Lagardère

# REFERENCE DOCUMENT/YEAR 2005

# Lagardère SCA

A French limited partnership with shares
with share capital of €866,456,932
divided into 142,042,120 shares of €6.10 par value each.
Head office: 4, rue de Presbourg - 75016 Paris (France)
Telephone: +33 (0) 1 40 69 16 00
Commercial Register: 320 366 446 RCS Paris
Website: http://www.lagardere.com

# REFERENCE DOCUMENT

## Year 2005

The original version of this Reference Document *(Document de Référence)* in French was deposited with the French Financial Market Authority *(Autorité des Marchés Financiers - AMF)* on 4 April 2006 in accordance with article 212-13 of the AMF *Règlement Général*. It may be used in connection with a financial transaction if completed by an Information notice approved by the AMF.

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This English langage version of Lagardère's Reference Document is a translation of the original Document de Référence deposited with the *Autorité des Marchés Financiers*. It is intended for general information only and is not a binding document.

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# Persons responsible for the Reference Document and persons responsible for the audit of the financial statements

# 1 PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS

## 1_1 PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE REFERENCE DOCUMENT

### MANAGING PARTNERS

Mr. Arnaud Lagardère, Managing Partner *(Gérant)*

Arjil Commanditée-ARCO, General and Managing Partner *(Associée Commanditée-Gérante)* represented by:

- Mr. Arnaud Lagardère, Chairman and Chief Executive Officer
- Mr. Philippe Camus, Deputy Chairman and Chief Operating Officer
- Mr. Pierre Leroy, Director and Chief Operating Officer

## 1_2 CERTIFICATION BY THE PERSONS RESPONSIBLE

### CERTIFICATION OF THE MANAGING PARTNERS

"After taking all reasonable measures to this effect, we certify that to the best of our knowledge, the information set out in this Reference Document is accurate and includes all the information needed by investors to form their opinion on Lagardère's assets and liabilities, business, financial position, results and prospects; there are no omissions which could impair its meaning.

We have obtained from the Auditors a letter issued upon completion of their engagement, in which they state that they have verified the information concerning the financial position and financial statements presented in this Reference Document and that they have read the entire Reference Document".

Paris, 3 April 2006.

Arnaud Lagardère

For ARCO:
Arnaud Lagardère - Philippe Camus - Pierre Leroy

# 1_3 NAMES AND ADDRESSES OF THE AUDITORS

## 1_3_1 Current Auditors

| | First appointed | End of current period of office |
|---|---|---|
| **Auditors**<br>BARBIER FRINAULT & AUTRES<br>*represented by*<br>Mr. Jean-François Ginies<br>41, rue Ybry<br>92576 Neuilly sur Seine Cedex, France | 29 June 1987 | 2011 |
| MAZARS & GUÉRARD<br>*represented by*<br>Mr. Jacques Kamienny<br>Le Vinci<br>4, allée de l'Arche<br>92075 La Défense Cedex, France | 20 June 1996 | 2008 |
| **Alternate Auditors**<br>Mr. Gilles Puissochet<br>41, rue Ybry<br>92576 Neuilly sur Seine Cedex, France | 10 May 2005 | 2011 |
| Mr. Michel Rosse<br>Le Vinci<br>4, allée de l'Arche<br>92075 La Défense Cedex, France | 20 June 1996 | 2008 |

## 1_3_2 Changes during 2005

The general meeting of 10 May 2005, having taken note that the term of office as Auditor of Mr. Alain Ghez and the term of office as Alternate Auditor of Mr. Charles-Eric Ravisse were ending at the close of the meeting, and that these persons did not seek reappointment decided not to replace them.

The same general meeting took note that the term of office as Alternate Statutory Auditor of Mr. Alain Grossmann was ending and decided to replace him by Mr. Gilles Puissochet.

# 2

# Consolidated key figures

# 2 CONSOLIDATED KEY FIGURES

| (in millions of euros) | 2005 Lagardère Media and Other Activities | 2005 EADS | 2005 Total Lagardère Group | 2004 Lagardère Media and Other Activities | 2004 EADS | 2004 Total Lagardère Group |
|---|---|---|---|---|---|---|
| **Net sales** | 7,901 | 5,112 | 13,013 | 7,501 | 4,795 | 12,296 |
| **Recurring operating profit before associates** | **504** | **392** | **896** | **473** | **350** | **823** |
| Non-recurring items | (67) | (3) | (70) | 30 | (18) | 12 |
| Income from associates | 63 | 31 | 94 | 41 | 13 | 54 |
| **Profit before finance costs and tax** | **500** | **420** | **920** | **544** | **345** | **889** |
| Finance costs, net | (53) | (23) | (76) | (52) | (45) | (97) |
| Income tax expense | (16) | (126) | (142) | (132) | (108) | (240) |
| **Profit for the year** | **431** | **271** | **702** | **360** | **192** | **552** |
| Profit attributable to minority interests | 27 | 5 | 32 | 25 | 32 | 57 |
| **Profit attributable to equity holders of the parent** | **404** | **266** | **670** | **335** | **160** | **495** |

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# 3 Risk factors

# 3 RISK FACTORS

Like any corporation, Lagardère is exposed to a variety of risks in the normal course of its business, including:

- changes in major economic factors such as the price of paper or the advertising market environment,
- market and credit risks,
- changes in the laws and regulations governing the Group's business activities, and damage to property, intellectual property rights and brand names owned by the Group or third parties,
- damage to people or the environment,
- unforeseen losses of revenue, and civil liability resulting from the Group's products and activities.

Very special attention is paid to the management of these risks, both at the level of operating entities and at corporate level where the Group's risk management activities are reviewed centrally.

In particular, in 2005 Lagardère SCA and its divisions continued mapping their general risks, in order to identify a hierarchy of the main risks to which the Group is exposed, in terms of seriousness, possible occurrence and degree of control.

*Note: Following the contribution of Matra Hautes Technologies to Aerospatiale Matra and the creation of EADS NV, the management of risks involving the entities concerned has been the duty of EADS, which has its own risk monitoring systems, described in EADS' own reference document.*

## 3_1 MARKET RISKS (INTEREST RATE, EXCHANGE RATE, EQUITY AND CREDIT RISKS)

The Group makes use of specific risk analysis tools to quantify its exposure to market risks using the value at risk (VAR) method.

Market risks are monitored at Group level by the Cash Management and Financing Division in cooperation with the Risks Division, under the responsibility of the Group's Chief Financial Executive. Periodic reports are submitted to General Management. The Group has implemented a specific policy to reduce risks, introducing authorisations procedures and internal controls and utilising risk management tools to identify and quantify these risks. Derivatives are used exclusively in non-speculative hedging transactions.

## 3_1_1 Credit risk

Analysis and maturities of the Group's principal borrowings, excluding EADS, are presented below:

| Type of borrowing or loan | Interest rate | Amount (in millions of euros) | Maturities | Risk coverage |
|---|---|---|---|---|
| Bond borrowings | Variable rates | 695 | 2006/2013 | Conversion of foreign currencies into euros, and fixed rates into variable rates |
| Leasing commitments | Variable rates | 79 | Annual | None |
| Bank loans | | | | None (Loans maintained at variable rates in their original currencies) |
| Euros | | 664 | 2006/2011 | |
| Other currencies | Variable rates | 52 | 2006/2010 | |
| Other borrowings | Variable rates | 434 | 2006 | None |
| Undrawn credit lines | - | 2,106 | 2006/2010 | None |

At the end of 2005, bond borrowings accounted for only 36% of the Group's total borrowings following the redemption during the year of bonds exchangeable for T-Online shares, for a total of €767 million.

The credit risk was minimal since debt maturing within two years amounts to €693 million, cash and cash equivalents total €668 million and unused credit line facilities €2,106 million.

## 3_1_2 Risks arising from early redemption clauses included in certain contracts

Bond borrowing or bank loan agreements may include financial ratio requirements. Most financial ratios establish limits in the form of minimum equity, or maximum indebtedness calculated as a proportion of equity or recurring operating profit before associates. Failure to meet these ratio requirements enables the lenders to request immediate reimbursement of their loans.

Lagardère SCA is subject to such clauses in respect of:

- bonds issued in January 2001 for US$500 million and in July 2003 for €150 million;
- structured loans obtained in July 2003 for €70 million and in December 2005 for €150 million.

The ratios are calculated every six months on the basis of the consolidated financial statements as restated to include EADS by the equity method instead of the proportionate method of consolidation.

At 31 December 2005, equity, gross indebtedness and net indebtedness calculated as defined in these contracts were below contractual limits, thus enabling the Group to raise new funds, if necessary, without the prior agreement of its lenders.

## 3_1_3 Interest rate risk

The Group's bank loans and bond borrowings bear interest at variable rates, either because they were originally issued at variable rates, or due to conversion from fixed rates to variable rates.

Cash and cash equivalents total €668 million. This cash surplus earns interest at variable rates thus providing natural coverage for the Group's €1,848 million variable rate borrowings (excluding debt related to repurchases of minority interests). Most of the risk deriving from a potential rise in the cost of borrowings therefore only concerns that portion of variable rate gross indebtedness not currently covered by the net cash surplus, i.e. €1,180 million. An interest rate variation of 1 point up would result in an additional charge of some €12 million each year.

## 3_1_4 Exchange rate risk

The Group's exposure to foreign exchange rate risks arising from commercial transactions is very limited owing to the nature of its business activities in France and in foreign countries.

In general, normal operating activities are financed through borrowings denominated in the local currency.

The principal financial transactions carried out in foreign currencies in France (servicing of the US dollar notes issued in 2001 and 2003) are covered by forward currency purchase agreements.

At 31 December 2005, foreign currency hedging transactions only include forward currency sales agreements amounting to €26 million, and forward currency purchases agreements amounting to €20 million.

## 3_1_5 Equity risk

The Group's principal direct or indirect investments in listed companies are:

| Companies | Number of securities | Market price on 31 December 2005 (in €) | Market capitalisation at 31 December 2005 (in €) |
|---|---|---|---|
| Lagardère SCA | 3,426,123 | 65.0 | 222,697,995 |
| EADS | 122,223,852 | 31.9 | 3,898,940,879 |
| T-Online | 5,455,453 | 8.11 | 44,243,723 |
| Viel et Cie | 8,917,677 | 3.46 | 30,885,162 |

Changes in the value of treasury shares are taken directly to equity.

As a listed company, EADS is subject to stock market changes. However, in view of the consolidation method used (proportionate method; 14.95% interest), the value of this investment in Lagardère's consolidated financial statements is not affected by market changes.

T-Online securities are included in Short-term investments at the amount of €45 million, or €8.21 per share, their average trading price in December 2005.

The investment in Viel et Cie is included in Other non-current assets at the amount of €31 million, corresponding to their trading price at 31 December 2005.

# 3_2 LEGAL RISKS

## 3_2_1 Special regulations applying to the Group

The Group is subject to specific laws and regulations in the exercise of its business activities, in particular, as regards Lagardère Media, those relating to the print media, book publishing, distribution and audiovisual communication businesses.

In its book publishing and distribution business activities, the Group is subject to specific local regulations applying in the countries in which it operates, including intellectual property rights, legal deposit requirements, rules governing the pricing of books, and VAT rules. In France, for example, the Group is subject to regulations imposing a fixed book price set by publishers or importers, and restricting qualitative or quantitative discounts to distributors. Further regulations also apply to publications for children and young people.

In both its book publishing and print media operations, the Group is subject, in particular, to the laws and regulations concerning libel, image and the respect of privacy.

Furthermore, in its distribution activities, the Group is subject to certain specific regulations, particularly those applicable to the sale of print media, foodstuffs and tobacco or alcoholic products as well as duty free products (which are the subject of conventions signed with the Customs authorities).

The Group's advertising activities are subject to the relevant legislation, in particular the restrictions on tobacco and alcohol advertising and the laws concerning misleading advertising.

Lastly, the law of 30 September 1986, relative to freedom of communication is applicable to the Group's French operations in the field of audiovisual communication. The exploitation of radio and television services by the Group in France is subject to authorisations issued for a specific period, by the French broadcasting authority *(Conseil Supérieur de l'Audiovisuel – CSA)*. The resultant obligations are embodied in a convention signed with the CSA and renewal takes place under the conditions stipulated by the previously mentioned law.

## 3_2_2 Risks associated with brands and other intellectual property rights

The Group pays particular attention to the protection of its portfolio of commercial trademarks and other intellectual property rights (see E.4, in Chapter 7, section 7_4_3_1). However, some of the countries in which the Group operates afford less effective protection of industrial and intellectual property than Europe or North America.

## 3_2_3 Dependency of the Company on certain contracts – Major customers

Lagardère Media's operations are by nature highly sensitive to market conditions and have very short economic cycles. They are mass market oriented with a widely diversified customer base, and due to the large number of contracts involved the Company is not dependent on any particular contracts.

## 3_2_4 Risks associated with pending litigation

The main litigation and claims involving the Group are presented in the Notes to the consolidated financial statements for 2005 (see note 30).

In the normal course of their business, Lagardère and/or its subsidiaries are involved in a number of disputes principally related to contract execution. Adequate provisions are made, where considered necessary, to cover any risks that may arise from general or special disputes.

To the best of the Group's knowledge, there are no other cases of litigation or arbitration in existence which may have a significant negative effect on its financial position.

## 3_2_5 Exposure to governmental, economic, budgetary, monetary or political factors or strategies with a potentially significant influence on the Group's operations

• **Copyright *(droits d'auteur)***

The French Parliament is currently examining a proposed law on copyright and similar rights in the information society, to transpose EU directive 2001/29/EC of 22 May 2001 and the World Intellectual Property Organisation treaties of 20 December 1996 into national law. The purpose of this law is to adapt current laws on literary and artistic property to the new uses resulting from information and communication technologies, principally by increasing protection of authors and creators against the greater risks of counterfeit by digital means, and facilitating access to works, particularly for disabled people. As a producer, publisher and distributor of materials that can claim copyright protection (press, books, audiovisual works), the Lagardère Group is in favour of any effective, appropriate measures aiming to facilitate access to works while reducing illegal downloading and guaranteeing greater security of copyright.

• **The Lancelot Commission**

The Lancelot Commission was set up by the French government to report and make proposals on the current media concentration situation in France, and issued its report in January 2006. After noting the complexities and shortcomings of the current anti-trust measures specifically for the media, the Commission proposed a series of measures to simplify existing monomedia and plurimedia arrangements and adapt them to general concentration laws, recommending a more economic approach (real audience figure thresholds, the notion of determinant influence, more systematic consultation of anti-trust authorities, etc).

The possible impact of this report on media operators including the Lagardère Group will naturally depend on changes in the law and regulations adopted after its publication. It is not currently possible to anticipate any substantial consequences for the Lagardère Group that may arise from incorporation into the law of the report's recommendations on monomedia and plurimedia audience figures. A public consultation process has been announced prior to any reform of the Law of 30 September 1986 on freedom of communication, and the Lagardère Group will contribute to this process as it contributed to the work of the Lancelot Commission.

# 3_3 INDUSTRIAL AND ENVIRONMENTAL RISKS

The management of industrial risks and risks related to the environment makes use of methods, tools and procedures that aim to identify, quantify and then reduce any significant risks.

The Group conducts in-house operations designed to reinforce the corporate risk culture by sharing information and raising awareness, and secondly, to enhance specific visibility of certain emerging risks, as well as the capacity to meet any crisis that may arise.

## 3_3_1 Identified risks

The Group's business activities fall mainly into the service category, and many of its assets are intangible assets.

The Group is nevertheless exposed to industrial and environmental risks, arising principally in the warehouses of the Print Media, Book Publishing, Distribution Services and Automobile spare parts divisions, and the printing facilities of the Regional Daily Newspapers (for a description of these operations, see Chapter 5, section 5_3_3_2). The nature of the risks incurred is not specific to the Group and also relates to similar activities.

Certain sites are subject to authorisation or a declaration of exploitation from the administrative authorities. There are no sites classified SEVESO 1, nor SEVESO 2.

## 3_3_2 Prevention policy

The Group pays particular attention to the prevention of industrial risks and the protection of the environment, in order to limit the probability of an adverse event occurring (see Chapter 5, section 5_3_3). The sites apply regulations and implement operational procedures, quality systems and a set of security measures specific to each individual business sector.

## 3_3_3 Assessment of risk impact

The Group assesses the impact of risks at both local and central level, based on in-house expertise and calling upon external specialists.

The Group has no knowledge of any items or situations likely to have a significant impact on its assets or operating results, and is unaware of any environmental issue that may affect its use of property, plant and equipment in its operations. However, certain sites have a long industrial history and the Group pays careful attention to the possibility of environmental damage that may arise or come to light in the future.

More generally, the costs related to the evaluation and treatment of industrial and environmental risks are included in the investment and expense accounts concerned, as separate reporting is not required in view of their relative size. Under this policy, the consolidated financial statements for 2005 included no provision or guarantee for environmental risk, and no expense resulting from a court ruling in an environmental case or action taken to repair environmental damage.

# 3_4 INSURANCE POLICIES – RISK COVERAGE

Risks that cannot be eliminated totally are retained or transferred to the insurance market when their relative size justifies it, depending on the availability of coverage at reasonable conditions. The Group (excluding EADS) has a captive insurance company based in the USA for certain risks of the Hachette Distribution Services division in North America. The relevant insurance policies are not substitutes for the insurance described in section 3_4_1, but complementary to that insurance.

The Group also reserves the right to be its own insurer for certain risks that are difficult or impossible to insure. The divisions may find it necessary to insure part of their frequent risks themselves, up to a ceiling of €1 million.

Insurance policies concerning EADS are taken out and managed under EADS' sole responsibility. They are described in the EADS reference document.

## 3_4_1 Insurance policies

The major insurance policies cover property, business interruption and legal liability. Depending on the type of risk, coverage consists of permanent policies and additional coverage for specific projects.

In 2005 and for the year 2006, Lagardère and its divisions were able to renew coverage for their activities throughout the world. A coordinated insurance procurement policy enables the Group in many cases to optimise budgets.

