Lagardère Press release

2007 FIRST-HALF RESULTS

Consolidated recurring EBIT[1]:

- **up 34.1% in the first half of 2007**
- **up 13.5% based on criteria used for 2007 guidance**

Paris, September 12, 2007 – The Supervisory Board, at its meeting of September 12, 2007, reviewed the consolidated financial statements of **LAGARDERE SCA** for the first half of 2007, as presented by Arnaud Lagardère, General Partner, and Philippe Camus and Pierre Leroy, co-Managing Partners.

With effect from January 1, 2007, Lagardère has applied the alternative method of accounting for jointly controlled entities permitted under IFRS. Under this method, such entities are accounted for by the equity method rather than (as previously) the proportionate consolidation method. Consequently, the contribution of these entities (mainly EADS) to revenues and EBIT is no longer consolidated by Lagardère.
This method has been retrospectively applied to the 2006 first-half comparatives presented.

Key figures:

- Net sales up 6.8% at €3,955m (up 1.2% on a like-for-like basis).

- Strong growth in recurring EBIT of 34.1%, to €270m. 13.5% growth for the Media business, excluding the contribution from Lagardère Sports and based on a constant euro/dollar exchange rate of 1.30, driven largely by good results from our magazines, distribution and books activities.

- Positive contribution of €335m from non-recurring/non-operating items (versus €8m in the first half of 2006), due mainly to a €472m gain on the sale of a 2.5% interest in EADS less €102m of impairment losses on goodwill and intangible assets and €20m of restructuring costs.

- Increase in net interest expense to €105m (versus €64m in the first half of 2006), mainly reflecting our acquisitions policy and share buybacks.

- Strong growth in net income to €499m (versus €280m in the first half of 2006). Excluding the EADS contribution, and after stripping out non-recurring/non-operating items and the effect on net interest expense of the Mandatory Exchangeable Bond[2], adjusted net income was up 6.7% at €144m.

- Net bank debt of €2,775m (versus €2,045m at end 2006). The increase was mainly due to acquisitions (Sportfive, Jumpstart) and share buybacks, partly offset by the redemption of the first tranche of the EADS Mandatory Exchangeable Bond.

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

CONSOLIDATED NET SALES

Consolidated net sales for the first half of 2007 were €3,955m (versus €3,705m for the first half of 2006), an increase of 6.8% (or of 1.2% on a like-for-like basis).

Lagardère Publishing (formerly the Books division) – The 2007 first-half performance (€897m, up by 10.6% on a reported basis and by 1.7% on a like-for-like basis) was in line with our expectations. Like-for-like growth was driven by Hachette Book Group in the United States and by educational publishing in France.

Lagardère Active (formerly the Press and Lagardère Active divisions) – Reasonable performance (€1,094m, down by 5.7% on a reported basis and by 0.2% on a like-for-like basis), in a tough market environment for magazines and radio in France. The Magazines business (80% of divisional sales) reported modest growth of 1.1% on a like-for-like basis, driven primarily by operations in Russia and China, but mitigated by the effect of recent closures of titles. Revenues from the Radio business in France were hit by the reduction in some retailers' advertising budgets, but fell by less than expected. International radio activities continued to enjoy strong growth. TV Production revenues fell further on weaker deliveries**.**

Lagardère Services (formerly the Distribution Services division) – First-half growth in line with expectations at €1,754m (up by 1.2% on a reported basis and by 1.7% like-for-like), driven by retail sales at airports and in Eastern Europe and Asia. Wholesale activities (especially in Spain and Belgium) continued to decline, though at a slightly slower pace in the second quarter.

Lagardère Sports (Sportfive and Newsweb) – This division (not consolidated in 2006) posted first-half net sales of €210m, representing a sharp rise (approximately 31%) on the 2006 non-consolidated pro forma figures, thanks to a very good start to the year at Sportfive.

RECURRING EBIT BEFORE ASSOCIATES

The **Lagardère Group** generated recurring EBIT before associates of €270m in the first half of 2007, up 34.1% on the 2006 first-half figure of €202m.

The **Media** business posted recurring EBIT before associates of €251m in the first half of 2007, up 28.1% on the first half of 2006. Excluding the €29m recurring EBIT contribution from Lagardère Sports, not consolidated in 2006, the contribution was up by 13.1% at €222m. Excluding Lagardère Sports and based on a constant euro/dollar exchange rate of 1.30 (the criteria used in our 2007 guidance), growth was 13.5%.

Lagardère Publishing performed in line with expectations, with recurring EBIT before associates up by 5.5% at €71m. The contributions from Education and Larousse in France, from Part-Works, and from Hachette Book Group in the United States (consolidated from April 2006) more than offset the drop in recurring EBIT from Literature in France and Orion in the United Kingdom.

