



interim report

> first half 2001

# interim report



Major strategic operations have been under way at Lagardère SCA since 1999, and today the Group, whose core business is the media, now boasts an interest in EADS N.V. (European Aeronautic Defence and Space Company) and a wholly-owned automotive business.



## CONSOLIDATED RESULTS

Lagardère's business activities in the first half of 2001, on a proforma basis, resulted in sales growth of 11.6% and a 20.1% increase in operating income.

Comparative income statement figures shown in the table below for the six-months ended June 30, 2000 and for the year ended December 31, 2000 have been restated proforma to include EADS' first-half results of operations (before allowing for changes in EADS' group structure, particularly the consolidation of Airbus UK by the Airbus division) using the proportional method, based on the 15.14% interest held by Lagardère as from July 1, 2000. The published figures include Aerospatiale Matra's first-half results using the proportional method, based on a 33% interest.

### Summarized consolidated income statements:

in millions of euros	First half 2001	First half 2000 proforma	First half 2000 published	Year 2000 proforma	Year 2000 published
Net sales	6,277	5,627	5,944	11,875	12,192
Operating income	197	164	263	474	572
Interest income (expense), net	39	(11)	(27)	(95)	(110)
<b>Operating income after interest</b>	<b>236</b>	153	236	379	462
Non-operating income	290	1,125	1,123	653	651
Other items (including corporate income tax)	(117)	(522)	(548)	(472)	(498)
Net income before minority interests	409	756	811	560	615
<b>Net income</b>	<b>404</b>	736	788	528	581

Operations of the Group's main business segments are analyzed below.

## > Lagardère media



Lagardère Media has been involved in two major significant operations since the beginning of 2001.

In the first, Hachette Filipacchi Médias took a 42% interest in the business activities of the Marie-Claire group brought together under a single company. The different business activities of the Marie-Claire group remain independent of Hachette Filipacchi Médias. Nonetheless, on an international level, in compliance with existing agreements and depending on the opportunities that present themselves, the two groups have agreed to join forces to develop their women's magazines: Elle and Marie-Claire.

The second was the takeover of Virgin Stores, the French subsidiary of the Virgin group, which today comprises sixteen stores. Forecast sales for the year 2001 are in the order of € 210 million. This acquisition – through Lagardère's subsidiary Hachette Distribution Services – was announced on July 26, 2001, and therefore has no impact on results for the first half of 2001.

**Summarized income statements of the Lagardère Media segment are as follows:**

in millions of euros	First half 2001	First half 2000	Year 2000
Net sales	3,631	3,503	7,203
Operating income	140	123	323
Interest expense, net	(198)	(10)	(43)
<b>Operating income after interest</b>	<b>(58)</b>	113	280
Non-operating income (expenses), net	(41)	1,227	798
Net income from companies accounted for by the equity method	13	3	2
<b>Net income (loss) before tax</b>	<b>(86)</b>	<b>1,343</b>	<b>1,080</b>

Sales for the first half of 2001 showed an increase of 6.3% over the corresponding period in 2000 after allowing for changes in group structure. Excluding the effect of exchange rate fluctuations (mainly the rise in the dollar), this increase was 4.7%, and was particularly pronounced in the Book Publishing and Distribution Services divisions.

Operating income, which was up 13.8%, before recording changes in group structure and exchange rates, is analyzed below:

- In Book Publishing, half-yearly results are relatively meaningless, given the highly seasonal nature of the business. The first half of 2001 was profitable, compared to a slight loss in the same period in 2001. This increase is a result of a steep rise in sales in the Book Publishing sector in Britain, and more modest increases in General Literature and Hachette Collections in France.
- Hachette Filipacchi Médias showed a slight increase in profits, despite a very difficult context for advertising, especially in the United States.
- Profits rose more steeply for Hachette Distribution Services, thanks to an improvement in profit margins, an increase in sales (+ 7% after allowing for changes in group structure and exchange rates) and the acquisition of Duty Free Associates.
- Lagardère Active's results were down due to the cost of investments in Interactive Television and the incidence of the disposal of Grolier Inc in June 2000. Furthermore, Lagardère Active Broadcast's operating income was up slightly, thanks to gains in market share in radio broadcasting, which was partially offset by the development costs related to the new theme channels.