The Group pays close attention to the selection of its insurers and the review of their creditworthiness.

## 3_4_2 Risk coverage

Many insurance policies are taken out at the level of the divisions and their sites. There are such a large number of different situations that it would be difficult to give details of the ceilings in an exhaustive manner.

### 3_4_2_1 INSURANCE FOR LOSSES AND INTERRUPTION OF BUSINESS

**• Risks insured**

Insurance policies cover the risks of fire/explosion, thunder, water damage, storms, natural catastrophes, attacks and terrorism. Whenever specific legislation applies to these risks in some countries, the cover is subscribed to in compliance with the legislation applicable in each country concerned.

**• Limits to coverage**

As a general rule, insurance for losses and interruption of business are taken out for the amount at risk (values of assets and cost of business interruption); in some cases, they comprise contractual payment thresholds agreed in advance with the insurer. These franchises are adapted to the capacities of the divisions and their sites.

The highest insurance limits subscribed to in the Group are €400 million to cover certain facilities of Hachette Livre and €200 million for Daily Regional Newspapers. The other limits insured are less than or equal to €100 million.

Furthermore, for the different ceilings described above, sub-limits specific to certain risks (storms, earthquakes, flooding, for example) may apply.

### 3_4_2_2 LEGAL LIABILITY

**• Risks insured**

For the legal liability of operations and products, third party material damage or bodily harm, cover is subscribed to at the level of the division or sometimes the business line.

**• Limits to coverage**

In terms of legal liability, the maximum severity of exposure is difficult to assess, and the levels insured by the divisions and their sites depend on the availability of coverage at an acceptable economic cost. Excluding the United States, the amounts of cover subscribed to within the Group are generally between €5 and €10 million, to which should be added an additional €20 million in excess of €10 million, for media activities.

In the United States, the highest limit is US$100 million (excluding self-insurance). In addition, for the various ceilings described above, specific sub-limits may apply to certain risks.

### 3_4_2_3 AMOUNT OF PREMIUMS

In 2006, the global budget of the main insurance policies subscribed to by the Group is an estimated €15.0 million (excluding collective insurances) divided up as follows:

- Losses and interruptions of business: €6.4 million.
- Legal liability: €2.5 million.
- Other (mainly automobile, transport, exhibitions, film-making, and insurance of people): €6.1 million.

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# 4

# General description of Lagardère SCA

# 4 GENERAL DESCRIPTION OF LAGARDÈRE SCA

## 4_1 GENERAL DESCRIPTION OF THE COMPANY

### 4_1_1 Corporate name and commercial name

Corporate name: Lagardère SCA

Commercial name: Lagardère

### 4_1_2 Head office, address, telephone number

Head office:
4, rue de Presbourg - 75116 Paris, France

Address of the Company:
4, rue de Presbourg - 75116 Paris, France

Telephone number:
+ 33 (0) 1 40 69 16 00

### 4_1_3 Legal form and governing law

Lagardère is a French limited partnership with shares *(société en commandite par actions)*. It is governed by the laws of France.

### 4_1_4 Commercial Register and registration number

Lagardère is registered in the Commercial Register *(Registre du Commerce)* under number: 320 366 446 RCS Paris.

### 4_1_5 Date of incorporation and duration of the Company

Lagardère was originally incorporated on 24 September 1980 and will expire on 14 December 2079.

## 4_2 HISTORY

The original object of Lagardère SCA, named MMB up to the end of 1992, and subsequently Lagardère Groupe until June 1996, was to unite all media sector assets held by the Matra group in 1982, prior to the French State's acquisition of an interest in Matra's capital, so that the State would not be in a position of control.

Under the initiative and management of Jean-Luc Lagardère, the Company then progressively took over control of Hachette and subsequently Matra, which returned to the private sector in early 1988. At the end of 1992, these two sub-groups' operations were combined when their two holding companies were merged. At the same time, Lagardère SCA changed its legal form and became a French limited partnership with shares.

The restructuring process was completed in June 1996, when Lagardère Groupe absorbed Matra Hachette, and adopted its current name of Lagardère SCA.

At that time, the Group had ten different divisions (Defence, Space, Telecommunications and CAD/CAM, Automobile, Transit Systems, Book Publishing, Print Media, Radio Broadcasting and TV and Film Production, Distribution Services, and Multimedia).

It has since progressively refocused on the media and communication businesses.

From the early 1990s, alliances were entered into with other major European actors in the Defence and Space industries, particularly DaimlerChrysler and GEC. This European alliance strategy intensified after the fall of the Berlin wall and reached an important development in 1999 when Aerospatiale Matra was formed. The process was completed on 10 July 2000 when all of Aerospatiale Matra's businesses were merged with DaimlerChrysler Aerospace A.G. and the Spanish company CASA to form the European company EADS NV, in which Lagardère SCA holds a 14.95% interest.

The Transit Systems businesses (the VAL light railway and railway machinery) were merged in 1994 with the corresponding sections of the Siemens group, which subsequently took over full control although Matra Transport SAS, a Lagardère Group subsidiary, retained and continues to manage the Taipei litigation.

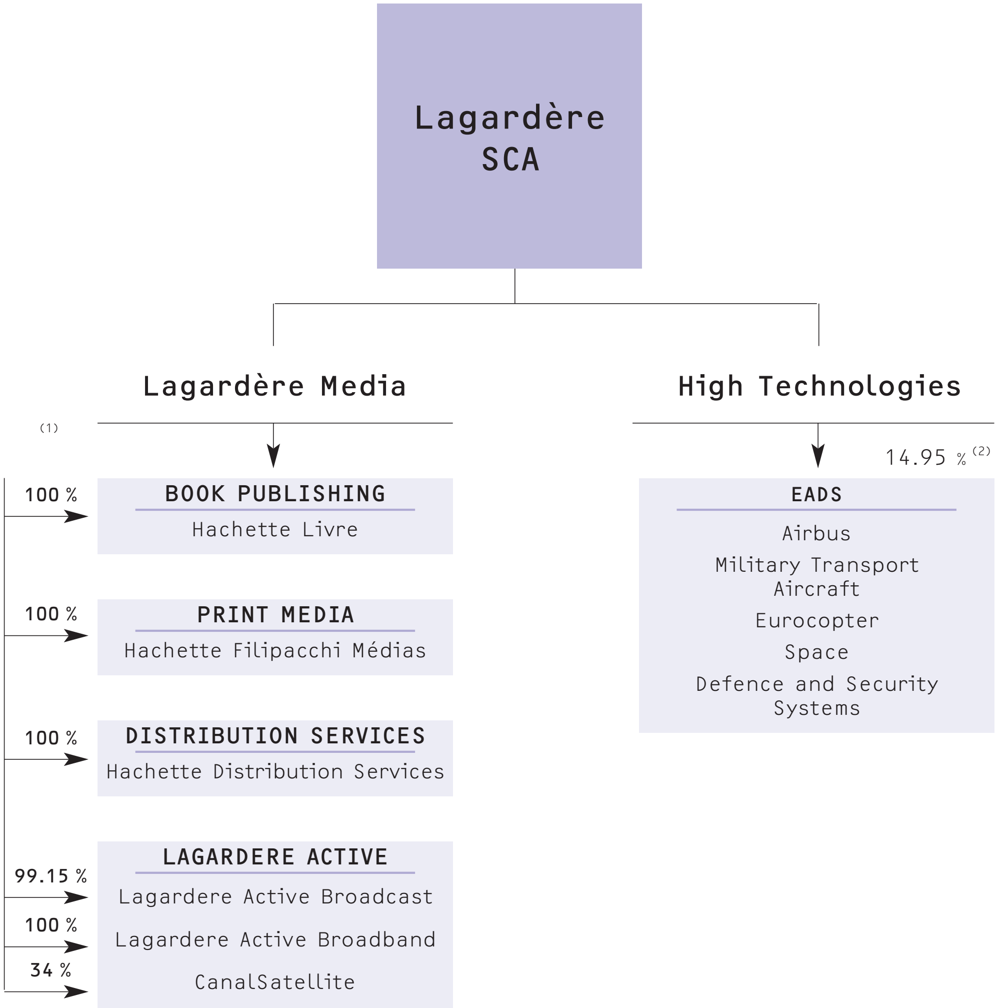
In the wake of the outstanding success of the Espace car designed and manufactured for almost fifteen years by Matra Automobile and marketed by Renault, auto-making activities were finally abandoned once Renault took over production of the Espace after the commercial failure of the most recent Matra-Renault developed vehicle, the Avantime. Matra's automobile engineering activities were absorbed in 2003 by the world leader Pininfarina.

This operation, and the sale of Arjil's business in late 2004, were marks of the Lagardère Group's general strategy to focus business expansion solely in the Media and Communication sector.

Since the sale in 1999 of certain assets considered non-strategic (billboard advertising, Grolier Inc) and a total takeover of control of the media and communication segment businesses (Radio Broadcasting and TV and Film Production activities in 1999, with the bid for Europe 1 Communication, and Print Media activities in 2000 with the share exchange offer for Hachette Fillipacchi Médias, followed by an offer to purchase all of the remaining minority interests) the main media-related agreements signed by the Group have essentially concerned the Audiovisual sector (agreements in 2000, then 2006 with Canal+ Group for pay television) and Book Publishing (acquisition in 2004 of Vivendi Universal Publishing's assets in France and Spain and purchase of Hodder Headline in the UK, and agreement in 2006 for the takeover of Time Warner Book). The Print Media and Distribution Services divisions also increased in importance, but by internal growth rather than external acquisitions.

## 4_3 ORGANISATION CHART

### 4_3_1 Simplified Group organisation chart




(1) Companies listed above are held through Hachette SA, a wholly-owned subsidiary of Lagardère SCA.

(2) Indirect consolidation percentage.

### 4_3_2 Principal subsidiaries

As indicated in Chapter 7, section 7_4_1 on the Group's general organisation, Lagardère SCA is a holding company with two operating business segments: Lagardère Media and High Technologies.

The principal subsidiaries in the Lagardère Media segment are:

- **Hachette Livre**, a 100%-controlled French company that is the holding company for the Group's Book Publishing division.
- **Hachette Filipacchi Médias**, a 100%-controlled French company that is the holding company for the Group's Print Media division.
- **Hachette Distribution Services**, a French company also 100%-controlled by Lagardère SCA and the holding company for the Group's Distribution Services division (Relay outlets, airport shops and Virgin stores).
- **Lagardere Active**, a French company also 100%-controlled, which holds the Group's investments in digital businesses, i.e. in audiovisual activities (radio and television broadcasting and production, etc), mainly through its 99%-owned Monaco subsidiary Lagardere Active Broadcast (formerly Europe 1 Communication) and its 34% interest in the French company CanalSatellite.

The principal subsidiaries in the High Technologies segment, which are controlled by the Dutch company EADS NV formed during the restructuring of the European aeronautical industry as described in Chapter 5, section 5_2_2, are:

- **Airbus SAS**, a French company owned 80% by EADS NV and 20% by BAE.
- **Eurocopter Holding SA**, a French company 100% controlled by EADS NV, the holding company for the helicopter business.
- **Astrium Holding**, a company 100% controlled by EADS NV, the holding company for space business activities.

## 4_4 INVESTMENTS

### 4_4_1 Investment and innovation policy

#### 4_4_1_1 PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Lagardère Media's innovation policy is not reflected in capital expenditure policies. Purchases of editorial rights for book and magazine publishing are not capitalised, but charged to expenses in the income statement.

| Business segments (in millions of euros) | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Lagardère Media | 268 | 228 | 206 | 204 | 161 |
| Automobile | 24 | 33 | - | - | - |
| High Technologies | 332 | 349 | 445 | 554 | 427 |
| Other Activities | 3 | 1 | 1 | 12 | 3 |
| **TOTAL** | **627** | **611** | **652** | **770** | **591** |

### 4_4_1_2 PURCHASES OF INVESTMENTS

| **Business segments** *(in millions of euros)* | **2001** | **2002** | **2003** | **2004** | **2005** |
|---|---|---|---|---|---|
| Lagardère Media | 453 | 1,415* | 55 | 420 | 62 |
| Automobile | 2 | 0 | - | - | - |
| High Technologies | 169 | 284 | 190 | 127 | 151 |
| Other Activities | 9 | 14 | 8 | 4 | 22 |
| **TOTAL** | **633** | **1,713** | **253** | **551** | **235** |

* Including €1,180 million paid for the acquisition of Vivendi Universal Publishing's assets, part of which were sold to Wendel Investissement in 2004, based on an enterprise value of €660 million.

## 4_4_2 Major investments in 2004

**Book Publishing division – acquisition of Hodder Headline**

Following the approval by the British competition authorities and WHSmith shareholders, Hachette Livre completed its acquisition of Hodder Headline on 24 September 2004 based on the value of £210 million or €313 million, with transfer of net indebtedness of €44 million.

Hodder Headline has one of the best-balanced portfolios of all English-language publishers; it also operates in segments comparable to those of Hachette Livre, with strong brands and top authors such as Stephen King, John Le Carré and James Patterson.

The acquisition of Hodder Headline, the UK's fourth largest publisher, took Hachette Livre to the number two position on the British market.

Hodder Headline has been fully consolidated since 1 October 2004.

## 4_4_3 Major investments in 2005

In January 2005, the Lagardère and Canal+ groups signed an agreement to end their cross-holdings in Lagardère Thématiques and multiThématiques. The Lagardère Group raised its investment in Lagardère Thématiques from 51% to 100%, and sold Canal+ Group its 30% investment in multiThématiques.

This operation took place after the decision by the French Council of State on 20 October 2004 which cancelled DTT licences for six channels on the grounds of the joint control of Lagardère Thématiques.

## 4_4_4 Major investments since the beginning of 2006

See Chapter 9, sections 9_1_1_1 and 9_1_1_2 "Recent events".

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5

# Information on the business activities of the Company and the Group

## 5_1 LAGARDERE SCA – BUSINESS ACTIVITIES AND STRATEGY

In addition to the media operations which constitute the Group's core business, Lagardère has a strategic share in the European Aeronautic Defence and Space Company (EADS).

In the field of the **Media**, the Lagardère Group's major assets include an international presence, strong brand names (Elle, Paris Match, Europe 1, Hachette, Hodder Headline, Relay, Virgin, etc.), control of editorial content (book publishing, magazines, audiovisual and new media), world leadership in the businesses of consumer magazines and distribution of cultural/leisure products and services. It is the Group's ambition to capitalise on these key assets to consolidate its presence and performance in all of the major sectors related to the publishing and distribution of contents. In the long term, Lagardère intends to become one of the top three Media groups in the world.

Hachette Livre continues to actively pursue its objective of achieving a position among the global leaders in book publishing. Following the acquisition of the British publishing house Hodder Headline at the end of 2004, the Division has proceeded to the operational integration of its assets in Great Britain (Orion, Octopus and Watts), while actively preparing a new advance into the English language markets. On 6 February 2006, the Group announced an agreement with Time Warner (see Chapter 9, section 9_1_1_2) for the acquisition of Time Warner Book Group, for a total amount of US$537.5 million. This acquisition, which is subject to the approval of the United States anti-trust authorities, will provide Hachette Livre with a solid footing in the American market, through the control of a major high-performance book publishing group which may be used as a basis for consolidating other American publishing activities. This transaction also reinforces the Division's presence in the United Kingdom, where it becomes the largest publishing group. Globally, this makes Hachette Livre the third largest book publishing group in the world, with no impact on operational performance. Once again, the Group's ambitions in this domain have been confirmed.

Hachette Filipacchi Médias (HFM) experienced a year of stabilisation and rationalisation of its business activities in 2005, under the pressure of the magazine publishing markets, which were tense in Western Europe, as in the United States and Japan. 2005 was also a year of preparation for Internet-related projects, which should take form in 2006. It is essential to provide alternative ways of accessing the editorial contents published or controlled by the Division, in order to renew magazine readerships and increase advertising revenues. HFM has therefore developed an online magazine product offer, which is expected to grow considerably in 2006, both in terms of subscriptions and per copy sales. In addition, significant efforts are currently being devoted to reinforcing the editorial offer on the main Internet sites to attract surfers and provide advertising buyers with more structured offers. The majority of these developments will concern internal growth, but the Group will be attentive to any opportunities for acquisitions that could help achieve this objective or strengthen HFM's portfolio of magazine titles. As regards international development, HFM will continue to develop its flagship editorial subject matter in new countries, in order to capitalise on emerging markets' dynamism in countries such as Russia and China, which today have a high potential for growth and increased profitability.

Hachette Distribution Services' (HDS) development does not imply radical change to its existing activities, but is mainly based on the gradual extension of its networks of sales outlets, especially in the Central European countries where growth rates are significant. HDS also remains attentive to the impact of digitisation on its retail sales activities. The website virginmega.fr was the first to be launched on the market in 2004, and is now in second position in the field of websites for the legal purchase and download of music in the French market place, one of the rare countries where iTunes competes with a real local alternative. HDS' principal lines of strategy are aimed at reinforcing current activities: consolidation of its position as global leader for retail commerce in travel areas *(Travel Retail)*; developing of new sales points and launch of innovative commercial concepts for the high street and travel areas. In addition, the Division will seize growth opportunities generated by the digitisation of contents. HDS possesses powerful brands and the requisite commercial skills to achieve these ends.

Lagardere Active, in the radio sector, is facing up to profound changes related to broadcasting: the preparation of a new FM frequency plan and projects in digitisation. While these two factors include certain risks (in particular, the opening up of the radio landscape to new entrants potentially introducing pressure on the advertising market), they are primarily to be considered as opportunities to strengthen the Group's position: the possibility of producing variations and the segmentation of programme offers, enhanced geographic coverage, etc. Lagardere Active is extremely attentive to these changes in its competitive environment and will play the role of leader by actively accompanying these adjustments.

The Central European markets in which Lagardere Active Radio International (LARI) operates offer strong growth potential for the Division. The advertising markets in this geographic area are growing at a fast pace. For this reason, any opportunities for acquisitions complementary to current activities will be examined, in order to quickly extend the Division's presence while at the same time improving operating profitability through the potential synergies that LARI could exploit.