Lagardère Active reported very good growth, with recurring EBIT before associates up by 17.3% at €106m.
The Press business performed particularly well, posting an increase of 31.5% to €62m. Despite tough market conditions, the recovery plan – which is ahead of target internationally – has already made up some of the ground lost in 2006. Apart from France, which showed a slight fall, all countries reported an increase in their contribution to recurring EBIT. In addition to solid results from our established franchises in areas such as women's and celebrity magazines, this performance was the result of the refocusing policy undertaken on the arrival a year ago of a new management team headed up by Didier Quillot. The policy involves closing under-performing titles (such as *Zurban*, *Maximal*, *Match du Monde*, *Elle Girl* and *For Me*) and withdrawing from countries where we lack critical mass (such as Norway) and from non-strategic businesses (photo agencies). It is combined with a cost-cutting plan, and is advancing well. The development plan implemented alongside the refocusing policy is also making good progress in reshaping the management structure and business culture and in the rollout of digital businesses.
The Radio business recorded a slight rise of 0.4% in recurring EBIT to €42m. This was a decent performance in a transitional year, with major retailers switching part of their advertising budgets to TV. A slight decline in profits from French radio activities was more than offset by robust growth internationally.

The contribution from TV activities fell from €7m in the first half of 2006 to €1m, mainly due to a reduction in deliveries in TV Production. The Broadband business was in the black, with recurring EBIT before associates of €1m for the first half of 2007. This reflects the change in the method of accounting for Cellfish, loss-making in the first half of 2006, which is now accounted for as an associate (equity method) following the acquisition of an interest in the capital by Canadian investors.

Lagardère Services reported recurring EBIT before associates of €45m, 16.8% up on the first half of 2006, buoyed by further growth at Aelia, expansion in Eastern Europe and Asia, and initiatives designed to reduce operating costs and improve productivity (Spain).

Lagardère Sports[(3)] posted recurring EBIT before associates of €29m in the first half of 2007, reflecting a fine start to the year boosted by a large number of international soccer matches (including friendlies and Euro 2008 qualifiers) and by the Handball World Cup. The division's operating margin was an impressive 14%.

Other Activities generated recurring EBIT before associates of €19m (versus €6m in the first half of 2006). The figure was lifted by a gain arising on the positive outcome of past litigation relating to the former Matra transport business, partly offset by a fall in the NMPP royalty.

NON-RECURRING/NON-OPERATING ITEMS

Non-recurring and non-operating items made a positive contribution of €335m, compared with €8m in the first half of 2006.

The negative items involved were:

- €102m of impairment losses on goodwill and intangible assets (€60m for Virgin, €42m for the Magazines business).
- €20m of restructuring costs, mainly in the Magazines business.
- €24m of amortization of acquisition-related intangible assets (Canal+ France and Sportfive).

These were more than offset by positive items:

- €9m of miscellaneous gains on disposals.
- €472m of gains on the disposal of part of the interest in EADS (around 2.5% of the capital).

CONTRIBUTION FROM ASSOCIATES

Associates made a positive contribution of €54m[(3)], compared with €211m in the first half of 2006.

The main reason for this decline was a lower contribution from EADS, which fell from €163m in the first half of 2006 to €18m due to costs associated with the A350 launch, the Power 8 plan, and the A380 program.

Excluding EADS, the contribution from associates was €36m, versus €48m in the first half of 2006. The main factor was the replacement of the CanalSat contribution (€32m in H1 2006) by Lagardère's 20% share (€23m) of the profits of Canal+ France. The weakness of Canal+ France's 2007 first-half results was mainly due to substantial charges incurred following the merger of the TPS and CanalSat platforms.

As a result of the above factors, EBIT (earnings before interest and taxes) rose by 56.5% to €659m.

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

NET INTEREST EXPENSE

Consolidated net interest expense for the first half of 2007 was €105m, versus €64m in the first half of 2006. This figure comprises:

- €63m of interest expense for the Media business, versus €30m in the first half of 2006. Apart from the effects of higher interest rates, this increase mainly reflects:
  - the effect of acquisitions completed late in 2006 and in the first half of 2007, mainly the interest in Canal + France plus Sportfive, NewsWeb and Jumpstart;
  - share buybacks, which have increased in volume since July 2006.
- €42m of interest expense for Other Activities, including the cost of the EADS Mandatory Exchangeable Bond over 6 months (versus some 2½ months in the first half of 2006).

INCOME TAXES

Income tax expense was €41m, against €65m for the comparable period of 2006.
The first-half figure is not representative of the full-year level of income tax expense, and reflects a number of contrasting trends, some of which may be temporary:

- An increase in the taxable base due to the rise in recurring EBIT before associates.
- A reduction in the taxable base (of virtually the same amount) due to non-recurring and non-operating items with a tax impact (in particular, impairment losses on intangible assets).
- The increase in interest expense during the first half.