Interest expenses increased, essentially due to a € 157 million provision on T-Online shares. This was also due to the increased indebtedness of Lagardère Active following the purchase of interests in multiThématiques and CanalSatellite, which are accounted for by the equity method.

Non-operating expenses in first half 2001 included, among other things, restructuring costs associated with the profit enhancement plan. Non-operating income at June 30, 2000 mainly included capital gains recorded on the disposals of Club-Internet and Grolier Inc.

## > automobile



### Summarized income statements of the Automobile segment are as follows:

in millions of euros	First half 2001	First half 2000	Year 2000
Net sales	618	611	1,183
Operating income	38	40	71
Interest income, net	4	4	6
<b>Operating income after interest</b>	<b>42</b>	<b>44</b>	<b>77</b>
Non-operating income (expenses), net	(6)	-	3
<b>Net income before tax</b>	<b>36</b>	<b>44</b>	<b>80</b>

During the first half of 2001, the production of Espace minivans faltered slightly with volumes down 6%. This drop was expected, for the product has reached the fifth and second-last year of its life-cycle. Considerable inventories were used up in the Renault network to cope with demand. The market share of the Espace in Europe remained stable in leading position, with 25% of new registrations of top of the range minivans.

In spite of this fall in volumes, Matra Automobile's sales for the first half of 2001 were up 1% compared to the first half of 2000. This can be explained by a better average sale price and growth in other activities, including spare parts, design studies and engineering.

Operating income was down slightly over the first half of 2000, representing 6.1% of sales compared to 6.0% for the year 2000 as a whole and 6.5% for the first half of 2000. This slight decrease is in fact the result of the following contradictory trends:

- expected drop in volumes for the Espace,
- rise in development and industrialization costs, mainly related to the new vehicle, Avantime,
- improved unit margins for the Espace due to the product mix and gains in productivity,
- improved margins in other business activities, notably spare parts.

## > High Technologies



Since July 1, 2000, Lagardère's High Technologies segment has consisted of the 15.14% interest held in the EADS Group and was proportionally consolidated. The figures published for the first half of 2000 included the 33% interest held in Aerospatiale Matra, also using the proportional method.

Income statement figures included in Lagardère's consolidation are as follows:

in millions of euros	First half 2001	First half 2001 proforma	First half 2000 published	Year 2000 proforma	Year 2000 published
Net sales	<b>2,028</b>	1,513	1,830	3,489	3,806
Operating income	<b>29</b>	4	103	68	166
Interest income (expense), net	<b>8</b>	(9)	(24)	(66)	(81)
<b>Operating income after interest</b>	<b>37</b>	(5)	79	2	85
Non-operating income (expenses), net	<b>344</b>	(3)	(5)	(30)	(32)
Net income from companies accounted for by the equity method	<b>6</b>	9	14	29	34
<b>Net income before tax</b>	<b>387</b>	1	88	1	87

Shown in the above table for 2000 are the published figures together with proforma figures restated to include EADS' first-half results (without giving retroactive effect to group changes that took place in 2001, notably the acquisition of Airbus UK) instead of Aerospatiale Matra's results. The figures below reflect the share attributable to Lagardère Group.

Following BAe Systems' contribution of Airbus UK to the newly founded independent company Airbus SAS, the Airbus division's business activities are now fully consolidated as from January 1, 2001, as opposed to 80% over the year 2000. Sales for EADS amounted to € 2,028 million, which is a 34% increase over the corresponding proforma figure for the six months ended June 30, 2000. The main explanation for this increase lies in the integration of Airbus UK and a perceptible increase in deliveries: 162 aircraft were delivered to the end of June 2001, compared to 145 at the end of June 2000.

EADS has a global order book covering more than 6 years business, which represents a 56% increase over the first half of 2000. Both figures evidence the competitiveness of the products. The "Salon de l'Aéronautique et de l'Espace" at Le Bourget illustrated the excellent performance of EADS (Airbus, Eurocopter, Dassault Aviation, Arianespace) compared to its major competitors and confirmed the two major programs in the military sphere: the A400M and the Meteor missile.

Airbus booked 250 orders (net of cancellations) during the first half of 2001, which is the equivalent of a 68% market share. The order book at the end of June was for 1,714 aircraft. The high capacity civil aircraft A380 confirmed its commercial success with customer commitments for 67 aircraft to date.