Regarding special interest TV channels, Lagardere Active helped redefine the Digital Terrestrial Television (DTT) offer in 2005 following the reallocation of certain authorisations that were previously withdrawn. In the autumn, the Group was able to launch the free channels Gulli (youth) and Europe 2 TV (music), as well as Canal J as part of its paying offer. The first audience ratings are very encouraging; with priority now being given to raising performance levels in order to attain the threshold enabling free channels to reach profitability through advertising revenue.

On 17 February 2006, the Lagardère Group announced a draft agreement with Vivendi Universal (see Chapter 9, section 9_1_1_1) for the acquisition of a 20% share in Canal+ France. This investment demonstrates the Group's ambition in the television sector and places it in an ideal position, as 2nd largest shareholder, to become the company's operator in the event of a future capital reorganisation. Canal+ Group, by the quality of its teams, its editorial ambition, and rigorous management, has re-conquered a unique position in the French television landscape.

If the merger with TPS is authorised by the competition authorities, it will gain access to the most attractive contents, a database of extremely loyal subscribers and a particularly high performance television distribution platform with a presence on most of the digital television broadcasting networks (satellite, ADSL, DTT and mobile).

Lagardère can therefore contemplate 2006 from a particularly positive dynamic perspective across the spectrum of its business lines. Two major transactions – with Canal+ France and Time Warner Book Group – were announced at the beginning of the year, confirming Lagardère's resources and ambitions in the world of the media.

In the field of **High Technology**, EADS is an illustration of successful European integration. This was achieved through the cooperation of players from France (Matra Hautes Technologies, Aerospatiale), Germany (DASA) and Spain (CASA) and EADS, as the heir to three decades of partnership between its founding members, has skilfully capitalised on the advantages afforded by its transnational profile.

The founding of this European corporation in 2000 has enabled the new group to considerably increase global business volumes and to achieve substantial cost savings through the synergies created. Today, EADS has sales of around €34 billion, and employs some 113,000 people working in over seventy different locations. Its portfolio of internationally-renowned brands, such as Airbus, Eurocopter and Astrium, places it in the leading ranks of the global aeronautics, space and defence industries. Through the extensive reach of the business activities thus combined, this provides Europe with the capacity to compete effectively with the major players in these sectors, particularly on the other side of the Atlantic.

In full cooperation with the other partners, Lagardère plays a decisive role in the management and strategy of the group. The critical size of EADS on a global level and the increased operating profit achieved through synergies constitute most valuable assets for EADS and all its shareholders.

# 5_2 THE GROUP'S PRINCIPAL ACTIVITIES AND MAIN MARKETS – OPERATIONS IN THE COURSE OF 2005

## 5_2_1 Media operations

| *(in millions of euros)* | 2001* | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Contribution to consolidated net sales | 7,668 | 8,095 | 7,944 | 7,501 | 7,901 |
| Contribution to consolidated operating income | 353 | 385 | 427 | – | – |
| Contribution to consolidated recurring operating profit before associates | – | – | – | 470 | 503 |
| Number of employees | 27,521 | 26,949 | 26,239 | 30,786 | 30,863 |

* Following the change of year-end from 30 September to 31 December in 2001, the results of Lagardere Active Broadcast were consolidated for fifteen months in 2001 (from 1 October 2000 to 31 December 2001).

### 5_2_1_1 BOOK PUBLISHING

#### A. Principal activities and main markets

Hachette Livre is now the fifth largest publishing house worldwide (before the acquisition of Time Warner Book Group), and the number one publishing house in Europe. The Division is now in a position to equal its major competitors on each of its markets[1].

In first position in France, second position in Great Britain and Spain, since it was founded in 1826 Hachette Livre has always had the ambition to publish, sell and distribute high-quality innovative books which meet the expectations of its readers in terms of knowledge, culture and entertainment.

This mission today is accomplished by 6,435 employees who ensure the company's growth and long-term presence. Thanks to their work, the Book Publishing Division achieved consolidated sales of €1,644 million in 2005.

Hachette Livre has a balanced portfolio that is diversified across the editorial spectrum (textbooks, general literature, illustrated books, part-works, dictionaries, youth works, etc.) and strongly anchored in the three major language areas (English, Spanish and French). It offers new bases for development by geographic area and by business line, allowing the Lagardère Group to capitalise on the most buoyant segments and the most dynamic markets.

Hachette Livre is present across the book publishing/distribution value chain. The Division, with its reputed publishing houses and brand names, knows how to make the most of its high-quality relationships with authors, the expertise of its sales forces, the rigorous logistics of its distribution and the commitment of its employees.

The autonomy of the publishing houses, which are independent and fully responsible for the creative process and editorial decisions, encourages both creativity and internal competition. The large degree of autonomy that Hachette Livre allows each of its operating divisions is one of the key factors for its success. Hachette Livre's divisions constitute a sort of federation of small and medium sized independent publishing houses, each with its own native corporate culture and specific, even unique editorial tone.

(1) This competitive position was calculated on the basis of Hachette Livre's 2004 net sales under IFRS and the 2004 sales figures for the 30 leading players worldwide, excluding Pearson, calculated pro forma as at September 2005 to take into account the acquisition of AGS Publishing in June 2005. Book publishing sales for Bertelsmann only include Random House, and do not include sales through book clubs. Academic and trade and business publishing activities have been excluded to the extent that it was possible to separate them from general publishing activities.

Each publishing house is responsible for the relations it maintains with its authors. Each individual relationship is of extremely high quality, enabling control of the copyright portfolio and the supply to the paperback sector and licensing and character merchandising opportunities.

Central management functions allow Hachette Livre to maintain a healthy financial position and conduct development in compliance with the objective of maintaining the right balance between operational performance and portfolio growth.

All of these assets taken together make Hachette Livre the leading publishing group in France, against such prominent competitors as Editis, Gallimard, Flammarion, Albin Michel, La Martinière-Le Seuil and Média Participations. Hachette Livre occupies the number one position, both on fragmented markets such as general literature and in the more traditionally concentrated segments of textbooks and dictionaries.

Outside France, Hachette Livre has succeeded in moving up from 13th to 5th position worldwide, in the face of major competitors such as Pearson, MacGrawHill Education, Random House, Scholastic, De Agostini, Reed Elsevier, HarperCollins and Holtzbrinck.

### A.1. *Activities in France* (1)

The *"Literature"* division comprises prestigious publishing houses, who published 2,086 new titles in 2005: Grasset, Fayard, Stock, Calmann-Lévy, Lattès, Hachette Littératures, Le Livre de Poche, Harlequin. Each one retains its specific character but remains in competition not only with the brands of other, outside publishing groups, but also with the Group's own publishing houses. In 2005, the Division once again confirmed its leading place in the market for general literature, in both paperback and hard cover formats.

*"Hachette Illustré"* covers the entire range of illustrated works, from the 'useful' to the 'entertaining'. In number one position in France for practical guides and DIY with Hachette Pratique and Marabout, number one also for travel guides with Hachette Tourisme and Le Routard, Hachette Illustré is also present in the field of art books with two prestigious publishers, Le Chêne and Hazan. The division also includes Hachette JD and possesses valuable editorial archives in Youth works, including characters such as Babar, Noddy, Titeuf (in book form) and the Teletubbies.

Hachette Livre is the leading publisher(2) of *"Textbooks"* in France through two distinct entities, Hachette Education and the Alexandre Hatier group. These entities comprise reputed publishers such as Hatier, Didier, Foucher and Rageot and strong brand names – Bled, Bescherelle, Littré, Gaffiot – who have also enabled Hachette Livre to achieve a leading position in the market for extra-curricular works.

In *"Reference"* works and *"Dictionaries"*, the most emblematic assets include Larousse and Harrap's. Hachette Livre is no. 1 in France for both monolingual and bilingual dictionaries. Larousse enjoys international renown, and achieves approximately 50% of sales in France. Today, the publishing house is particularly well established in Latin America.

*"Part-works"* are published by the Encyclopaedias and Collections division, which has greatly expanded internationally, especially in Europe and Asia, Italy (with Hachette Fascicoli), Great Britain, Spain through the sub-

(1) Hachette Livre's competitive positions take into account the statistics provided by the IPSOS panels the Division subscribes to.
(2) In-house estimates.

sidiary Salvat Editores, Japan, Germany and Poland. The division's marketing skills and capacity to create new products make it a top ranking player and a real asset for the global performance of Hachette Livre.

The *"Academic and Professional"* division comprises Dunod and Armand Colin. Dalloz is currently being sold to Editions Lefebvre Sarrut. Leaders on the French market, these publishing houses are carefully preparing for the digitisation of contents in the sector.

*"Distribution"*, which, for Hachette Livre and other publishing houses under exclusive contracts, is achieved through a distribution network managed from the national centre in Maurepas in the Greater Paris Region. Hachette Livre handles 220 million copies per annum and serves 12,000 bookshops, newsstands and supermarkets in France. Hachette Livre Distribution, no. 1 distributor in France, is also present in Belgium, Switzerland and French-speaking Canada.

### *A.2. Activities outside France**

In the United Kingdom, Hachette Livre is the second largest book publishing group, with four publishing houses: Octopus Publishing, on the market for illustrated books, Watts Publishing for children's books, Orion Publishing for general literature and Hodder Headline, acquired in 2004, present in textbooks and general literature for children and adults.

These publishing houses and their different brand names have also allowed Hachette Livre to achieve the position of third largest publishing group in Australia and New Zealand.

Hachette Livre also has a distribution activity in the United Kingdom, via the two centres BookPoint and LBS (LittleHampton Book Services).

Hachette Livre is the second largest publishing house in Spain, and the leading publisher of textbooks through Anaya. Like Bruño, Anaya is active in educational publishing, and is also present in the extra-curricular, general literature and youth segments. In addition, Salvat Editores, a publishing house with operations in Spain and Latin America, provides the Group with a significant presence in Part-works and positions it as the second largest Spanish publisher of Reference works.

Worldwide, Hachette Livre is represented in 33 countries across all of its business lines.

* Source: In-house data, based on Nielsen Bookscan in Great Britain and internal sources in Spain.

**B. Operations in the course of 2005**

Consolidated net sales in 2005: €1,644 million.

### Distribution of sales by activity – France

| | 2005 |
|---|---|
| Education | 22.3 % |
| General Literature | 19.3 % |
| Illustrated | 16.3 % |
| Academic and Professional | 9.9 % |
| Other | 32.2 % |
| **Total sales** | **100 %** |

### Geographic distribution of sales

| | 2005 |
|---|---|
| France | 48.8 % |
| United Kingdom | 28.2 % |
| Spain | 13.8 % |
| Other | 9.2 % |
| **Total sales** | **100 %** |

In 2003 and 2004, considerable growth was experienced with the integration of Anaya in Spain and the acquisitions of Larousse, Dalloz, Dunod and Armand Colin in France and Hodder Headline in the United Kingdom.
2005 was a year of considerable internal growth and commercial successes, both in France and abroad. Hachette Livre was able to optimise its activities and brands, and benefited from remarkable performances in every sector, from General Literature, Textbooks and Illustrated Books to Part-works.

Following Hachette Livre's major acquisitions in 2004, no significant investments were made in 2005, the year being devoted to consolidation.

*B.1. In France*

In *"Literature"*, 2005 was a remarkable year, with the winning of a number of literary prizes, and the immense success, for the second year running, of the *Da Vinci Code* (Dan Brown) published by JC Lattès. The book has sold over 2 million copies in French, including 750,000 in 2005, added to 1 million copies of *Angels and demons* (Dan Brown). The prestigious publishing houses of Grasset, Fayard and Stock almost carried off a 'grand slam' in literary prizes: the Prix Goncourt was won by *Trois Jours chez ma mère* by François Weyergans at Grasset, the Prix Interallié went to Fayard for *La possibilité d'une île* by Michel Houellebecq and at Stock, Nina Bouraoui won the Prix Renaudot for *Mes mauvaises pensées*.

In *"Textbooks"*, the more sustained growth in the market was recorded by Hatier in the primary schools section, Hachette Education in the junior secondary schools and extra-curricular sections and Didier in the senior secondary schools section, while Rageot and Didier Jeunesse continued their development brilliantly.

In Illustrated Books for the general public, *"Hachette Illustré"* once again demonstrated its responsiveness and powerful creative talents: in particular by creating successful new characters and new formats at Hachette Jeunesse Image, Hachette Jeunesse Roman and Hachette JD, and by revamping its editorial policy on Practical works. 2005 was also a year of successes for Marabout and Travel guides which remained the leaders in their markets. Lastly, in an increasingly competitive environment, le Chêne and Hazan were able to maintain or even improve their positions.

In 2005, *"Part-works"* almost equalled the records set in 2004, through successful international development in Latin America, the first encouraging signs at the subsidiary in Japan, the magnificent rapid expansion of *Hachette Fascicoli* in Italy and exceptional creativity.

In *"Reference"* works (Encyclopaedias) and *"Dictionaries"*, 2005 saw the preparations for the arrival of Larousse at Hachette Livre Distribution, accompanied, as always, by a dynamic editorial policy. The *"Academic and Professional"* division was marked by the announcement of and preparation for the sale of Dalloz to ELS (Editions Lefebvre Sarrut), scheduled for 2006. Dunod defended its positions well in a disappointing academic market while at the same time improving its positions in the trade and business market. Armand Colin, one of the Group's prestigious assets, increased its portfolio of periodicals and thinned out its collections.

2005 was an intense year for *"Distribution"*, marked by the arrival of Larousse at Hachette Distribution, and the preparations for the arrival of two newcomers: Payot-Rivages and Tonkam.

### *B.2. Outside France*

The foremost event in 2004 was the acquisition of Hodder Headline in September, a major stage in Hachette Livre's expansion in the English speaking world. 2005 was marked by the reorganisation of Hachette Livre UK's operations and the achieving of the synergies expected to result from the acquisition.

Hodder Headline in 2005 outperformed the objectives set at the time of acquisition, due to the excellent performance of the "general public" *(Trade Publishing)* business, despite a slight fall in Textbooks in a declining education market. Hodder Headline enjoyed numerous successes in *"Fiction"*: *Small Island* by Andrea Levy, which won the Whitbread 2005 prize, and publications by authors of regular best sellers: Martina Cole *(The Take)*, Penny Vincenzy *(Sheer Abandon)*, James Patterson *(Mary, Mary, Honeymoon)* and Jodi Picoult *(My Sister's Keeper)*, as well as in *"Non Fiction"* in the field of sports: Being Freddie (A. Flintoff), *Farewell But Not Goodbye* (R. Bobson).

In Spain, Bruño broke through to profitability and the year was excellent for Anaya, which passed the €100 million mark in textbook sales.

### *B.3. Disposal of assets*

In the course of 2005, Hachette Livre announced its decision to sell Editions Dalloz to Editions Lefebvre Sarrut.

The combination, which was scheduled for 2006, will take place gradually in a time-frame that will ensure Dalloz has the necessary conditions for operational autonomy when it leaves Hachette Livre's academic and professional business segments.

For Hachette Livre, this operation is related to the specific features of the market for professional legal publishing, which is highly concentrated at global level and is held by specialist groups.

Given Hachette Livre's vocation as a publisher for the general public, these particularities justify the operation with ELS, which will have the capacity to mobilise the requisite means to strengthen the position of Dalloz in its markets.

Editions Dalloz achieved sales of €45 million in 2005.

### *B.4. Strategic options and outlook from 2006 onwards*

Hachette Livre is the publishing group which has experienced the most spectacular growth worldwide since 2002. Today, with the dimensions of leader and performances among the market's best, Hachette Livre intends to focus its future development towards the following three strategic objectives, with the ambitious goal of becoming the best-performing of the major global players over the coming years:

- To reap the benefits of synergies made possible by the recent acquisitions, its new size and its diversity, particularly by coordinating international resources to seize hitherto inaccessible opportunities, with priority given to English and Spanish,
- To develop operations within the language areas where the Group is already present: like 2005, 2006 will be devoted to consolidating and transforming the Group,
- To expand the Group's reach to new geographic frontiers and new business lines.

Against this background, Lagardère signed an agreement on 6 February 2006, to acquire Warner Book Group, the fifth largest American book publisher and holder of prestigious publishing houses (Little Brown, Warner Book, etc.), for a total US$537.5 million. This operation, currently under review by the US competition authorities, will make Hachette Livre the third largest book publishing group in the world. It marks an ambitious strategic step towards the American market and significantly strengthens the Division's presence in the English-speaking world, enabling it, in particular, to conquer the no. 1 position in the United Kingdom.

Hachette Livre therefore continued grow in the international publishing landscape and confirmed its ambitions and positions in all of the markets it operates in.

## 5_2_1_2 PRINT MEDIA

### A. Principal activities and main markets

Hachette Filipacchi Médias (HFM) publishes magazines for the general public in France and internationally, on subjects such as Current affairs, Automobile, Interior décor, Women's magazines, Youth, Leisure, Men's magazines, Celebrities and Television. HFM is the largest magazine publishing group in the world in terms of titles (over 260 titles published) and international operations (present in 39 countries) representing over a billion copies and more than 130,000 pages of advertising.

Interdeco, the French leader in press advertising space sales, with a 30% market share, has also developed a very powerful international network. Its subsidiaries manage advertising for HFM's magazine titles in France and abroad, as well as magazines published by other groups.

HFM is the market leader in France[(1)] and Spain[(2)], holds 7th position in the United States (where it is leading foreign magazine publisher)[(3)], third in Italy[(4)] and Russia[(5)], and is leading foreign magazine publisher in Japan[(6)] and in China[(7)].

Sales of the Magazine Publishing division (France and International) represent 84% of HFM's total sales, of which 65% outside France. The workforce in this business represents 75% of the employees of HFM.

HFM also has a Regional Daily Newspapers and Supplements division comprising the Nice Matin and Corse Matin group and the La Provence group, and two weekly magazine supplements (*"Version Femina"* and *"TV Hebdo"*). Over 3.8 million copies of *"Version Femina"* are distributed by 38 daily newspapers all over France (mainly external to the Group). This supplement is the most widely distributed women's magazine in Europe.

