities, from €115m for the first half of 2007 to €271m for the first half of 2008. This reflects the usual cyclical pattern in working capital needs, but th effect was accentuated this year by timing factors in the Publishing, Active and Sports divisions. The 2008 first-half figure was also affected by disbursements of restructuring costs under the “Active 2009” plan.

- A net cash inflow from investing activities of €237m for the first half of 2008, compared with a net outflow of €360m for the comparable period of 2007. Acquisitions during the first six months of 2008 (including Doctissimo, World Sport Group and Massin) represented a total of €415m, below the €989m for the first half of 2007 (which included the acquisition of SportFive). Cash inflows from disposals for the first half of 2008 were €725m (versus €685m for the comparable period of 2007), and mainly comprised the proceeds from the sale of shares representing a 2.5% interest in EADS.

DEBT

As of June 30, 2008, net debt was €2,731m, higher than the December 31, 2007 figure (€2,570m). The main reasons were:

- The net cash outflow recorded in the first half of 2008 (impact: -€34m).
- The dividend payout (impact: -€196m).
- Various non-cash adjustments that reduced the carrying amount of debt (impact: +€68m).

Net debt excluding the Mandatory Exchangeable Bond totaled €2,041m, giving gearing of 41.7%.

Lagardère is a pure media group (books, press, broadcast, digital, travel retail and press distribution, sports trading and sports rights), and is among the world leaders in the sector. It also owns a 10% stake in EADS.

Lagardère shares are listed in Paris on Eurolist by Euronext – Compartment A.

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