Operating income stood at € 29 million for the first half of 2001, compared to € 4 million for the same period the previous year, a significant increase achieved despite the rise in Research and Development costs.

The decrease in the net income from companies accounted for by the equity method is due to lower contributions from companies in the Telecommunications business, which was offset by an increased contribution from Dassault Aviation.

Non-operating income mainly includes the dilution gain realized on the occasion of the contribution of Airbus UK to the new Airbus company mentioned above.<sup>(\*)</sup>

\* For accounting purposes, this transaction was treated as the acquisition of Airbus UK by EADS and the sale of 20% of Airbus operations to BAe Systems.

# summary of consolidated results

Contributions of the Group's main business segments to consolidated income before tax and amortization were as follows:

in millions of euros	First half 2001	First half 2000	Year 2000
<b>Lagardère Media</b>	<b>(86)</b>	1,343	1,080
<b>Automobile</b>	<b>36</b>	44	80
<b>High Technologies</b>	<b>387</b>	88	87
<b>TOTAL</b>	<b>337</b>	1,475	1,247

Total income before tax of the Group's business segments, and consolidated net income are as follows:

in millions of euros	First half 2001	First half 2000	Year 2000
<b>Total income of business segments</b>	<b>337</b>	1,475	1,247
Other Activities	201	(26)	(8)
<b>Income before tax, goodwill amortization and minority interests</b>	<b>538</b>	1,449	1,239
<b>Income tax</b>	<b>(72)</b>	(539)	(457)
Amortization of goodwill and other intangibles	(57)	(99)	(167)
<b>Net income before minority interests</b>	<b>409</b>	811	615
Minority interests	(5)	(23)	(34)
<b>Net income</b>	<b>404</b>	788	581

Other activities include interest expenses for borrowings obtained by the Group and not directly related to one of the above business segments, the operating costs of holding companies, and the results of companies not attached to any of the Group's business segments.

The € 10 million operating loss recorded by Other activities in the first half of 2001 includes a € 5 million loss from Banque Arjil (€ 3 million in first-half 2000) and operating costs of holding companies.

Net interest income for the first six months of 2001 includes the net capital gain of € 210 million realized on the sale of excess EADS shares. Excluding this gain, net interest income was € 6 million, reflecting the increase in net cash available following receipt of the proceeds from the sale of excess EADS shares early in January 2001 (€ 365 million).

The income tax charge was € 72 million in the first half of 2001, principally because there was no tax liability on the dilution gain recorded in EADS consolidated financial statements in respect of BAe Systems' contributions to Airbus (€ 349 million).

Minority interests decreased compared to the first half of 2000 because the results of the Print Media division for that period were consolidated based on the percentage interest held prior to the public purchase offer for Hachette Filipacchi Médias shares.



## PARENT COMPANY RESULTS

Concerning Lagardère SCA, operating income and net income for the first half of 2001 amounted respectively to € 0.14 million and € 124 million (compared to € 3 million and € 82 million as at June 30, 2000).

## Consolidated balance sheets

### ASSETS

in millions of euros	At June 30, 2001	At June 30, 2000	At December 31, 2000
<b>Current assets</b>			
Cash	965.3	831.4	1,118.5
Marketable securities	1,954.2	3,108.0	2,110.9
Trade receivables, net	2,002.5	1,918.8	2,040.7
Inventories, net	2,153.3	2,195.4	1,669.9
Other receivables, prepayments and deferred charges	1,997.0	1,791.4	1,770.7
<b>Total current assets</b>	<b>9,072.3</b>	<b>9,845.0</b>	<b>8,710.7</b>
Investments accounted for by the equity method	1,477.5	288.5	1,272.0
Other investments and non-current assets	1,374.0	941.1	1,367.5
Property, plant and equipment, net	2,202.8	1,441.5	1,870.7
Intangible assets, net	3,762.2	3,051.0	3,089.0
<b>Fixed and other non-current assets</b>	<b>8,816.5</b>	<b>5,722.1</b>	<b>7,599.2</b>
<b>TOTAL ASSETS</b>	<b>17,888.8</b>	<b>15,567.1</b>	<b>16,309.9</b>