This division represents approximately 15% of HFM's sales and 24% of employees.

HFM has also developed complementary activities such as:

- *Photo Agencies*, comprising several prestigious names (Gamma, Rapho, Hoa Qui) in the fields of Current affairs/Reportage, Celebrities, Celebrity portraits and Illustrations.
- *Licensing*: variations of the *"Elle"* brand name, particularly in fashion, through licence holders all over the world.

In the field of magazine publishing for the general public, market players are either national or monolingual groups (Time Inc and Primedia in the United States, Mondadori in Italy, etc.), or multi-language groups with global brand policies (Hearst, CondéNast) or portfolios of local titles (EMAP, Gruner&Jahr, Burda, etc.). HFM has unique positioning among the major players, since it alone has developed the capacity to combine both policies in a global strategy.

(1) Sources: OJD for circulation and TNS-MI for advertising.
(2) Sources: Total sales figures published by INFO ADEX; Total number of copies sold (OJD); Total number of readers (EGM).
(3) Sources: Ad Age Top Consumer Magazine Company (total sales); TNS Media Intelligence Report (advertising sales).
(4) Source: Accounts published by the publishers (total sales).
(5) Source: Sales figures for retail circulation (distributors).
(6) Source: Tokyo "Taxation Bureau".
(7) Classification of foreign publishers with "copyright cooperation" status, under direct control.

### HFM's 2004 market shares in magazine publishing

| | % market share in circulation* | % market share in advertising* |
|---|---|---|
| France | 20.4 (Top 6:73.1) | 20.3 (Top6: 63.7) |
| United States | 3.5 (Top 6: 44.8) | 5.1 (Top 5: 42.1) |
| Spain | 21.7 (Top 5: 62.9) | 15.8 (Top 4: 41.5) |
| Italy | 7.4 (Top 5: 78) | 12.3 (Top 5: 74.2) |

39% of HFM's sales come from the sale of magazines and daily newspapers (a quarter of which are sold by subscription), 57% from the sale of advertising pages and 4% from other activities and discount merchandise ad-ons.

Over the past five years, changes in circulation have varied depending on the country and the readership segment. The magazine publishing market in developed countries is already quite mature, but per capita spending continued to grow, especially in the English speaking countries, particularly under the impulse of new magazine launches which renew the product range and keep the market dynamic: HFM launched almost 30 new titles over this period.

In the emerging countries, press circulation growth is driven by their relatively recent opening to the market economy and the gradual improvement in the standard of living of their populations; HFM has been positioning itself on these markets for some years, particularly in China and Russia.

Trends in the magazine advertising market over the past five years have shown contrasted growth in developed countries and very strong growth in the emerging countries.

### Trends in advertising expenditure in local currencies by region

| | General public magazine publishing | | | Total magazine publishing | |
|---|---|---|---|---|---|
| | Europe | Japan | USA | China | Russia |
| 2004/2003 | + 2.2% | - 1.6% | + 7.1% | + 40.0% | + 34.3% |
| 2005/2004 | - 0.4% | - 1.1% | + 2.5% | + 20.0% | + 20.0% |

* 12 Market share in terms of circulation = total number of copies sold for the year; market share in advertising = value. Sources: Interdeco Expert, IGA, PMI.

**B. Operations in the course of 2005**

Consolidated net sales in 2005: €1,863 million.

### Distribution of sales by activity

| | 2005 |
|---|---|
| Magazine publishing France and Advertising | 29.9% |
| Magazine publishing outside France | 54.6% |
| Regional Daily Newspapers | 14.7% |
| Other media | 0.8% |
| **Total sales** | **100%** |

### Geographic distribution of sales

| | 2005 |
|---|---|
| France | 45.4% |
| USA | 18.9% |
| Asia/Pacific | 7.7% |
| Italy | 7.6% |
| Spain | 6.8% |
| Other | 13.6% |
| **Total sales** | **100%** |

2005 was marked by the relative stability of the magazine advertising markets in most countries, particularly in the luxury goods and beauty sectors, and by a slight decline in the motoring press in the United States. This year also saw the breakthrough of the Internet as a new, growing media for advertising, which led buyers to re-examine their advertising investments in the Other media segment. Against a background of flat advertising and increased competition in terms of circulation both in France and abroad, HFM took advantage of the growth provided by its recent investments in new launches to strengthen its leading brands, which defended their positions well, and retain its market shares.

HFM continued its launch efforts, in particular with foreign versions of *"Psychologies Magazine"* (in Italy in late 2004, Spain, the United Kingdom and Russia in 2005), representing an investment of €37 million in 2005 (compared to €41 million in 2004). The Division also continued to rationalise its operations, particularly in Italy (four titles discontinued), the United States and France (reorganisation of services and editorial departments) and by the discontinuation of titles that have no prospects for future profitability (*"Oh La"* in France, *"Nova"* in Spain, *"Elle Girl"* in Germany and the United Kingdom).

### *B.1. Magazine publishing in France*

The year was marked by a downturn in advertising investments in food, luxury goods and beauty, continuing the trend that began at the end of 2004.

Advertising sales were down, based on a constant number of titles: principally in the TV press and to a lesser degree in women's monthly magazines. Nonetheless, the titles that are leaders of their segment such as *"Psychologies Magazine"* or *"Elle"* continued their growth, and the recently launched titles showed good performance levels.

Circulations benefited from an eventful first half of the year (good performances for *"Paris Match"*) and the success of the new launches and acquisitions made in 2004-2005:

- *"Public"*: confirmed its success, in its 2nd year, with total average paid-for circulation of over 380,000 copies per week (unaudited figures). Performance levels over the summer months were very good, in spite of the launch of a rival title, strongly supported by advertising, by EMAP in June. *"Public"* registered more than 1,150,000 readers in its first ratings survey (AEPM 2004), and is leader among female readers in the 15-34 age group. Advertising revenues were also ahead of targets. The Internet site, which went online in November 2004, has clocked up more than 80,000 unique visitors and over 2.5 million page views per month.
- *"Choc"*: this bi-monthly magazine was launched at the end of June 2004, and was an immediate success. The average circulation figures for 2005 show sales in excess of 360,000 copies (unit price €2.5) with very good performances over the summer, but a slight decline in December. The impact of this title on results for 2005 was largely positive, and the magazine achieved profitability only 6 months after its launch. *"Choc"* has launched a website and has also created Internet services for mobiles (2,500 MMS received between each edition).
- *"Psychologies Magazine"*: in its first full year after acquisition this title recorded a good increase in circulation, with the monthly average for 2005 at over 340,000 copies (unaudited figures), particularly due to the success of the small format, which exceeded 110,000 copies. The aim of the agreement signed in 2004, under the terms of which HFM holds a 49% interest in *"Psychologies Magazine"*, is to jointly develop high-quality magazines and websites.

Regarding other magazines, *"Elle"* confirmed its leading position in top of the range women's magazines; magazines for youth continued to show good performances while the TV press showed a fall in business. Action was undertaken to revamp *"Première"* (redesign of the formula, new pricing) and *"Isa"* (total repositioning of the concept).

### *B.2. Magazine publishing abroad*

Business in the Print Media Division was marked, in several countries, by the increase in popularity of the Internet, and the intensification of competition on circulation (the launch of "clones", and the multiplication of free-gift and cut-price bundled offers).

In the United States, in addition to the phenomena already mentioned, the performances of HFM US were adversely affected by the loss of the *custom publishing** contract with Philip Morris. Circulation sales showed an increase, particularly due to the launch of *"For Me"* at the end of 2004 and changes in the publication frequencies of Interior décor magazines. *"Elle"* and *"Première"* maintained good performance levels.

* Publishing of a specific magazine on behalf of a third party (generally an advertising buyer).

In Italy, the restructuring of Hachette Rusconi significantly improved results. The circulations of *"Gente"* and *"Gioia"* became stable after the launches of rival magazines in 2004. Advertising revenues showed increases over 2004 (excluding discontinued titles), particularly for *"Elle"*, *"Marie Claire"* and *"Psychologies Magazine"* (first full year).

In Spain, sales of Hachette Filipacchi Spain were up slightly, primarily due to launches (*"Psychologies Magazine"* in January 2005 and *"Maxim"* in May 2004). *"Nova"* was discontinued in June 2005. *"Elle"* showed very good performances in terms of both advertising and circulation.

In Japan, the context was still tense regarding circulation and the advertising market experienced a decline in 2005; however, Hachette Fujingaho maintained its results through rationalisation operations (print run, discontinuation of *"Première"* in February, etc.). The end of the year was marked by the centenary of the magazine *"Fujin-gaho"*, the top of the range women's magazine in Japan.

In the United Kingdom, the "youth" magazine press was troubled by the escalation of free-gift supplements: *"B"* and *"Sugar"* were adversely affected and *"Elle Girl"* was discontinued in September 2005. *"Psychologies Magazine"* was launched in September 2005 and Hachette Filipacchi UK acquired an Interior décor magazine – *"Real Home"* – and sold "TV Hits". Women's titles *"Elle"* and *"Red"* performed well in competition with the new launches in the sector and the "soap" magazines progressed, through promotional operations conducted in 2004. The advertising market declined sharply in the 2nd half of the year, in line with British consumption trends.

The strong economic growth in Russia and China continued to benefit HFM's subsidiaries which continued to develop in these countries, either by winning new cities for its Russian TV guides, or through variations of its international titles. *"Psychologies Magazine"* for example, was launched in Russia in November 2005 and the project was started up in China for launch early in 2006. Investments in promotion and editorial contents were also required to support HFM products in leading position in these countries, to accompany the strong growth in advertising. The reinforcing of support structures and activities (Finance, Distribution and Control), launched in 2005, will continue into 2006.

### *B.3. Newspapers and supplements*

Circulations of the regional dailies remained tense in 2005. Saturday sales, particularly, were affected by the arrival of TV bi-monthlies. Faced with this decline, in 2005 the accent was placed on developing newspaper home delivery services and the opening of additional sales outlets. Increased prices, however, allowed an increase in sales revenues from circulation, despite the impact of a strike in Corsica. Local advertising continued to grow, offsetting the decline at regional level.

The industrial plan was put into action in Marseilles with the dismantling of the 3rd rotary press and the reorganisation of the site, to prepare for the installation of the new rotary presses in 2006.

The free publication *"Marseilleplus"* continued to expand and the "Villeplus" network expanded with the arrival of *"Montpellierplus"*.

As far as weekly supplements are concerned, *"TV Hebdo"*, which maintained its level of sales and is preparing a new formula for 2006, is evolving in a profoundly changing market, given the competition of bi-monthlies. *"Version Femina"*, which was affected by a fall in investments from advertising buyers in beauty, food products and consumer product distribution, which was felt across the market, nonetheless increased its leadership in women's magazines and exceeded the 10 million readers mark.

***B.4. Other activities***

Restructuring operations continued in the Photo Agencies business segment, particularly with the liquidation of Katz (United Kingdom subsidiary). Sales, on a like-for-like basis, were up compared to 2004.

Licensing revenues continued to grow, particularly in Asia, despite difficulties in Europe.

***B.5. Outlook for 2006***

In a print media market that is undergoing transformation, the issues at stake in 2006 concern:

- the success and continuation of editorial investments in magazines, particularly through the consolidation of recent launches and the continued development of the networks (*"Elle"* and its variations, *"Marie Claire"*, *"Psychologies Magazine"*, etc.).
- the use of the Internet as a growth engine, with:
  - the increase in the digital distribution of HFM's magazines (already 30,000 subscriptions in the United States, and the possibility, in the near future, of sale per copy) that may replace, sometimes even completely, paper subscriptions (a conversion test for *"Elle Girl"* is scheduled in the United States),
  - the creation of traffic websites, conveying the brand values of the magazines (blogs, chat rooms, exchanges between readers, advice from the magazine, etc.) that generate advertising revenue.
- Regional Daily Newspapers, with the industrial investments in progress (replacement of the rotary presses at *"La Provence"*, creation of a printing shop in Corsica) and the search for partners for the launch of a free daily in Paris to complete the "Villeplus" network.

HFM's leading position and the robustness of its major brands will enable it to meet these challenges.

### 5_2_1_3 DISTRIBUTION SERVICES

#### A. Principal activities and main markets

Hachette Distribution Services (HDS) is the leading player in print media distribution in the world, with the largest international network of sales outlets for communication and cultural leisure products (4,000 stores) under international store signs (Relay, Virgin) or store signs with a strong local identity (Payot, Le Furet du Nord, Inmedio).

In 2005, HDS achieved consolidated sales of €3,773 million of which 63.6% were earned outside France.

HDS continued to develop its retail sales activity, testing new sales concepts and renewing numerous concession agreements in travel areas. HDS' subsidiaries signed new print media distribution contracts in Europe and in North America and Asia, confirming their unique expertise as a distributor specialised in communication products.

A few key figures:

- HDS has built up a unique network of 4,000 stores in 17 countries all over the world,
- HDS is the top-ranking player in print media distribution in Belgium, Canada, Spain, Hungary and the Czech Republic,
- HDS daily supplies over 50,000 retail stores in Europe and 180,000 in North America,
- 1,100 sales outlets trade under the Relay store sign in 15 countries, at the service of a million customers every day,
- Virgin Megastore is the third largest cultural and multimedia chain in France,
- Virginmega.fr recorded 5 million music downloads in 2005.

HDS has articulated development around two business lines: (1) retail sales, comprising sales outlets dedicated to travel areas and the sale of cultural leisure products, and (2) print media distribution to the sales outlets.

#### *A.1. Retail sales in travel areas*

World leader in retail sales dedicated to travellers, with companies such as Relais H, Newslink and Aelia, HDS has set up new sales outlets in airports and train stations in the 15 countries where its store signs are present. With Relay, HDS today runs the largest international network of press retail stores. Taking advantage of the new sales outlets opened in Germany, Canada, Spain, the Czech Republic and Romania, Relay offers an increasing number of customers a wide range of products to be purchased on the occasion of travel: newspapers, magazines, books, sweets, souvenirs, etc.

The variations of the brand, Relay Livres or Relay Services, complete the traditional offer of reading materials to keep ahead of customers' changing needs in several countries (Switzerland, Poland, Belgium, etc.) by providing travellers with a large number of products such as emergency groceries and other products, and convenience services.

In airports, in addition to the Relay outlets, which are present in around sixty international airports, and the Newslink stores in Australia and Singapore, HDS also has duty free sales operations and specialist store signs through Aelia, France's no. 1 company for retail sales in airports (based on sales figures for 2004). Aelia manages over 100 sales outlets in eleven French airports. In addition to franchise stores such as Virgin and Hermès, Aelia possesses a portfolio of its own store signs, such as Pure & Rare, Beauty Unlimited, French Days, The Gourmet Shop, Cosmopole, etc. Aelia also handles onboard sales of top of the range products on behalf of certain airlines including Air France, Royal Air Maroc and, since 2004, Swiss Airlines. Aelia has also won major contracts through calls for tender in the United Kingdom, in the airports of Belfast and Luton.

In train stations and airports, HDS also operates a large number of stores selling music, reading materials and small electronic devices, under the Virgin store sign (in France, Australia and the United States). Lastly, the "Découvrir" store signs, present in France, Spain, America and Australia, offer the tourist products that promote the culture and regional produce of their actual location.

Competition in the field of press retail outlets in travel areas is mainly local: Hudson News (who took over the business activities of WHSmith), Paradies and HMSHost in North America, Valora in Switzerland, Valora and Eckert in Germany, Areas in Spain, Ruch and Kolporter in Poland, etc.

The principal global players in duty free sales and specialist stores in travel areas are DFS (LVMH group), TNG (The Nuance group), World Duty Free (BAA group), Heinemann and Dufry, while the European market includes players such as Aelia, Aldeasa and Alpha.

### *A.2. Specialist sales of communication products*

HDS is the third largest player in the specialist distribution of communication products in France, after Fnac and France Loisirs (based on sales figures for 2004). HDS manages 35 multimedia cultural stores under the Virgin Megastore sign. The VirginMega.fr website is the second largest website for the legal purchase and download of music in France, after iTunes, and has now exceeded 600,000 pay-for downloads per month. VirginMega.fr holds a 30% market share as at the second half of 2005[1].

More than eleven million people visited stores in the Virgin Megastore chain in 2005 and enjoyed more than one hundred concerts or signing sessions which the chain organises regularly. In the course of the year, Virgin Megastore welcomed a large number of artists and authors, including Mary Higgins Clark, Charles Aznavour, Luc Besson, Ethan Hawke, Kio, and Muse.

In these convivial places for discovering and exchanging, 40% of customers come at least once a week; they are free to choose from a selection of 100,000 albums and singles, over 60,000 books and 15,000 films available on cassette or DVD.

The store signs "Le Furet du Nord" in the North of France, and "Payot Libraire" with 12 stores and over a third of the market for book sales in the French speaking part of Switzerland, are the benchmarks in their regions.

Virgin Megastore is extending its geographic reach through the development of a network of franchise stores, which now include 14 sales outlets in the Middle East (Kuwait, Lebanon, Egypt and the United Arab Emirates).

(1) Source: IFOP.

### *A.3. The world leader in national press distribution and press import-export*

Supplying the sales outlets with newspapers and magazines is a function that is indispensable in the commercialisation of the press; HDS operates this business in 15 countries, working on two levels:

- The world's leading distributor of national press, HDS is the largest distributor in the United States, in the French-speaking part of Switzerland, Spain and Hungary, and in Poland. In many countries, HDS supplies the networks of convenience stores: Lapker in Hungary (13,000 sales outlets, of which 1,000 are integrated) and SGEL in Spain (18,000 sales outlets). In North America, Curtis Circulation Company, the leading national magazine press distributor in North America, runs a network of independent wholesalers, and manages the sale of press titles to the major retail sale chains. Market share remained stable at close to 45%[1]. Competitors are local players such as TDS/WPS (Time Warner group), KABLE, and COMAG (Hearst/CondéNast). In Spain, SGEL, the leading national press distributor, holds over 20% of the market[2]. Its main rival, Logista, is similar in size. HDS has no significant competitors in Hungary, Belgium or Switzerland.
- HDS is also a leading enterprise in the segment of import-export of international press, with a presence in twelve countries (Belgium, Bulgaria, Canada, Spain, the United States, Hungary, the Czech Republic, Romania, Russia, Serbia-Montenegro, Slovakia and Switzerland).

