Lagardère
PRESS RELEASE

LAGARDERE SCA recurring EBIT before associates up by 7.6%
during the first half of 2006

Recurring EBIT before associates from Media activities
UP BY 5.4% during the first half of 2006
And by 4.9% based on the parameters used for 2006 guidance

At its meeting on September 13, 2006, the Supervisory Board reviewed the consolidated financial statements of **LAGARDERE SCA** for the first half of 2006, as presented by Arnaud Lagardère, General Partner, and Philippe Camus and Pierre Leroy, co-Managing Partners.

Highlights:

- Net sales from Media activities up 1.6% at €3,793m (up 1% like-for-like).
- Recurring EBIT before associates from Media activities up 5.4% at €206m, or 4.9% excluding the effects of (i) the cost of investment in Digital Terrestrial Television, (ii) the disposal of Dalloz and (iii) the acquisition of Time Warner Book Group, and based on a constant euro/dollar rate of 1.25. These results reflect fine performances from the “Active”, “Books” and “Distribution” segments, offsetting a reduced contribution from the “Press” segment which faced a tough environment.
- Net interest expense of €64m for Lagardère excluding EADS, including €32m of interest expense relating to the EADS Mandatory Exchangeable Bond.
- Net bank debt (excluding EADS) of €1,673m, versus €1,075m at December 31, 2005, due mainly to the acquisition of Time Warner Book Group and to the dividend payout.
- 2006 guidance of “3%-7% growth” in recurring EBIT before associates from Media activities reiterated, assuming no change in parameters.

CONSOLIDATED NET SALES

Consolidated net sales for the six months to June 30, 2006 were €6,615m, compared with €6,152m for the first half of 2005, an increase of 7.5%.

- **Like-for-like growth of 1% in net sales from Media activities**

  First-half net sales from **Media activities** rose by 1% on a like-for-like basis to €3,793m.

  The “Books” segment performed well despite tough comparatives in the early part of the year. Sales rose by 2.0% like-for-like (13.6% on a reported basis). Sales in General Literature fell in France, but by less than expected, with the dwindling Dan Brown effect partly offset by healthy sales at some other publishers, especially Fayard. Part-Works, General Literature in the UK, Education and Distribution all reported highly satisfactory growth. The first-time consolidation of Time Warner Book Group from April 2006 added €98m to first-half net sales.
  Net sales for the “Active” segment were down 3.1% like-for-like, on tough comparatives for TV Production and theme channels. However, the decline in net sales was again less than expected, with the Radio business and some TV Production houses (Aube production, GMT and Images & Compagnie) bearing up well.
  The “Press” segment, where net sales slipped by 1.1% on a like-for-like basis, is faced with challenging market conditions in terms of both advertising (low advertising spend on auto magazines in the United States) and circulation (magazines for men in France).
  Finally, the “Distribution” segment posted like-for-like growth of 2.3% thanks to strong trading in Eastern Europe and Asia and continuing growth in airport footfall.

- **Strong growth in EADS contribution to net sales**

  Net sales shown on the **“EADS”** line represent 14.87% of the revenues generated by the EADS group (versus 15.09% in the first half of 2005).

  The share of EADS revenues consolidated by Lagardère SCA in the first half of 2006 was up 16.8% on the first half of 2005 at €2.82bn.
  All divisions reported growth. Airbus achieved a record level of deliveries, with 219 aircraft delivered in the first half of 2006, against 189 in the first half of 2005. Growth in Military Transport Aircraft was driven mainly by progress on the A400M program, Eurocopter was boosted by a sharp rise in deliveries, and the Space division benefited from increased production of the Ariane 5 launcher and advances in the Paradigm satellite services program.

RECURRING EBIT BEFORE ASSOCIATES

- **Recurring EBIT before associates from Media activities**

The **Media** division contributed €206m to recurring EBIT before associates in the first half of 2006, an increase of 5.4% on the 2005 first-half figure. Excluding the cost of investment in Digital Terrestrial Television, the disposal of Dalloz and the acquisition of Time Warner Book Group, and based on a constant euro/dollar rate of 1.25, growth amounted to 4.9%.