### LIABILITIES AND STOCKHOLDERS' EQUITY

in millions of euros	At June 30, 2001	At June 30, 2000	At December 31, 2000
<b>Liabilities</b>			
Trade payables	2,758.3	2,272.2	2,596.7
Advances on contracts and deferred income	2,279.7	1,882.7	1,722.5
Borrowings	2,790.8	2,533.2	2,798.7
Other payables and provisions	2,789.6	2,308.0	2,397.9
Reserves for risks and charges	2,484.0	2,020.2	2,489.6
<b>Total liabilities</b>	<b>13,102.4</b>	<b>11,016.3</b>	<b>12,005.4</b>
<b>Permanent funds</b>			
Perpetual subordinated notes	415.8	415.8	415.8
Minority interests	263.2	215.7	178.1
<b>Total permanent funds</b>	<b>679.0</b>	<b>631.5</b>	<b>593.9</b>
<b>Stockholders' equity</b>			
Common stock	841.2	834.6	838.9
Additional paid-in capital and retained earnings	3,266.2	3,084.7	2,871.7
<b>Total stockholders' equity</b>	<b>4,107.4</b>	<b>3,919.3</b>	<b>3,710.6</b>
<b>Total permanent funds and stockholders' equity</b>	<b>4,786.4</b>	<b>4,550.8</b>	<b>4,304.5</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>17,888.8</b>	<b>15,567.1</b>	<b>16,309.9</b>

## Consolidated statements of income

in millions of euros	Half year to June 30, 2001	Half year to June 30, 2000 proforma *	Half year to June 30, 2000 published	Year to December 31, 2000 proforma *	Year to December 31, 2000 published
<b>Operating revenues</b>					
Net sales	6,276.9	5,626.5	5,944.1	11,874.7	12,192.3
Other operating revenues	254.0	236.6	506.8	465.6	735.8
<b>Total operating revenues</b>	<b>6,530.9</b>	<b>5,863.1</b>	<b>6,450.9</b>	<b>12,340.3</b>	<b>12,928.1</b>
<b>Operating expenses</b>					
Purchases and changes in inventories	(3,476.2)	(3,026.5)	(3,125.5)	(6,498.7)	(6,597.6)
Payroll costs	(1,256.2)	(1,104.5)	(1,242.8)	(2,306.6)	(2,444.9)
Depreciation, amortization and provisions	(321.1)	(255.9)	(203.4)	(497.7)	(445.3)
Other operating expenses	(1,280.8)	(1,312.0)	(1,616.3)	(2,563.6)	(2,867.7)
<b>Total operating expenses</b>	<b>(6,334.3)</b>	<b>(5,698.9)</b>	<b>(6,188.0)</b>	<b>(11,866.6)</b>	<b>(12,355.5)</b>
<b>Operating income</b>	<b>196.6</b>	<b>164.2</b>	<b>262.9</b>	<b>473.7</b>	<b>572.6</b>
<b>Interest income (expense), net</b>	<b>39.4</b>	<b>(11.1)</b>	<b>(26.5)</b>	<b>(95.0)</b>	<b>(110.3)</b>
<b>Operating income after interest</b>	<b>236.0</b>	<b>153.1</b>	<b>236.4</b>	<b>378.7</b>	<b>462.3</b>
<b>Non-operating income, net</b>	<b>290.0</b>	<b>1,125.1</b>	<b>1,123.3</b>	<b>653.4</b>	<b>651.3</b>
Preferred remuneration	(7.0)	(8.5)	(8.5)	(17.2)	(17.2)
Amortization of goodwill	(56.5)	(20.0)	(18.6)	(61.5)	(60.2)
Income taxes	(71.8)	(506.5)	(539.4)	(423.8)	(456.6)
Net income from companies accounted for by the equity method	18.5	12.4	17.6	30.3	35.6
<b>Net income before minority interests</b>	<b>409.2</b>	<b>755.6</b>	<b>810.8</b>	<b>559.9</b>	<b>615.2</b>
Minority interests	(5.1)	(19.8)	(22.3)	(31.7)	(34.2)
<b>NET INCOME</b>	<b>404.1</b>	<b>735.8</b>	<b>788.5</b>	<b>528.2</b>	<b>581.0</b>

\* Proforma amounts for 2000 include 15.14% of EAD's first-half results of operations (not restated for changes in group structure), instead of 33% of Aerospatiale Matra's first half results in the published amounts.

## LAGARDÈRE SCA

French limited partnership with capital stock of 5,502,933,520 French francs,  
divided into 137,573,388 shares, each with a par value of 40 French francs.

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