MINORITY INTERESTS totaled €14m, against €12m in the first half of 2006.

After taking account of all these factors, **CONSOLIDATED NET INCOME** came to **€499m, compared with €280m in the first half of 2006.**

€ MILLION	H1 2006			H1 2007		
	MEDIA	EADS & OTHER	LAGARDÈRE GROUP TOTAL	MEDIA	EADS & OTHER	LAGARDÈRE GROUP TOTAL
Net sales	**3,705**		**3,705**	**3,955**		**3,955**
Recurring EBIT before associates [4]	**196**	**6**	**202**	**251**	**19**	**270**
Non-recurring/non-operating items	8		8	(137)	472	335
Contribution from associates [4]	48	163	211	36	18	54
EBIT	**252**	**169**	**421**	**150**	**509**	**659**
Net interest expense	(30)	(34)	(64)	(63)	(42)	(105)
Income taxes	(102)	37	(65)	(53)	12	(41)
Net income before minority interests	**120**	**172**	**292**	**34**	**479**	**513**
Minority interests	12	0	12	14	0	14
Net income	**108**	**172**	**280**	**20**	**479**	**499**

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

ADJUSTED NET INCOME (BEFORE EQUITY-ACCOUNTED CONTRIBUTION FROM EADS)

Trends in adjusted net income, as explained in the table below, provide meaningful comparisons between the first half of 2007 and the first half of 2006.
Adjusted net income for the first half of 2007 was €144m, an increase of 6.7%. This reflects the sharp rise in recurring EBIT before associates, partly offset by a rise in interest expenses (other than those associated with the Mandatory Exchangeable Bond).

€ million	**H1 2006**	**H1 2007**
Net income	**280**	**499**
Equity-accounted contribution from EADS	(163)	(18)
Amortization of acquisition-related intangible assets, net of tax	-	19
Net income before amortization of acquisition-related intangible assets	**117**	**500**
Restructuring costs, net of tax	8	18
Net (gains)/losses on disposals, net of tax	(16)	(481)
Impairment losses on goodwill and intangible assets, net of tax	-	78
Impact of Mandatory Exchangeable Bond on interest expense (net of interest income calculated at market rates)	26	29
Total non-recurring items, net of tax	**18**	**(356)**
Adjusted net income, excluding EADS	**135**	**144**

TOTAL CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES

In the first half of 2007, net cash outflows from operating and investing activities amounted to €475m, versus €326m in the first half of 2006. This reflects (1) lower cash flows from operating activities, not entirely offset by (2) a reduction in the net cash outflow from investing activities.

(1) Operating activities generated a net cash outflow of €115m in the first half of 2007, compared with a net cash inflow of €115m in the comparable period of 2006, despite a marked increase in recurring EBIT before associates. The main reasons for this were:

- the level of restructuring costs;
- the lack of dividend income from Canal+ France in the first half of 2007, compared with the first half of 2006 when a dividend of €71m was received from CanalSat;
- the lack of any dividend income from EADS in 2007 (versus €80m in 2006).

(2) Investing activities generated a net cash outflow of €360m in the first half of 2007, compared with a net cash outflow of €441m in the first half of 2006. This improvement reflected the following factors:

- An rise in net investment in property, plant and equipment and intangible assets to €64m (versus €32m in the first half of 2006), due mainly to the acquisition of Sportfive.
- An increase in investment in financial assets to €989m, versus €539m in the first half of 2006, due largely to the acquisitions of Sportfive (€861m) and Jumpstart (€65m).
- But these two factors were more than offset by gains on disposals of €685m recorded in the first half of 2007, mainly arising on the sale of EADS shares (gain of €664m). By contrast, gains on disposals were only €131m in the first half of 2006, mainly on the sale of Dalloz.

DEBT

Net bank debt as of June 30, 2007 stood at €2,775m. This represents an increase from the end-2006 figure of €2,045m, resulting mainly from:

- the impact of the net cash outflows of €475m in the first half of 2007, as described on the previous page;
- the €177m impact of share buybacks;
- the €175m dividend payout;
- a reduction in short-term investments (impact: €8m rise in net debt);
- these factors being only marginally offset by accounting adjustments that reduced the carrying amount of debt by €102m but had no cash effect.

The Lagardère Group is an international market leader in the media sector (books, press, audiovisual, distribution of cultural and entertainment products, and sports rights).
The Group also has interests in the high technology sector via a 12.44% stake in EADS.
Lagardère shares are listed in Paris on Eurolist by Euronext – Compartment A.

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