The “Books” segment reported another solid performance, raising recurring EBIT before associates by 27.1% to €68m. Growth was driven by Education in France and Spain, by Distribution (helped in particular by new business such as Larousse books), and by Part-Works internationally. The first-half figure also includes a €12.5m contribution from Time Warner Book Group, consolidated from April 2006.

The “Active” segment had a very good first-half, with recurring EBIT before associates up 21.2% at €41m despite a €8.7m investment in Digital Terrestrial Television channels. The contribution from Radio activities increased sharply, especially on the international front. TV Production held steady despite a very unfavorable comparative. Broadband investment costs eased a little in the first half, due largely to a reduction in losses at Cellfish.

Recurring EBIT before associates for the “Distribution” segment was 5.5% higher than in the first half of 2005 at €42m, driven by continuing growth at Aelia and expansion in Eastern Europe and Asia.

The “Press” segment reported recurring EBIT before associates of €55m, down 19.5% on the first half of 2005. A number of factors underlie this result:

- The effect of lower advertising revenues for auto magazines in the United States.
- The effect of falling circulation of magazines for men, especially in France.
- A poor half-year for regional daily newspapers.
- More generally, the effect of weaker circulation figures for many magazines, apart from established brands such as Elle and Marie-Claire.
- These negative effects were not fully offset by good results from established brands (Elle, Télé 7 Jours). At the same time, the positive effects of new sources of growth (emerging markets and new launches), and of restructuring in Japan and Italy, are still limited.

- **Strong growth in EADS contribution to recurring EBIT**

EADS is consolidated in the **LAGARDERE SCA** financial statements for the six months to June 30, 2006 using the proportionate consolidation method at a rate of 14.87%.

In the six months to June 30, 2006, EADS contributed €236m to EBIT, 6.8% up on the 2005 first-half figure of €221m. This performance was due to increased volumes, and to ongoing improvements in operating profits across all divisions.

Profit growth at Airbus was driven by volumes (219 deliveries, versus 189 in the first half of 2005), by additional cost savings derived from the “Route 06” program, and to a lesser extent by increased financing contributions from customers. These positives outweighed the effects of less attractive currency risk hedging rates, higher R&D spend, and cost overruns on the A380.

- **Overall, consolidated recurring EBIT before associates for the Lagardère Group came to €447m (versus €415m in the first half of 2005), a rise of 7.6%.**

NON-RECURRING ITEMS

Non-recurring items represented a net charge of €1m. For Lagardère alone (excluding EADS), non-recurring items represented a net gain of €8m.

INCOME FROM ASSOCIATES

For the Group as a whole, income from associates was €48m, versus €52m in the first half of 2005. However, the contribution of associates to **Media and Other Activities** rose by 23% to €41m. *Canal*Sat contributed €32m, compared with €27m in the first half of 2005.

Earnings before interest and taxes (EBIT) rose by 6.4% to €494m, with the EBIT contribution from Media and Other Activities increasing by 16.8% to €260m.

NET INTEREST EXPENSE BY DIVISION

Consolidated net interest expense for the first half of 2006 was €72m, compared with €33m for the first half of 2005.
Lagardère Media and Other Activities reported net interest expense of €64m, versus €22m for the first half of 2005. This figure comprises:

- Net expense of €30m for Lagardère Media (vs. €25m in H1 2005), the slight increase being due mainly to the effect of the acquisition of Time Warner Book Group.
- Net expense of €34m for Other Activities, which includes the cost of the EADS Mandatory Exchangeable Bond.

INCOME TAXES

Income tax expense for the Group as a whole was €133m, against €121m for the comparable period of 2005.
Excluding EADS, the tax charge rose by €25m, and the effective tax rate (also excluding EADS) increased from 25% in the first half of 2005 to 43% in the first half of 2006. The key factors were:

- A 16.8% increase in EBIT relative to the first half of 2005.
- The effect of the interest expense on the Mandatory Exchangeable Bond, which increases the Group's tax losses without resulting in a tax saving during the current period.
- The fact that gains on disposals included in accounting EBIT were lower than the taxable gains used in the income tax calculation.