### B. Operations in the course of 2005

Consolidated net sales in 2005: €3,773 million.

#### Distribution of sales by activity

| | 2005 |
|---|---|
| Retail | 62.7% |
| Distribution | 37.3% |
| **Total sales** | **100%** |

#### Geographic distribution of sales

| | 2005 |
|---|---|
| France | 36.4% |
| Europe | 55.9% |
| North America | 5.7% |
| Asia/Oceania | 2.0% |
| **Total sales** | **100%** |

In 2005, HDS consolidated its positions throughout the world and met the goals it had set itself: strengthen the business activities of its major store signs, develop new sales concepts, win new contracts and renew existing contracts for concessions in travel areas, and strengthen its positions in Asia/Oceania.

At end 2005, the retail sales and press distribution activities represented respectively 62.7% and 37.3% of HDS' consolidated sales, which once again expresses an increase in the relative share of retail operations (61.5% at the end of 2004).

(1) Source: in-house study.
(2) Source: in-house study.

The market environment in 2005 was marked by the continuing recovery of air traffic which began in 2004, and by the consequences of the collapse of Terminal 2 E at Roissy airport, for which the reopening date has been postponed till mid 2008. These factors are set against a background of increased security procedures in airports leading to the crowding of passengers in the terminals, which discourages customers from making purchases.

### *B.1. Retail sales dedicated to travel areas*

In France, Relais H achieved stability in its business activities through the good performance of non-press products (including foodstuffs, books and souvenirs) sustained by an innovative sales policy of product diversification, which offset the decline experienced in press and tobacco products.

In the rest of Europe, the trends were positive: business in Germany increased due to a rise in airport traffic; Spain made significant gains with contracts on the railway networks. The addition of the new terminal at Madrid Barajas airport, which is scheduled to open in the first quarter 2006, will act as a growth factor for 2006. Belgium also achieved sales growth, through the acquisition of new sales outlets. In Switzerland, a buoyant sales context and the Naville brand name provided the impetus to counteract a flat press market.

In Central Europe, HDS continued to enjoy strong growth, particularly in:

- Poland: 90 sales outlets opened in 2005 (360 in total),
- the Czech Republic: 11 openings and a plan to modernise existing sales outlets. At the end of 2005, HDS negotiated the acquisition of the 50% interest held by the Finnish group Rautakirja, bringing its holding to 100% of the subsidiary's capital from 1 January 2006,
- Hungary: development of the network trading under the "Relay" and "In Medio" store signs (276 sales outlets).

The recovery observed in 2004 in the retail business in North America continued in 2005. While it mainly benefited travel shops in airports, it was also evidenced in high street sales outlets.

In Australia, HDS had increased its investment in Newslink from 40% to 100% in 2004, and enjoyed a sharp increase in sales in 2005, particularly through the takeover of all of the WHSmith sales outlets in Australia and Hong Kong (five and ten sales outlets respectively) in the last quarter of 2005.

Aelia was able to achieve significant growth in 2005 partly due to the increase in air traffic at Paris airports, and partly through the recent development of Aelia in the United Kingdom, in Luton and Belfast airports.

Aelia was able to maintain its leadership in France for airport retail business, particularly by renewing the concession at Roissy 1 and by winning the call for tenders to operate duty free sales in Marseilles airport.

### *B.2. Specialist retail in communication products*

At the 33 Virgin stores (including four Music Railways) and the twelve Furet du Nord sales outlets, specialising in books, music, video and multimedia products, sales were stable in relation to 2004. In 2005, two sales outlets were opened, in Saint-Quentin-en-Yvelines, near Paris (under the Virgin store sign) and Roubaix in the North of France (under the Furet du Nord store sign), whereas the Megastore at Rosny, in the Paris region, ceased trading on June 30.

In 2005, the music market continued to decline noticeably, with a decrease of 11%, following decreases of 9% in 2004 and 13% in 2003, while books and stationery sales enjoyed remarkable increases in the Virgin stores. The re-assignment of floor space to the more buoyant segments kept sales practically stable.

From now on, the Virgin stores will focus on three flagship products: music (30% of sales), whose relative share decreased to the benefit of books (27% of sales), and video (23% of sales).

The Virgin brand also continued its development in travel areas, with a total of four sales outlets in train stations (three in France and one in Spain) as well as 20 sales outlets in airports: twelve in France, one in Spain, five in North America and two in Australia. The chain of Virgin Megastore took advantage of the sustained growth of franchise activities in the Middle East.

VirginMega.fr, the pay-for download music website which went online in 2004, recorded five million download sales. It now offers some 750,000 tracks and is positioned as the 2nd largest French legal online music service.

### *B.3. Press distribution*

In 2005, the Press Distribution business was marked by a slight decline across the board.

This trend was particularly noticeable in Spain, where 2004 had been an exceptionally good year (+14.2% compared to 2003). This slight fall can mainly be explained by the decrease in part-works, due to a smaller number of launches of new collections than in 2004 and to the lesser success of the new collections launched. Magazines, on the other hand, continued to grow at a satisfactory pace.

In Belgium, AMP distribution activities also saw a decline in sales: the growing distribution of telephone cards partially offset the erosion of press sales. Furthermore, AMP is planning to reorganise its press distribution operations to take into account the termination of the contract with the publisher Sanoma on 1 January 2006 (almost a quarter of the business).

Business levels also fell in Naville's distribution activities in Switzerland.

There was marked growth in Hungary in 2005, particularly due to a sharp increase in sales of non-press products (telephone cards and tobacco).

In the United States, consolidated sales declined. The gains in market share recorded in 2005 at Curtis did not fully offset the downward trend in newsstand sales of magazines.

### *B.4. Outlook for 2006*

HDS' prospects for business expansion in 2006 depend on how airport traffic levels evolve. The recovery observed has been weakened by the risks related to avian flu.

Nonetheless, in the course of 2006 and beyond, HDS intends to maintain steady growth in its core businesses, while at the same time entering new markets through internal growth or acquisitions, systematically seeking out geographic or operational complementarities with existing activities.

As far as retailing is concerned, goals will focus on consolidating activities in Asia/Oceania following the takeover of WHSmith, on continuing to consolidate operations under the Virgin brand in France, on developing specialist sales outlets (airports), particularly outside France, and on the adaptation of sales concepts in travel areas.

Hachette Distribution Services, which is reputed for its leadership positions in its business lines, its operational rigour, corporate culture of performance and international brands, has a number of assets in hand to meet its objectives.

## 5_2_1_4 LAGARDERE ACTIVE

### A. Principal activities and main markets

Lagardere Active comprises the Radio Broadcasting, Special Interest Television channels, Audiovisual Production and Distribution, Advertising Airtime Brokerage and New Media business activities of the Lagardère Group, as well as a 34% shareholding in CanalSat.

Over the past five years, Lagardere Active has been rationalising its portfolio of activities, strengthening its historic positions in each of its business lines and developing new sources of future growth to replace existing ones.

- In the field of radio broadcasting in France, Lagardere Active strengthened the positioning of each of its three networks and today proposes a commercial offer that is powerful and consistent across the board of target advertising buyers.
  Outside France, Lagardere Active Radio International (LARI) has withdrawn from the countries in which it was making losses or in which it had not attained critical size. Today, LARI is focusing on the countries in which it holds a leading position and where the prospects for growth are the most promising. For the past few years, LARI has been acquiring the minority shareholdings of the partners who have historically accompanied it in this business.
- In the field of special interest TV channels, Lagardere Active focussed on the domains in which it is leader: youth and music. In response to the arrival of large numbers of competitors over the past few years, it has developed its offer around the flagship brands Canal J (launch of TiJi in 2002 and Filles TV in 2004) and MCM (Mezzo acquired in 2001 and merged with Muzzik, MCM Belgique launched in 2002, MCM Top and MCM Pop in 2003). Lagardere Active also took advantage of its expertise in these fields to expand its operations in the new broadcasting media, in particular DTT, with the launches of the "free" channels Gulli and Europe 2 TV in 2005, and the broadcasting of Canal J as a pay channel since November 2005.

- Lagardere Active has always had a key presence in the production of prime-time drama. While reinforcing this historic business line, over the past five years it has also developed programmes for immediate broadcast and animation, and has today become a key partner of the terrestrial channels, proposing a full range of programmes for this broadcast medium.
- These past few years, Lagardere Active Publicité has deployed efforts towards becoming the leader in advertising airtime and space brokerage across multiple media: it has developed activities in the fields of the Internet and special interest TV channels, while at the same time maintaining its leading position in radio.
- In the field of new media, when the Internet bubble burst, Lagardere Active Broadband refocused on mobile phone services, in France and Germany. On the strength of this expertise, it also established a presence in the United States in mid 2004.

### A.1. *An extensive radio offer both in France and abroad*

In France, Lagardere Active is one of the major players in the radio broadcasting market, with three national networks:

- *Europe 1*, the Group's non-specialist radio station, remains faithful to its values of liberty, rigour and innovation. It broadcasts dynamic news and discussion programmes. A mainstream radio station, Europe 1 is available on the Europe1.fr website, on the radio stations included in the offerings of the principal cable and satellite operators, on mobile phones and, since October 2005, via podcasting. Every day, Europe 1 attracts an average 4.6 million listeners aged 13 and over, and is the leading private radio station for audiences in the higher socio-professional categories[1].
- *Europe 2 "My music from the 90s till tomorrow"* is a pop-rock music station with its roots in the 90s, which continues to express itself powerfully today. The music radio for the generation of 15 to 34 year olds, Europe 2 breathes a new impulse into the radio broadcasting landscape with a programme schedule that is a real alternative to "ready-made commercial music".
- *RFM "The best of the music from the 80s till today"* is a contemporary adult music radio station. The focus was chosen after in-depth studies and research into music programming, while at the same time maintaining a specific identity with Jean-Luc Reichmann's morning programme and Bruno Robles in the afternoon.

These radio broadcasting activities are subject to the European and French legislation and regulations governing the audiovisual and telecommunications industries.

Lagardere Active today holds 548 broadcasting authorisations granted by the French broadcasting regulatory authority (*Conseil Supérieur de l'Audiovisuel* – CSA), half of which are scheduled to be submitted to the CSA for renewal between 2006 and 2008.

Over 90% of these radio stations' revenues come from advertising sales, which depend on audience ratings and the advertising market. Given the cyclical, volatile nature of this market, and the fact that it is dependent on the economic environment, it is increasingly difficult to make forecasts several months ahead.

(1) Source: Médiamétrie Survey 126,000 radio, 13 + age group, Sept.-Oct 2005 and Nov-Dec 2005.

Outside France, Lagardere Active Radio International (LARI) makes full use of the radio broadcasting skills of the Division in seven countries (Eastern Europe, Germany and South Africa). Its 17 radio stations, musical for the most part, attract 30 million listeners each day. These activities, which enjoy strong, steady growth in terms of both sales and profitability, constitute a growth engine for Lagardere Active.

In almost all the countries it operates in, LARI is one of the leaders in the local private radio station market (no. 1 in the Czech Republic, Romania, the Saar region in Germany and South Africa, and no. 2 in Russia and Poland). In Russia, LARI operates Europa Plus which, with over 10 million daily listeners, is the second largest private radio station in the country in terms of audience(1). The Russian advertising market, expected to more than double in volume between 2004 and 2007(2), is among the most dynamic in the world. In Poland, LARI is the second largest private operator, with RadioZet, which reaches an audience of almost 8 million listeners each day(3).

Lastly, Lagardere Active has a presence in websites for the legal purchase and download of music via the subsidiary VirginMega.fr, co-owned with Hachette Distribution Services.

### *A.2. Leadership positions in television*

Lagardere Active broadcasts eleven special interest channels in three fields:

- Music, with an outstanding musical offering through six channels:
  - MCM, the generational channel for the 15-34 age group,
  - MCM TOP, 100% video clips of current hits, for the 15-24 age group,
  - MCM POP, 100% video clips of Pop hits from the 80s to today, for 25-34 year olds,
  - Mezzo, the classical music and jazz channel, in partnership with France Télévisions,
  - MCM Belgique, the leading Belgian music channel,
  - Europe 2 TV on Digital Terrestrial Television (DTT), broadcast free, launched in October 2005,
- Youth, with Canal J (for children aged 7 to 14), TiJi, (for the under sevens), Filles TV (for girls aged 11 to 17), and Gulli, since November 2005 on free DTT,
- Lifestyle, with La Chaîne Météo (weather).

This offer places Lagardere Active in leading position in France for music and youth channels(4).

Most of the revenues from these channels arise from the fees paid by the broadcasting operators, except for Gulli and Europe 2 TV, which are broadcast free on Digital Terrestrial Television, and whose sole revenues come from advertising. However, they also constitute essential elements of an integrated system designed to maximise points of contact and develop the loyalty of children, and of teenagers and adults.

Lagardere Active therefore seizes every opportunity, particularly in terms of technology, to reinforce its leadership positions in France on the themes of youth and music. Lagardere Active is also involved in developing DTT, with the broadcasting of the free channels Gulli and Europe 2 TV, and the pay channel Canal J.

(1) Source: TNS Gallup Media.
(2) Source: ZenithOptimedia study, July 2005.
(3) Source: SMG/KRC.
(4) Source: MédiaCabSat Survey, December 2004 – June 2005.

In the film and TV production and distribution business, Lagardere Active supplies all the terrestrial channels with programme archives (drama, documentaries, animation) and programmes for immediate broadcast (features, light entertainment, prime-time), through its subsidiary Europe Audiovisuel. In 2005, Lagardere Active remained the premier producer of prime-time drama in France[1] (in number of hours of programmes broadcast) and the second largest producer of programmes for immediate broadcast[2].

The revenue of these companies includes financing from the broadcasters or co-producers, along with funding from bodies such as the French national cinema board (CNC). The sales for a given production do not depend directly on audience ratings, which means there is less risk involved than in the production of films for viewing in cinemas, for example. Lagardere Active's reputation as a producer and the success of its products in terms of audience ratings (for example, *Julie Lescaut*, broadcast on TF1, *Nous ne sommes pas des anges* on Canal+, *C' dans l'air* on France 5) ensure long term partnerships with the major broadcasters.

### A.3. *A powerful commercial offer on multiple media*

In France, Lagardere Active Publicité is the leader in advertising airtime sales on multiple media (radio, television and the Internet):

- Number 1 in radio advertising sales, with a cumulative audience share of 34.6% in the 13 plus age group[3] : Europe 1, Europe 2, RFM, Les Indépendants (a network of 109 independent radio stations), Oui FM, Autoroute FM, Autoroute Info, 107.7 FM.
- Advertising sales leader in the special interest TV channels sector: the channels of Lagardere Active, the channels of the AB group, including RTL9, or a total of around twenty special interest channels.
- Advertising sales on the Internet: Club Internet, SeLoger.com, Le Guide du Routard, etc.
- Lastly, Lagardere Active Publicité made an entrance into advertising airtime sales on the terrestrial channels, with the marketing contract signed with Arte in 2005.

### A.4. *A major player for the content and production of mobile phone services*

Lagardere Active Broadband, which combines the Group's activities in the new media, is a major player in France and the rest of the world for the content, production and distribution of mobile phone services.

In France, the subsidiary Plurimedia is among the major players in this market, the leader for the most popular themes in mobile telephony (personalisation of mobile phones, horoscopes, chat rooms, weather, news, evenings out, etc.). On the strength of this expertise, Lagardere Active Broadband has a presence in the United States, where it has been developing contents specifically produced for mobile phones (ring-tones, images and videos) since late 2004. Through its subsidiary Legion, Lagardere Active Broadband is also present in Germany, the United Kingdom and Greece, where it supplies interactive mobile phone and vocal services to the major national media and has developed partnerships with the principal mobile phone operators.

(1) Source: Ecran Total N° 576, 14 September 2005.
(2) Source: Ecran Total N° 587, 30 November 2005.
(3) Source: Médiamétrie Survey 126,000 radio, 13 + age group, Sept.-Oct 2005 and Nov-Dec 2005.

**B. Operations in the course of 2005**

Consolidated net sales in 2005: €621 million.

### Distribution of sales by activity

| | 2005 |
|---|---|
| Television | 41% |
| Radio | 43% |
| New Media | 16% |
| **Total sales** | **100%** |

### Geographic distribution of sales

| | 2005 |
|---|---|
| France | 72.9 % |
| Outside France | 27.1 % |
| **Total sales** | **100 %** |

With a diversified portfolio of activities, in 2005 Lagardere Active made the most of the opportunities afforded by each of its markets both in France and in the rest of the world. The Division therefore achieved a satisfactory level of performance in all of its business activities, through a combination of its capacity to innovate, mastery of key skills in its various activities, commercial strength and rigorous management.

***B.1. Radio***

2005 was marked by the arrival of Jean-Pierre Elkabbach at the head of Europe 1, a new logo, a promotional campaign on television and a new motto, "Let's talk". Programmes have been refocused around current affairs, news and discussions, and the Europe1.fr website was re-launched during the summer of 2005. Podcasting was launched in October, and today is one of the most popular radio programmes downloaded from the *podcast* section of the iTunes website.

The judicious nature of these choices was confirmed with an audience share of 8.0%[1], an increase of 0.4 point, and listening time up by 10 minutes since September 2005.

Europe 2 was once again in the limelight, with a new identity created in September 2005, conveyed by a new logo revealing the radio station's values of passion and authenticity, sharing and strength, anchored in the musical spirit born of the 90s. Also in September 2005, Europe 2 launched *"On plaisante pas"* a morning programme hosted by Alexandre Pesle (Les Nuls, H, Caméra Café, Les Guignols) and his team. With an average of more than 2.8 million listeners aged 13 and over, on weekdays in the period from November-December 2005, Europe 2 showed stable performances compared to September 2005[2].

Since September 2005, RFM's morning programme has been hosted by Jean-Luc Reichmann. Bruno Robles, faithful to RFM for the past 3 years, now handles the late afternoon slot. This new schedule has allowed RFM to continue to increase its audience, which reached a daily average of 2.5 million listeners, with a daily listening time per listener of 106 minutes.

(1) Source: Médiamétrie Survey 126,000 radio, 13 + age group, Sept.-Oct 2005 and Nov-Dec 2005.
(2) Source: Médiamétrie Survey 126,000 radio, 13 + age group, Sept.-Oct 2005 and Nov-Dec 2005.

Lagardere Active has been strengthening the synergies between its music radio stations and music TV channels by creating a Music business segment whose teams have been physically united since September 2005.

In an advertising market that was tense in 2005 for traditional media, radio showed better overall resistance. It was adversely affected to a certain extent, like the other media, by the decline in the advertising investments of supermarket distribution, but, on the other hand, it benefited from the migration of sectors such as household cleaning products, toiletries and beauty care, and brands of drinks, which traditionally invest more in television.

Outside France, LARI continued to increase its audience in all seven countries it operates in. Its radio stations attracted over 14 million daily listeners in Russia[1], almost 8 million in Poland[2], 3 million in Romania[3], 2 million in Germany[4], the Czech Republic and South Africa, representing some 30 million listeners for all the countries where LARI operates[5], compared to 27 million the previous year.

LARI pursued its strategy to become the sole shareholder of its activities in Poland and acquired Radio Bonton in the Czech Republic. In Russia, LARI's historical presence allowed it to continue to extend its Europa Plus and Radio Retro networks; obtaining 18 new broadcasting licences, in a country where the advertising market experienced one of the strongest growth rates in the world[6].

### B.2. *Special interest TV channels*

In the field of special interest TV channels, 2005 was marked, in February, by the agreement between Lagardere Active Broadcast and Canal+ Group to unwind their cross shareholdings in multiThématiques and in Lagardère Thématiques. MultiThématiques, which, before this operation, was jointly held by Canal+ Group (70%) and Lagardere Active Broadcast (30%) is now 100% owned by Canal+ Group. The Lagardère Group now holds practically all of the capital of Lagardère Thématiques, which was jointly held by Lagardere Active Broadcast (via Lagardère Images) (51%) and by Canal+ Group (49%).

In October and November, Lagardere Active launched two new channels on free DTT: Europe 2 TV, a music channel, and Gulli, a youth channel, produced in partnership with France Télévisions. Europe 2 TV is an original music television channel with theme slots every day of the week. The target audience is young adults and in complement to the video clips and live performances, it broadcasts, among other things, series and mangas (Japanese animation). Gulli is a particularly innovative and ambitious project, as it is the first free channel entirely devoted to children. Canal J has also been broadcast on pay DTT since November 2005.

Following the discontinuation of Match TV, Lagardere Active now has eleven special interest channels. Excellent results were obtained in terms of audience[7], confirming the performance of the Group's channels, despite intensified competition:

- MCM is the number one music channel on cable and satellite for the 10th year running, number one special interest channel for 15-24 year-olds and for 15-34 year-olds. The MCM offer (MCM, MCM Pop and MCM Top)

(1) Source: TNS Gallup Media.
(2) Source: SMG/KRC.
(3) Source: IMAS.
(4) Source: AG.MA.
(5) Other sources: AC Nielsen, Szonda-GFK, Median + GFK Prague.
(6) Source: ZenithOptimedia study, July 2005.
(7) Source: MédiaCabSat Survey, December 2004 – June 2005.

represents a 3.2% share of audience in the 15-24 age group and is greater than the sum of the audience shares of all rival music channels in the 15-34 year old audience category.

- In an increasingly competitive environment, Canal J, TiJi and Filles TV together obtained a 12.5% share of the audience in the 4-14 age group and represent a 35% market share of special interest channels for young people. Canal J, which celebrated its 20th anniversary in 2005, is the fourth largest cable and satellite channel for all audiences taken together, with a 1.2% share of the audience in the 4+ age group.

### B.3. *Film and television production and distribution*

Through its activities in the field of film and television production and distribution, Lagardere Active is a major partner of the terrestrial channels for prime-time drama and programmes for immediate broadcast (features, light entertainment programmes, etc.) with approximately 850 hours of programmes produced in 2005 and 22 of the 100 best prime-time audience ratings in 2005, for all programmes taken together[(1)].

In the field of prime-time drama, for the 4th year running, Lagardere Active was the premier producer in 2005[(2)] with 114 hours of programmes broadcast over the 2004/2005 season. Europe Audiovisuel excels in the production of individual episodes and series of prestige drama, and the production of mini-series: *D'Artagnan et les trois mousquetaires* (produced by GMT Productions for TF1 with Emmanuelle Béart), *Dans la tête du tueur* (GMT Productions for TF1, winner of the Drama of the Year award at the Saint Tropez Festival, with Thierry Frémont, who won an Emmy Award, and Bernard Giraudeau).

To meet the expectations of viewers who endorse the programmes, Europe Audiovisuel is also a major producer of flagship series with a recurrent hero, such as *Julie Lescaut* and *Diane Femme Flic* (GMT Productions for TF1), which together achieved 11 of the 100 best audience ratings in 2005[(3)], *Joséphine ange gardien* (DEMD Productions for TF1) and *Père & Maire* (Aubes Productions for TF1).

Lagardere Active is also in a leading position in the field of programmes for immediate broadcast, particularly through Maximal Productions (*C' dans l'air*, daily on France 5), Angel Productions (*Nous ne sommes pas des anges* for Canal+ and *Sagas* for TF1), Léo Vision (*La grande course* for Canal+), Image et Cie (*Ripostes* for France 5), and DMLS TV (*Les 500 choristes ensemble, Podium, Le Top du rire* for TF1).

Furthermore, following a study on the setting up of an educational pan Arabic youth channel, the Qatar Foundation asked Lagardère Images International to accompany the post launch phase of this youth channel, which started up in September 2005.

### B.4. *New Media (Lagardere Active Broadband)*

In 2005, Lagardere Active Broadband continued to expand in the fields of the production and distribution of mobile phone services, in France and the rest of the world.

In 2005, Plurimedia became the second largest purchaser of magazine advertising space for mobile phone personalisation services in France. With over a hundred services designed for the three national operators, Pluri-

(1) Source: MédiaCabSat Survey, December 2004 – June 2005.
(2) Source: Mediamétrie/Médiamat on the 4+ age group.
(3) Source: Ecran Total N° 576, 14 September 2005.
(4) Source: Mediamétrie/Médiamat on the 4+ age group.

media is now among the top three producers of editorial contents for downloading (logos and ring tones) and took advantage of the growth of Mobile Internet (Wap and i-mode).

At the end of 2004, in the United States, Lagardere Active Broadband launched BlingTones, the leading Rap/R&B label with contents (ring tones, images and videos) specially designed for mobile phones. BlingTones, as well as other 100% mobile theme labels launched in 2005 (Bario Mobile, for example, specialised in Latin American music) are today distributed by all the major American operators, enabling Lagardere Active Broadband, one year after the launch of its activities, to achieve a position among the principal players on the American mobile phone services market.

In Germany, Legion GmbH is the leading supplier of interactive and vocal mobile phone services for the media. In 2005, the company recorded almost 100 million surcharged calls and SMS, particularly with its principal customers (Pro7, Endemol and RTL).

In the United Kingdom, Lagardere Active Broadband sold its shareholding in Greenland, which it held 50/50 with the Daily Mail group. It is now focusing on Legion UK, a 100% held subsidiary, which will continue to develop mobile phone activities in the United Kingdom, particularly with Orange UK's ringbacktones and other developments in progress with the various mobile telephone operators in the United Kingdom.

In Greece, Plurimedia is developing a large number of interactive vocal services for Antenna, the premier Greek television channel, and is the largest producer of i-mode websites for Cosmote, the leading national mobile phone operator.

As regards the CD-Rom market, which is still in difficulty, Hachette Multimedia sold its CD-Rom distribution operations to the Emme group in 2005. The sales teams were combined and the two catalogues merged, thereby contributing to the consolidation of the sector.

### *B.5. Outlook*

In France, development of the radio business will depend on the advertising market, for which it is difficult to forecast the performance for 2006 at this time.

The issues at stake for the radio business in France are mainly related to the broadcasting networks:

- In application of the Law dated 9 July 2004 relative to electronic communications and audiovisual communication services, in the course of 2005, the French regulatory authority, CSA, conducted a public consultation with contradictory debate, known as "FM 2006", relative to the reorganisation of the hertzian frequency band and the drawing up of a new frequency grid for FM radio in France. Lagardere Active hopes that the final decisions to be taken by the CSA in 2006 will enable it to optimise its current coverage.
- Furthermore, in 2005, the CSA also launched a public consultation on digital radio, which will be followed by a call for applicants with a view to allocating frequencies. The advent of digital radio could open up the radio market and facilitate access to new entrants, against which Lagardere Active would have to compete. However, digital radio should also be an opportunity to reinforce both brands and contents, through a rationalised portfolio of stations and an optimised cost structure.

Outside France, LARI is in a good position to take advantage of the growth expected in the countries in which it operates. Furthermore, the company will continue to apply its strategy of rationalising its geographic locations to concentrate its resources in the countries where it may expect to further strengthen its leadership.

At the beginning of 2006, LARI finalised the acquisition of 100% interest in four radios that were principally held by the Warburg Pincus investment fund (two radio stations in Moscow: Radio 7 and Mélodia Moscow, and two in Saint Petersburg: Eldoradio and Mélodia Saint Petersburg). This acquisition enabled LARI to achieve a leadership position in radio in Moscow and in Russia*.

After its launch at the end of 2005, Digital Terrestrial Television will be the key event of 2006 as regards Lagardere Active's television activities. The company will endeavour to make the most of this opportunity to strengthen its leading positions in the fields of music and youth. At the same time, film and television production activities will continue to propose new products to the different channels, while drawing on the existing tried and tested formats which have shown their potential for success.

On 17 February 2006, the Lagardère Group announced a draft agreement with Vivendi Universal concerning the acquisition of a 20% shareholding in Canal+ France (see Chapter 9, section 9_1_1_1). This investment will allow Lagardère to become the 2nd largest shareholder in Canal+ France, after Vivendi Universal, which holds a 65% interest, and therefore ideally positioned to become the operator of the principal player in French television, in the event of a significant change in the ownership structure of Canal+ France.

As regards Lagardere Active Broadband, the main issues for 2006 consist in extending the penetration of its value added mobile phone services for the general public and for European and American mobile phone operators, in order to exceed the critical threshold that would allow operations to become profitable rapidly.

In the coming years, Lagardere Active will concentrate on capitalising on all of the relevant technological advances that would ensure the sustainability and strengthening of its current market positions. The digital media landscape is rapidly changing, creating numerous opportunities that Lagardere Active will endeavour to seize, by making use of its responsiveness and the expertise of its teams, and at the same time applying the rigorous analysis that is characteristic of a major group.

### *B.6. CanalSatellite (34% minority interest)*

CanalSat offers over 290 channels including 60 with exclusivity, making it the market leader especially in programmes for youth, the family and discovery. In 2005, CanalSat added 14 new channels to its range, including Sci-Fi, Fox Life, Nickelodeon, Gulli, and Discovery Real Time. This programme offer allowed CanalSat to increase its market share to 65% of new subscribers, including ADSL, bringing the total number of subscribers to almost 2.9 millions at the end of 2005.

Sales at CanalSat amounted to €1,030 million in 2005, an increase of 7% compared to the previous year. The fact that the company has been profitable for several years now gives it the means to achieve sustained growth, both in terms of programme contents and collective equipment and terminals.

* Source: TNS Gallup Media.

## 5_2_2 High Technologies

*The decisions taken at the end of 1999 by the French government, Lagardère SCA, DaimlerChrysler AG and the Spanish government (via the holding company SEPI), led to the merger of Aerospatiale Matra (ASM), DaimlerChrysler Aerospace AG (DASA) and Construcciones Aeronáuticas SA (CASA), in order to create a single company called EADS NV (EADS).*

*The organisation of the group was implemented in strict compliance with the founding principles of EADS. This is to say:*

- *Principle of parity*
  - *The structure of the controlling body: this principle of parity is expressed at the level of the French holding company, a limited partnership with shares called Sogeade. Sogeade is jointly owned (50-50) by Sogepa (belonging to the French government) and a company called Désirade wholly owned by Lagardère.*

    *The principle of parity is also expressed in the form of a Dutch "Contractual Partnership", which has been entrusted with the exercise of the voting rights of Sogeade, DaimlerChrysler and SEPI in the shareholders' meetings of EADS, in compliance with the shareholders' pact, and in which Sogeade and DaimlerChrysler have strictly identical interests.*
  - *At managerial level: on EADS' Board of Directors, Sogeade has four directors, appointed upon proposal by Lagardère. DaimlerChrysler appoints the same number of directors. The Board also has two independent members, one nominated by Sogeade and the other by DaimlerChrysler.*

    *In compliance with these principles, the General Meeting of EADS held on 11 May 2005 appointed the members of the Board of Directors for a five-year term of office.*

    *Although SEPI no longer has the right to designate a director, Sogeade and DaimlerChrysler proposed a Spanish director, who was appointed at the same General Meeting.*

    *EADS' Board of Directors, which is responsible for devising the group's strategy, continues to have two Chairmen, respectively Arnaud Lagardère and Manfred Bischoff, whose terms of office were renewed for a period of five years at the Board meeting of 11 May 2005.*

    *EADS' executive management is entrusted to two Chief Executive Officers on the same parity principle; Messrs Noël Forgeard and Thomas Enders were appointed to these positions by the Board of Directors on 25 June 2005, for a term of office of five years.*

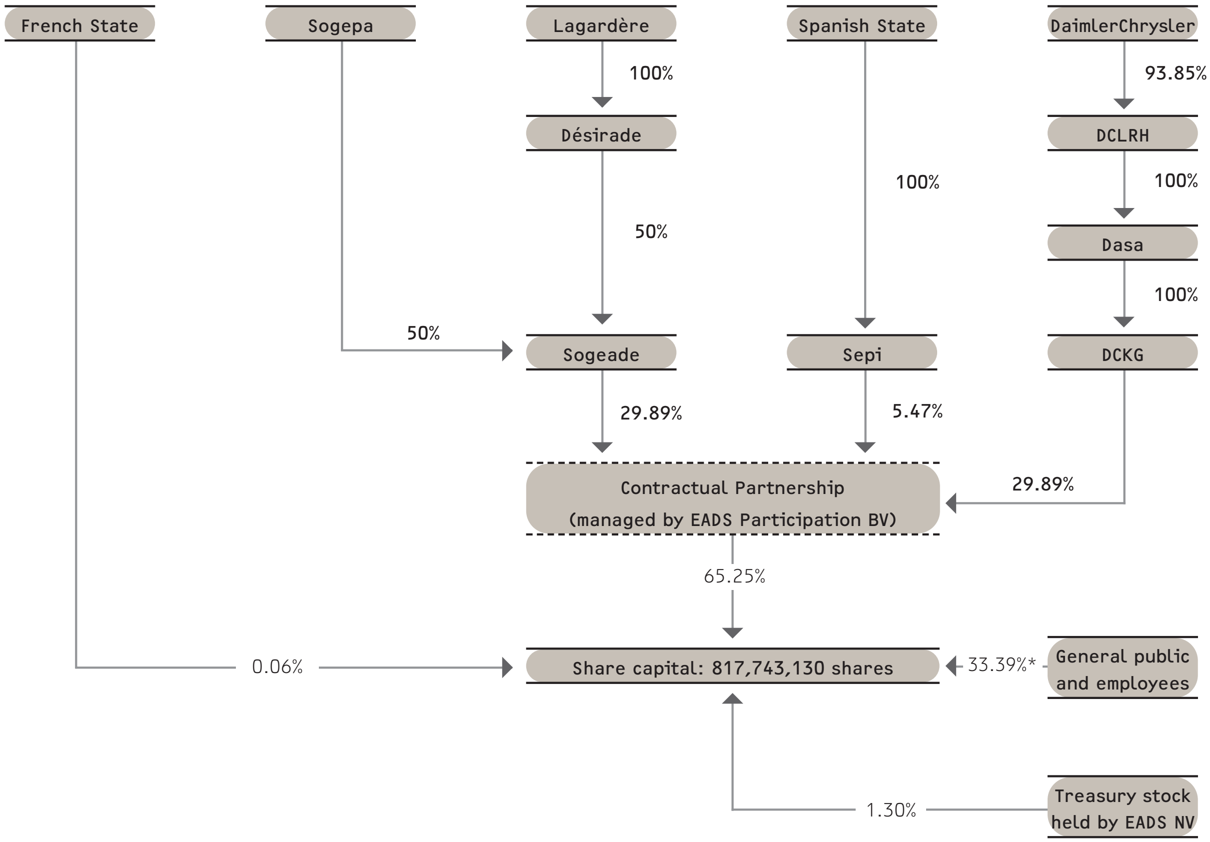
    *Decisions are taken by a qualified majority vote requiring the approval of both Sogeade and DaimlerChrysler.*

- *Principle of consistency*
  - *In compliance with the wishes expressed upon the founding of the company, EADS has only a single General Management (even though the function is performed by two CEOs), only a single Financial division, only a single Strategy division, etc.*
  - *The Executive Committee of the EADS group, which is jointly responsible for the executive management of the group along with the two CEOs, comprises eleven members.*

*Thus Lagardère has substantial rights at all levels in the controlling bodies of EADS, guaranteeing first-rate access to the management of the group. The structure therefore combines these tow principles: the principle of parity, providing protection of Lagardère's prerogatives, and the principle of consistency governing the workings of EADS and ensuring effective management.*

*Since 1 July 2003, the controlling shareholders of EADS NV within the Contractual Partnership may freely transfer their EADS shares on the market, subject to a pre-emptive right between Sogeade and DaimlerChrysler.*

**EADS NV share ownership structure at 31 December 2005**




* Employees: 2.25%.

| *(in millions of euros)* | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Contribution to consolidated net sales * | 4,486 | 4,339 | 4,510 | 4,795 | 5,112 |
| Contribution to consolidated operating income * | 104 | 63 | 232 | – | – |
| Contribution to consolidated recurring operating profit before associates * | – | – | – | 350 | 391 |
| Number of employees* | 15,358 | 15,665 | 16,409 | 16,707 | 16 921 |

* Based on Lagardère's percentage interest (14.95% in 2005).