MINORITY INTERESTS in net income came to €9m (vs. €16m in the first half of 2005).

Overall, **consolidated net income** attributable to the Group was **€280m, compared with €294m for the first half of 2005.** Consolidated net income for **Media and Other Activities** fell from €142m in the first half of 2005 to €117m in the first half of 2006.

€ MILLION	H1 2006			H1 2005		
	MEDIA & OTHER ACTIVITIES	EADS	LAGARDÈRE GROUP TOTAL	MEDIA & OTHER ACTIVITIES	EADS	LAGARDÈRE GROUP TOTAL
Net sales	**3,793**	**2,822**	**6,615**	**3,734**	**2,418**	**6,152**
Recurring EBIT before associates	**211**	**236**	**447**	**194**	**221**	**415**
Non-recurring items	8	(9)	(1)	(5)	2	(3)
Income from associates	41	7	48	33	19	52
EBIT	**260**	**234**	**494**	**222**	**242**	**464**
Net interest expense	(64)	(8)	(72)	(22)	(11)	(33)
Income tax expense	(67)	(66)	(133)	(42)	(79)	(121)
Net income before minority interests	**129**	**160**	**289**	**158**	**152**	**310**
Minority interests	12	(3)	9	16	0	16
Net income	**117**	**163**	**280**	**142**	**152**	**294**

NET DEBT

Net bank debt at June 30, 2006 stood at €1,425m, giving gearing of 27%.
Excluding EADS, net debt amounted to €1,673m.
The increase in net debt relative to the end-2005 figure (€1,075m) was mainly due to the acquisition of Time Warner Book Group (€423m) and to the dividend payout.

NET CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

Net cash flow (from operating and investing activities) generated by **Media and Other Activities** in the first half of 2006 fell year-on-year, representing a net outflow of €414m compared with a net inflow of €528m in the comparable period of 2005. Key factors included:

- Stable cash flows from operating activities year-on-year.
- A sharp rise in net cash outflows on investing activities, to €442m. While net investment in property, plant and equipment and intangible assets fell (€33m in H1 2006, vs. €67m in H1 2005), net investment in financial assets rose as a result of the acquisition of Time Warner Book Group (€423m [*]) and of smaller acquisitions such as UK educational publisher Philip Allan Updates and radio stations in Russia, notwithstanding the cash inflow of €130m from the disposal of Dalloz.
- The €582m positive effect of the proceeds from the sale of T-Online shares in H1 2005.

[*] *Amount subject to fair value adjustments during the second half of 2006*

OUTLOOK

The “Books” segment is set for a good 2006, as the seasonal upswing in the Education business cuts in from the third quarter.

The Group does not expect trading conditions for the “Press” segment to improve. Restructuring has been stepped up. Future sources of growth (international brands, internet, new launches and emerging markets) are in place and are growing at a satisfactory pace, but from too low a base to make good the current weakness in our traditional business. Overall, we expect a further decline in recurring EBIT before associates in the second half.

The outlook for the “Distribution” segment is encouraging, despite continuing uncertainty on the potential impact of the heightened airport security measures introduced in August 2006.

In the “Active” segment, visibility is poor in the French Radio business, though the prospects for TV Production and the international Radio business are good.

The better-than-expected performances from the “Books”, “Distribution” and “Active” segments are offsetting the current weakness of the “Press” segment.
Consequently, we are reiterating our previous guidance on like-for-like growth in recurring EBIT before associates from Media activities, which we expect to be in the “3%-7%” range, based on the same parameters:

- A euro/dollar exchange rate of 1.25;
- Excluding changes in Group structure;
- Excluding the impact of investment in Digital Terrestrial Television licenses (-€7m in 2005, -€21m in 2006).

Paris, September 13, 2006

The Lagardère Group is a market leader in the media sector (books, distribution, press and audiovisual). The Group also has interests in the high technology sector via a 14.87% stake in EADS.
Lagardère shares are listed on Eurolist by Euronext – Compartment A.

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