### 5_2_2_1 PRINCIPAL ACTIVITIES OF THE GROUP AND MAIN MARKETS*

With total sales of €34.2 billion in 2005, EADS is the leading European aeronautics, space and defence group and the second largest in the world. In terms of market share, EADS is the world's leading manufacturer of commercial aircraft, civil helicopters, commercial launch vehicles and missile systems. It also holds leading positions in the field of military aircraft, satellites and electronic defence systems. In 2005, EADS achieved approximately 77% of sales in the civil sector and 23% in the military sector.

EADS comprises five major Divisions: (1) Airbus, (2) Military Transport Aircraft, (3) Eurocopter, (4) Defence and Security Systems and (5) Space. The former Aeronautics division, which comprised Eurocopter, ATR, EADS EFW, EADS Socata and EADS Sogerma, was dissolved in June 2005. Following this change in the group's structure, a new division, Eurocopter, was created. The ATR, EADS EFW, EADS Socata and EADS Sogerma Services operating units no longer belong to a division, but have been placed under the direct responsibility of Gustav Humbert (EFW and Sogerma) and Hans Peter Ring (ATR and Socata). With this new business organisation, EADS places the four above-mentioned operating units in the category "Other activities".

#### A. Airbus

Airbus, jointly owned by EADS (80%) and BAE Systems (20%), is one of the two leading suppliers of commercial airliners of more than 100 seats in the world, in a market that has operated as a duopoly since the withdrawal of Lockheed in 1986 and the acquisition of McDonnell Douglas by Boeing in 1997. Airbus and Boeing therefore share the market for passenger aircraft with more than 100 seats. Given the considerable entry barriers to this market, there is little likelihood that a new entrant would have the capacity to compete with one of the established suppliers in this market in the foreseeable future.

Since it was founded in 1970, up to the end of 2005, Airbus received 6,307 orders for aircraft from approximately 225 customers all over the world. In terms of aircraft worldwide deliveries, its market share grew from 15% in 1990 to 57% in 2005, which places it well ahead of its rival, Boeing, for the third year in a row. At 31 December 2005, orders booked (2,177 aircraft), estimated at catalogue prices, represented 80% of the total amount of orders received by EADS. Net of cancellations, the firm order book stood at 1,055 aircraft in 2005.

* Sources of rankings indicated are EADS' own internal sources.

Several factors contributed to the success of Airbus: the range of modern aircraft, continuous technological innovation, a stable pool of highly qualified staff and the concept of the "product family" of aircraft which enables customers to reduce costs in terms of the training of flight crews, maintenance and procurement for their fleet of Airbus aircraft of different sizes. In addition, the Management of EADS ('Management') believes that, with production and support facilities located around the world, the international presence of Airbus constitutes a competitive advantage in the global marketplace. The market for commercial passenger transport jets is largely dependent on the demand in air transport, which itself is essentially driven by economic growth, pricing practices and demographic growth. The air transport market, measured in passenger kilometres, grew steadily between 1967 and 2000, (except in 1991, owing to the Gulf War), at an average annual rate of 7.9% over the period. In 2004, Airbus forecast growth in air transport of 5.3% per year over the period from 2004 to 2023.

Airbus currently operates in each of the three principal segments: standard fuselage aircraft such as the A320 family, with 100 to 210 seats in two rows separated by a single aisle, mainly used for short and medium-haul; wide-bodied aircraft in the A300-A310 and A330-A340 families with more than 210 seats arranged in three rows separated by two aisles. The A300/A310 and A330/A340/A350 families are used for short and medium-haul, while the A330/A340/A350 family is capable of long-range operations. The large-capacity aircraft in the A380 family are designed to carry more than 400 passengers on long-range operations with no stop-overs, in optimum conditions of passenger comfort, with significant price per seat savings for the airlines. Freight transport aircraft constitute a fourth segment, often supplied by the conversion of former passenger airliners.

In 2005, the Airbus division of EADS achieved sales of €22.2 billion, representing 65% of total EADS revenues.

**B. Military transport aircraft**

The Military Transport Aircraft Division (**MTA Division**) manufactures and sells small and medium capacity military transport aircraft. It is in charge of project development for the A400M, the high capacity European military transport aircraft. State authorities and multinational organisations constitute the principal customers of the MTA division in the market for tactical military transport aircraft. This market comprises three segments: (1) light transport aircraft with a load capacity of one to four tonnes, (2) medium transport aircraft with a load capacity of five to 14 tonnes and (3) large transport aircraft with a load capacity of 15 tonnes and over. According to a market study conducted by Teal, an independent market research firm specialising in the aerospace and defence sector, the military transport aircraft market between 2004 and 2013 is expected to represent an estimated US$42.2 billion.

The division also manufactures and sells mission aircraft that are derived from existing aircraft and devoted to special missions such as marine surveillance, anti-submarine weaponry and in-flight re-fuelling. These military aircraft derivatives are generally aimed at the armed forces. According to a study carried out by Forecast International, the market for military aircraft derivatives is estimated at US$42.4 billion between 2004 and 2013. This market is characterised by leading edge technology and high value-added solutions. Customers are increasingly demanding in terms of the need for complete systems that are personalised to suit their individual operating requirements. Modern defence and combat situations increasingly require independent access to information in complex forms and in a variety of operational theatre situations. This phenomenon, along with Europe's as yet unmet defence requirements, is expected to stimulate short-term demand for military aircraft derivatives produced in Europe. The MTA division is strategically positioned in this market, since it has access to efficient platforms that are already well established in the civil market, through the intermediary of Airbus. This market is nonetheless currently dominated by American companies.

The MTA division also designs and manufactures aerostructure components. It achieved consolidated sales of €763 million in 2005, representing 2% of EADS total revenues. In 2003, a contract worth €19.7 billion was signed for the manufacture and delivery of A400M aircraft, which will contribute significantly to the future revenue growth of EADS.

**C. Eurocopter**

Eurocopter is one of the largest helicopter manufacturers in the world, producing an extensive range of civil and military helicopters. In 2005, Eurocopter won over 50% of the world market for commercial helicopters.

In 2002, the world helicopter market was estimated at over €7 billion, a figure which, according to Management, should reach €10 billion by 2010. 5,300 commercial helicopters and 5,100 military helicopters will be manufactured in the world between 2005 and 2014. These forecasts largely depend, particularly in the military segment, on the future evolution of the major American development programmes.

In the military segment, the chief competitors of Eurocopter are the four major global players in helicopter manufacture: Agusta-Westland in Europe and Bell Helicopter, Boeing and Sikorsky in the United States. In addition, a certain number of local manufacturers also compete in the respective national markets of these four manufacturers.

The helicopters sold in the commercial sector are used for the transport of corporate leaders, offshore oil operations, and for various applications in the commercial and para-public sectors, such as coast guards, police forces, medical emergency services and the fire service. Management expects commercial helicopter shipments to increase at an average rate of 3% over the next ten years. The market data indicates that world shipments of commercial turbine-powered helicopters remained stable at 580 aircraft in 2005.

In the commercial segment, the principal competitor of Eurocopter worldwide is the American company Bell Helicopter, a division of Textron Inc. The segment for commercial helicopters is relatively concentrated, as evidenced by the cumulative share of Eurocopter and Bell Helicopter which represented approximately 75% of total sales in commercial helicopters in 2005 (approximately distributed as follows: Eurocopter 52%, Bell 23%, Augusta 11% and Sikorsky 8%).

Management considers that Eurocopter currently offers the most complete and modern range of helicopters, covering more than 85% of the global civil and military markets. The product range comprises light single and twin-engine helicopters, medium and medium to large helicopters. The range of Eurocopter products is based on a series of new generation platforms, designed to suit both military and civil applications.

Through helicopter manufacturing and maintenance, and its aerostructures business, Eurocopter achieved consolidated sales of €3.2 billion, which is 9% of the total consolidated revenues of EADS.

**D. Space**

EADS is the third largest supplier of space systems in the world, behind Boeing and Lockheed Martin, and the leading European supplier of satellites, orbital infrastructures and launch vehicles. The Space division designs, develops and manufactures satellites, orbital infrastructures and launch vehicles, chiefly through its subsidiaries EADS Astrium and EADS SPACE Transportation (**EADS ST**), and supplies space services through its subsidiary EADS SPACE Services. The Space division also provides launch services via its shareholdings in Arianespace, Starsem and Eurockot, as well as satellite telecommunications and earth observation services through specialised companies such as Paradigm.

The manufacture of commercial telecommunication satellites is highly competitive, and customer decisions are based essentially on the criteria of price, technical competence and experience. EADS' chief competitors worldwide are Boeing, Lockheed Martin and Loral in the United States, along with Alcatel Space-AleniaSpazio (in France and Italy). EADS-Astrium holds approximately 15% to 20% of this market. While the telecommunication satellite segment is currently in decline owing to the consolidation of satellite operators, Management believes it may well recover gradually in various stages, under the effect of several factors: growing demand for telecommunications, including the Internet, multimedia and military applications and rising demand for the replacement of ageing fleets. EADS intends to remain a major player in this field to be in a position to take full advantage of the expected market recovery.

The commercial market for launch services is expected to remain limited, representing approximately 20 payloads per year on average, chiefly for geostationary telecommunication satellites. However, this figure is extremely sensitive to a variety of factors (advances in technology, consolidation of customer entities, etc.). This market does not include institutional launch services for American, Russian and Chinese government and military agencies. Over the past few years, the satellite market has seen the emergence of an increasingly large private clientele motivated by profitability considerations, favouring the emergence of launch service firms eager to compete in terms of prices and service quality. Among these new players, a number of entities were set up to offer space launchers derived from low cost military ballistic missiles, produced by companies in the former Soviet Union, associated with certain Western manufacturers' commercial capabilities. The presence of these entities greatly increases competition on the market for commercial launch vehicles.

In 2005, the Space division's contribution to EADS consolidated sales was €2.7 billion, representing 8% of the total.

**E. Defence and security systems**

The Defence and Security Systems Division (**DS** or the **DS Division**) was founded in 2003 to unite the defence and security operations of EADS. By combining missile systems (MBDA and EADS/LFK), defence and communication systems (DCS), defence electronics (DE), military aviation (MA) – including EADS' participation in the Eurofighter programme – and services in a single division, EADS has reinforced its defence operations to enhance its response to the requirements of its customers, who seek integrated solutions in the field of defence and security.

In terms of sales, MBDA, a subsidiary of EADS, has become the leading global supplier of tactical missile systems since 2004. Its military aircraft Operating Unit, which was transferred from the Aeronautics division to the DS division in 2003, is a major player in the Eurofighter consortium. EADS is the third largest supplier of defence electronics in Europe, and plays a major role in the market for secure and encrypted communications.

During its third full year of business, the DS division succeeded in significantly increasing its profitability, through the considerable progress achieved in terms of integration and transformation, by rationalising its activities and reinforcing its Large Systems Integration (LSI) capacities. Its portfolio of innovative products and integrated solutions – comprising electronics, missiles, communications platforms, systems and services – is designed to meet the growing, ever-evolving needs of the armed forces in the field of Homeland security. DS intends to continue to step up its LSI role as EADS' supplier of Systems and Solutions, by focusing on its core businesses, enabling both gains in productivity and new adaptations.

The DS division achieved consolidated sales of €5.6 billion in 2005, representing 17% of EADS' total revenues.

**F. Headquarters and other activities (not attached to any division)**

ATR is one of the world leaders in the market for turbo-prop regional aircraft with 40 to 70 seats. ATR Integrated is a consortium comprising EADS and Alenia in which these entities each have a 50% share. At 31 December 2005, the world market for turbo-prop aircraft with 40 to 70 seats still in production was dominated by two players: ATR and Bombardier. In 2005, ATR booked 80 orders for new aircraft, which is six times more than in 2004, and delivered 15 new aircraft.

EADS Socata manufactures a range of light aircraft designed for both civil aeronautics and for the public fleet. It also participates in the sub-contracting of aerostructures and in the production of materials and sections for major international aeronautics programmes, including, in particular, EADS' programmes.

In the fields of aircraft conversion and technical services, EADS groups together the activities of EADS Sogerma Services and Elbe Flugzeugwerke GmbH (**"EFW"**). The concentration of know-how within a highly-experienced team enables the aircraft conversion and technical services business activity to offer its services for a wide range of aircraft, including those built by EADS. Moreover, the transfer of qualified personnel is increasing within this activity, particularly in response to cyclical variations, which generates synergies. EADS can also draw on knowledge acquired in the maintenance of Airbus aircraft in order to improve initial quality, thereby reducing future maintenance costs.

## 5_2_2_2 OPERATIONS IN 2005

EADS N.V. comprises five major divisions: Airbus, Military Transport Aircraft, Eurocopter, Space, and Defence and Security Systems.

### EADS group (figures published by EADS)

| *(in millions of euros, except where otherwise indicated)* | 2004 | 2005 | Change |
|---|---|---|---|
| Revenues | 31,761 | 34,206 | + 8% |
| – including: Defence sector | 7,694 | 7,700 | +/- 0% |
| EBITDA (1) | 3,841 (3) | 4,365 | + 14% |
| EBIT (2) | 2,432 (3) | 2,852 | + 17% |
| Self-financed research and development | 2,126 | 2,075 | - 2% |
| Net income | 1,203 (3) (4) | 1,676 | + 39% |
| Earnings per share (in €) | 1.5 (3) (4) | 2.11 | + 0.61% |
| Free cash flow | 1,614 | 2,413 | + 50% |
| Free cash flow before customer financing | 1,802 | 2,239 | + 24% |
| Dividend per share (in €) | 0.50 | 0.65 (5) | + 30% |
| Order intake (6) | 44,117 | 92,551 | + 110% |
| Order backlog (6) | 184,288 | 253,235 | + 37% |
| – including: Defence sector | 49,075 | 52,363 | + 7% |
| Net cash position | 3,961 | 5,489 | + 39% |
| Number of employees | 110,662 | 113,210 | + 2% |

(1) Operating profit before interest, tax, depreciation, amortisation and exceptional items.
(2) Operating profit before goodwill impairment and exceptional items.
(3) Net income for 2004 has been restated to include a €12 million expense (EADS group) for stock purchase options, following first-time application of IFRS 2.
(4) EADS continues to use the term "Net income", which corresponds to "Net profit for the period attributable to equity holders of the parent" under IFRS. Revised application of IAS 32 required changes in the recognition of the put option granted to BAE Systems as a minority shareholder of Airbus. These changes contributed €289 million to net income (2004: €185 million) and € 0.36 to earnings per share (2004: € 0.23).
(5) Dividend to be approved at the General Meeting of Shareholders on 4 May 2006.
(6) Order intake of the Commercial Aircraft segment is included at list prices.

### A. Airbus

Airbus consolidated its leading position in the commercial aircraft market in 2005, achieving its best annual performance in terms of aircraft shipments, orders booked and profitability. EBIT soared to €2,307 million (€1,919 million in 2004). This considerable growth was essentially due to the increase in shipments (378 aircraft compared to 320 in 2004) and to the cost reduction programme "Route 06", which mitigated the less favourable euro-dollar exchange rate. Sales increased by 10% to €22,179 million (€20,224 million in 2004). Airbus' EBIT margin increased from 9.5% to 10.4%.

With 1,111 gross orders in 2005, Airbus achieved a record order intake in civil aeronautics, well ahead of its principal competitor for the fifth year running. These new orders can be partially explained by the rapid expansion of civil aviation in Asia, which represented 47% of Airbus' total order intake for 2005. There was also strong demand from the low cost airlines, since Airbus sold more than one out of three aircraft in this segment (36%) in 2005. Orders for single-aisle aircraft (918 aircraft) and the large capacity A330/A340/A350 aircraft (166 units) reached an unprecedented level on each of these segments. Orders for twenty A380 and seven A300 cargo aircraft completed the list. At the end of 2005, Airbus' order book amounted to €202 billion, based on list prices, representing an increase of 48% compared to end 2004. The order book for commercial aircraft to be delivered totalled 2,177 units (1,500 in 2004).

Certification of the A380 is in progress, with the first commercial deliveries scheduled for the end of 2006. To date, Airbus has already successfully accumulated 1,000 hours of test flights with four aircraft and has received a total of 159 firm orders from 16 different customers, including three new customers in 2005. Launched in October 2005, the A350 received 172 firm orders and commitments from 13 customers by the end of 2005.

**B. Military transport aircraft**

In 2005, EBIT of the Military Transport Aircraft (MTA) Division increased to €48 million (€26 million in 2004). This increase reflects the success of operations and the end of the restructuring process initiated the previous year. Sales decreased to €763 million (€1,304 million in 2004) owing to the shift to the first quarter of 2006, of a €539 million internal revenue recognition on the A400M programme. The following contractual stage was successfully completed on schedule, in February 2006. Orders from South Africa and Malaysia brought the total of firm sales up to 192 A400M. In addition, Chile expressed the intention to acquire up to three aircraft. The production phase is already under way and the construction of the final assembly line at Seville, in Spain, is in an advanced stage. In the segment for medium capacity transport aircraft, the MTA division booked 16 new orders for the CN-235 and C-295. This figure includes 12 units for Brazil, which also signed a contract for the upgrading of eight mission aircraft.

The division's order book grew by 5% to €21 billion (€19.9 billion in 2004). The AirTanker consortium, headed by MTA, was short listed in 2005 under the programme for strategic re-fuelling aircraft in the United Kingdom. In preparation for a similar call for tenders in the United States, EADS signed a partnership agreement with Northrop Grumman to supply the most modern re-fuelling aircraft in the world to the US Air Force. In addition, EADS joined forces with Raytheon for the tender on the military cargo aircraft FCA (Future Cargo Aircraft) in the United States.

**C. Eurocopter**

Eurocopter confirmed its leading position worldwide in civil and para-public helicopters, at the same time achieving growth in the military segment and stepping up its international presence. EBIT rose to €212 million (€201 million in 2004), while sales gained 15%, reaching €3,211 million (€2,786 million in 2004). This sales growth was mainly the result of the steep rise in helicopter deliveries (334 compared to 279 in 2004) and the first-time consolidation of Australian Aerospace. The slightly lower EBIT margin is explained by a less favourable product mix, the impact of exchange rate hedging and an increase in R&D expenditure.

In 2005, the division booked 401 new orders for helicopters (2004: 332), 71% of which came from outside the domestic European markets. There were three new customers for the NH90 multi-role helicopter: Belgium, New-Zealand and Spain. At the end of 2005, Eurocopter's order book totalled €10 billion (€9.1 billion in 2004).

The creation of Eurocopter España, the construction of a new industrial site at Albacete, in Castile, and the selection of the NH90 reinforced Spain's position as Eurocopter's third largest domestic market. The helicopter firm also registered high growth on the fast growing Asian market. Eurocopter and China signed agreements for the joint development of a new 6 to 7 tonne transport helicopter. In South Korea, a market traditionally dominated by the United States, the government chose Eurocopter and KAI to build the country's first military utility helicopter. In the United States, Eurocopter maintained its lead in the civil market. To increase its military activities in North America, Eurocopter joined forces with Sikorsky Aircraft to bid for the US Army LUH (Light Utility Helicopter) programme.

**D. Space**

The Space division achieved marked progress by improving its profitability and raising EBIT considerably, to €58 million (€9 million in 2004). This improvement reflects the growth in business operations in an economic climate that continued to be unfavourable and the positive incidence of operating cost reductions achieved through the now completed restructuring operations. Sales amounted to €2,698 million (€2,592 million in 2004). This increase, to which all of the division's operating units contributed, was driven by deliveries of telecommunications satellites and the increased pace of production of the Ariane 5 launcher, as well as the steep rise in sales generated by Paradigm services. Ariane 5 successfully completed five missions, two of which involved the new, heavier 10-tonne version. In 2005, EADS SPACE Transportation fulfilled its role as prime contractor for the Ariane 5 launch vehicle for the first time.

The major orders received by EADS Astrium included contracts signed with South Korea and the European Space Agency, respectively for a multi-mission geo-stationary satellite and an Earth observation programme. Germany short listed EADS for a defence satellite telecommunications system. The development of the European satellite navigation system Galileo was confirmed, with the signing of an agreement for the construction of the first four satellites. The Galileo contract was signed in January 2006, and will enhance EADS' space activities. At the end of 2005, the Space division's order book stood at €10.9 billion (€11.3 billion in 2004). The acquisition of The Netherlands' largest space company, Dutch Space, also expanded the business scope of the division, making EADS the only space company to encompass five nations.

**E. Defence and security systems**

The Defence and Security Systems (DS) division had a prosperous year in terms of deliveries and order intake, and at the same time stepped up its capabilities in high potential areas. Boosted by the missile programmes and Eurofighter combat aircraft, sales registered organic growth of 5% to reach €5,636 million (€5,385 million in 2004). EBIT fell to €201 million (€226 million in 2004), particularly due to the reversal of a provision for litigation in 2004 and expenditure allocated to the Drones business in 2005. However, this decline was almost entirely offset by enhanced operating performances.

The principal operations in the year concerned orders for Exocet missiles from India, and for the Taurus air-to-ground cruise missile from Spain, for the supply of self-protection electronics for Eurofighter and confirmation of the contract for border surveillance in Romania. EADS/LFK and MBDA were awarded a share of the contract for the design and development of the tri-national Medium Extended Air Defence System (MEADS). The order book grew by 7% to €18.5 billion at the end of 2005 (€17.3 billion at end 2004), and provides considerable prospects for sales growth in the years to come.

Adding capabilities in growth sectors, the division bought PMR (professional mobile radiocommunications) from Nokia, making EADS a world class player in secure telecommunications. EADS and ThyssenKrupp Technologies also jointly acquired a naval electronics company, Atlas Elektronik, which will strengthen the group's position in naval electronics and related systems in the future, without affecting EADS' 2005 results. Enhanced integration of the division's central functions will optimise efficiency by creating synergies and reducing costs.

**F. Headquarters and other activities (not attached to any division)**

EBIT for Other activities improved, thanks to a higher contribution from the 46.30% share in Dassault Aviation.

Other Activities (ATR, EADS EFW, EADS Socata and EADS Sogerma Services) recorded an operating loss of €171 million (€2 million in 2004), despite the positive contributions from ATR, EADS EFW and EADS Socata. EADS Sogerma Services' loss increased by €198 million compared to 2004, particularly owing to operating losses, asset impairment and restructuring costs. The aim is to achieve a turnaround as quickly as possible, in compliance with a restructuring plan to be drawn up in May 2006.

Economic growth and market demand for high-performance regional transport aircraft helped boost the market for turbo-prop aircraft. With 80 orders, ATR was leader in its segment on a worldwide level in 2005. At the end of the year, orders booked represented a total value of €707 million.

EADS EFW increased the number of commercial aircraft converted into cargo versions, from eight in 2004 to 14 in 2005. The Aerostructures business took advantage of the acceleration in Airbus production rates. The order book of EADS EFW totalled €384 million at the end of 2005, with the majority of orders comprising 43 conversions.

Other Activities generated sales of €1,155 million (€1,123 million in 2004). At the end of 2005, the overall order book for Other Activities had increased sharply compared to 2004 (€1.1 billion) to €2.1 billion.

## 5_2_2_3 STRATEGY: INTERNATIONALISATION, INNOVATION AND IMPROVEMENT

To maximise shareholder value and balance the product range, EADS' Management intends to place EADS in the position of leading global company in the Aeronautics and Defence industries. EADS has therefore defined four key elements of strategy to maintain sustainable growth and improve profitability:

- *Maintain competitive position in civil aviation in the long term*
  EADS intends to maintain its leading position in the civil aviation market, in terms of both product innovation and customer satisfaction, and develop international partnerships.
- *Develop strong growth engines in EADS' non-Airbus range*
  Faced with European governments' budgetary restrictions on equipment programmes and the scarcity of new programmes in Europe, EADS intends to pursue its growth strategy by adopting a global approach, with strategic acquisitions in key markets, and increasing efforts to offer new solutions by capitalising on the group's extensive know-how and product base.

- *Become a global industrial group*
  To ensure access to the growth potential in markets where the conventional commercial approach has reached its limits, EADS has devised a long-term industrial strategy and implements a policy of local industrial footholds in the major global markets.
- *Achieve the best levels of profitability in the sector*
  EADS intends to achieve its long term strategy goals, and at the same time achieve the best profit margins in each of the industrial sectors it operates in. The group's margin, calculated on the basis of EBIT, has already improved substantially since 2001 and EADS intends to sustain this improvement in the future.

To achieve these strategic objectives, EADS relies on the three guiding principles behind growth and profitability: internationalisation, innovation and improvement.

**A. Internationalisation**

EADS is a European industrial group, with over 55% of export sales achieved outside Europe. While EADS has established a decisive presence in several non-European markets, it will continue to invest efforts in increasing its global reach. These efforts are orchestrated at corporate level to take advantage of the established presence, cohesion and synergies between the group's operating units.

Following this approach, EADS seeks local industrial footholds in key markets, notably the United States, China, Russia, South Korea and India. In these markets, EADS intends to build a targeted industrial footprint to ensure long-term access to these markets, while taking advantage of their growth potential, technological skills and cost structures, natural exchange rate hedging, and the sharing of risks. EADS will also continue to keep pace with the changing global industrial and commercial environment – by concentrating not only on the key markets mentioned above, but also in other countries with substantial potential, such as Brazil, Turkey, Poland and Australia.

In the United States, EADS intends to achieve the status of a company respected for its corporate citizenship in the premier world market for defence and homeland security. To achieve this goal, the group applies a strategic approach based on four pillars: the creation of an industrial presence in the United States, the development of transatlantic relations with major American players in aeronautics and defence, the acquisition of small and medium-sized defence companies, and cooperation with the major American companies in the sector. In 2005, several key agreements were signed: MTAD joined forces with Raytheon for the Future Cargo Aircraft bid, with Northrop Grumman for the KC-30 re-fuelling aircraft (including the decision for a final assembly line in Alabama) and Eurocopter is cooperating with Sikorsky on the Light Utility Helicopter program.

China was a pioneer country for the establishing of EADS' long-term industrial strategy. Industrial cooperation has gradually been extended over the past few years. It was stepped up in 2005 with the signing of several strategic agreements with Chinese partners. Eurocopter signed an agreement with AVIC II for the joint development and production of a new helicopter. Airbus is proposing risk sharing, and the possibility of setting up the final assembly line for the Airbus single-aisle aircraft in China is under evaluation. The group has invested in long-term strategic partnerships in China, as part of the policy of maintaining EADS' leading positions in civil aviation.

In South Korea, following a long selection process, Eurocopter was chosen to develop a new 8-tonne military transport helicopter in cooperation with KAI. This project will serve as a platform for the commercial expansion of EADS in South Korea.

India has already asserted itself as a high potential market (229 orders for Airbus aircraft in 2005). The current challenge consists in capitalising on this success to expand business in Defence, which represents the largest share of the growth potential of the Indian market.

In Russia the market is experiencing promising economic development, and the Russian Space and Defence industry is gathering strength through restructuring and consolidation operations. With the acquisition of a 10% interest in Irkut in 2005, EADS is investing in a key player in the future Russian industrial landscape.

**B. Innovation**

Technological innovation is at the heart of EADS' strategy of strengthening its leadership position and achieving a place among the principal market suppliers of innovative solutions.

In both absolute value and as a percentage of revenues, EADS has continuously devoted a larger share of its own resources to research and development than its peers. In 2005, EADS invested €2.1 billion in self-financed R&D. Management firmly believes that this sustained investment in research and development is already paying off in procuring a significant competitive edge and a positive return on investments. The creation of value for the shareholder is based on this long term vision.

EADS has set itself ambitious goals in its approach to innovation. The systematic use of leading-edge digital tools in design and engineering constitutes the basis of the efforts invested towards developing platforms within a relatively short time frame. EADS intends to intensify the monitoring of key new technologies and accelerate its processes to keep ahead of its competitors.

The group also intends to focus on pinpointing disruptive innovations and on maintaining openness towards outside ideas. EADS is therefore determined to double the number of joint technology programmes in which it is involved in partnership with international academic and industrial institutions.

The new demands of the American and European armed forces, and of the public security agencies, combined with their budgetary constraints, have led customers to request the supply of complete systems and integrated service solutions. In response, EADS has set itself the target of improving the competitiveness of the solutions it offers, by enhancing its competencies in the integration of systems and its capacity to provide service solutions. More precisely, EADS is aiming for a leading position in the new growth areas of network operations surrounding the programmes developed in terms of long-range anti aircraft defence systems, C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) systems, drones and military space programs.

Complementary to these systems, EADS wishes to extend its expertise in terms of programme monitoring and control, by proposing service solutions. Drawing on the success of the Paradigm programme, EADS intends to develop its outsourcing services to the armed forces.

**C. Continuous improvement**

Transforming record orders of over €250 billion into profitability will depend on EADS' ability to improve its operating performances in terms of time, costs and quality, both in-house and at its principal suppliers.

Management has given priority to the design and conducting of programmes and projects for improvements throughout the group. Improvements in operating performance will require real time monitoring of the state of progress of operations and exchanges of information between EADS and its principal suppliers. These efforts will be sustained by integrated planning and execution of cooperation processes in a closed circuit, and of tools designed to assist decision making and enable instant responsiveness.

## 5_2_3 Other business activities

### 5_2_3_1 NOUVELLES MESSAGERIES DE LA PRESSE PARISIENNE

2005 was a year of transition between the 2000-2003 restructuring operations and the 2004-2007 plan which involves reorganisation along the major lines of the strategic plan adopted to preserve NMPP's role as leader in press distribution. The number of employees on permanent contracts continued to decline, to 1,267 people (- 2.3%) at the end of 2005.

In terms of business, sales at NMPP, expressed in external, retail prices, amounted to €2,886 million, a fall of 4.9%; this decrease affected daily newspapers, periodicals and non-press products. Results of operations, after paying the sum of €4.9 million to publishers, amounted to a loss again in 2005 despite the restructuring operations undertaken. Including financial income and State aid to support the distribution of daily general information and political information publications, there was a small surplus (+€0.5 million).

Among the most important subsidiaries, SPPS and SAD experienced the same trends (decline in sales) while AAP slightly improved sales and net profit.

### 5_2_3_2 MATRA MANUFACTURING & SERVICES (FORMERLY MATRA AUTOMOBILE)

Following the restructuring operations in 2003, MMS has focused on the distribution of spare parts for existing vehicles (Espace and Avantime).

The company employs 110 people, essentially at the Romorantin site, and met its targets, generating sales of €72 million (compared to €80 million in 2004), reflecting the gradual reduction in the number of vehicles concerned.

The high level of profitability was maintained in 2005, with operating profit of approximately €36 million, due to the disappearance of certain risks related to the manufacturer's warranty on vehicles built.

Actions accompanying the restructuring operations started in 2003 continued throughout 2005 and are now completed in the main part, with the exception of certain items of the re-industrialisation plan in the Romorantin region, launched in application of the law on social modernisation, which should be completed in 2006.

At the end of 2005, for the entire 1,500 job positions lost with the discontinuation of auto manufacturing activities, actions taken by the company had made it possible to find new job positions for approximately 98% of the people concerned.

The successful implementation of these operations and the disappearance of several risks (particularly with respect to certain suppliers) as well as the high level of cash lead to a non-operating result of €30 million, bringing net profit to €66 million, enabling the reconstitution of shareholders' equity.

Also in 2005 MMS initiated an industrial conversion strategy aimed at offsetting the gradual reduction in the spare parts business for Renault, in order to render the activity sustainable.

This strategy, based on the design, manufacture and distribution of light electric vehicles, was illustrated by the presentation at the "Mondial du 2 roues" trade fair in Paris, of bicycles with electric motors scheduled for commercialisation in the summer of 2006.

### 5_2_3_3 LE MONDE

The Lagardère Group acquired a share in the newspaper Le Monde SA on 27 October 2005 via a €25 million investment in cash, and also contributed all of the shares of the newspaper Midi Libre held by Quillet SA, a Lagardère subsidiary (these shares represented 9.52% of the shareholders' equity of Midi Libre and were valued at some €11.4 million).

The Lagardère Group's global share in the capital of Le Monde SA amounts to 17.27%.

Le Monde SA is the owner of the publishers of titles such as Le Monde, Télérama and Courrier International.

Control of the company continues to be exclusively in the hands of Le Monde & Partenaires Associés (itself controlled by in-house shareholders and in particular the Société des Rédacteurs du Monde), thereby ensuring the newspaper's continued editorial independence.

This investment shows the Lagardère Group's attachment to maintaining the pluralism of the French daily newspaper press.

A first return on this investment has already been recorded through the signing of a contract for support, management and commercial cooperation between the magazine advertising space brokers Publicat (Le Monde group) and Interdeco (Lagardère).

## 5_3 LABOUR, SOCIAL AND ENVIRONMENTAL INFORMATION – BUSINESS ETHICS

The key principle underlying Lagardère Media's organisation is that the divisions – Hachette Livre, Hachette Filipacchi Médias, Hachette Distribution Services and Lagardere Active (Lagardere Active Broadcast and Lagardere Active Broadband) and their subsidiaries – have the autonomy to define their own labour, social and environmental policies.

A cross-division Steering Committee was set up to formalise the Group's position regarding its labour, social and environmental responsibilities, and to coordinate the resulting reflections. This Steering Committee comprises representatives of the Group's Legal, Human Resources and Finance Divisions, and works in collaboration with the Operating Divisions.

- Concerning labour-related and social information, the Group set up a reporting system to gather data. The concrete initiatives (particularly in terms of labour relations) and statistical information presented in this document were drawn up on the basis of the data collected using this system.

  For 2005, out of a concern for continuous progress, the Group's objective was to extend the reporting system to include its entire World business activities and improve the range of selected indicators in order to obtain a greater level of detail and a greater degree of precision on certain subjects. For example, certain indicators were refined to provide a more exhaustive picture of the question of the equality of sexes at work.

  Some indicators were differentiated on a France and non-France basis to take account of national specificities and better capture the characteristics of each division and its subsidiaries. However, some indicators are difficult to consolidate on a scope wider than France alone, in the absence of agreed international definitions, or because these indicators are not subject to tracking in countries other than France.

  Entities sold in the course of the year and some entities with fewer than five employees did not take part in the reporting exercise. Furthermore, given the periodic difficulties encountered in deploying the reporting tool in certain newly acquired entities, the indicators presented below (with the exception of employee numbers data) cover approximately 92% of Lagardère Media's total workforce (100% for the Audiovisual Division, 95% for Hachette Distribution Services and Hachette Livre and 72% for the Print Media Division). The geographic coverage varies from 85% to 100% of the workforce, depending on the area.

- The work of the Steering Committee in 2004 focussed on identifying the principal environmental issues at stake for Lagardère Media, as well as a certain number of lines for improvement. In the first instance, efforts concerned key issues in terms of environmental impact, in particular the lifecycles of the Group's publications: books, magazines and daily newspapers.

  In this respect, although practically all of the manufacturing processes are outsourced, the divisions (particularly Book Publishing and Print Media) had already launched initiatives a number of years ago, with the aim of improving control and limiting the impact of their business activities on the environment.

  In 2005, the work of the Steering Committee, conducted in cooperation with the correspondents within the divisions, detailed in section 5_3_3 below, was devoted to the monitoring and improvement of actions implemented in favour of the environment and the launching of a certain number of new initiatives.

## 5_3_1 Labour information

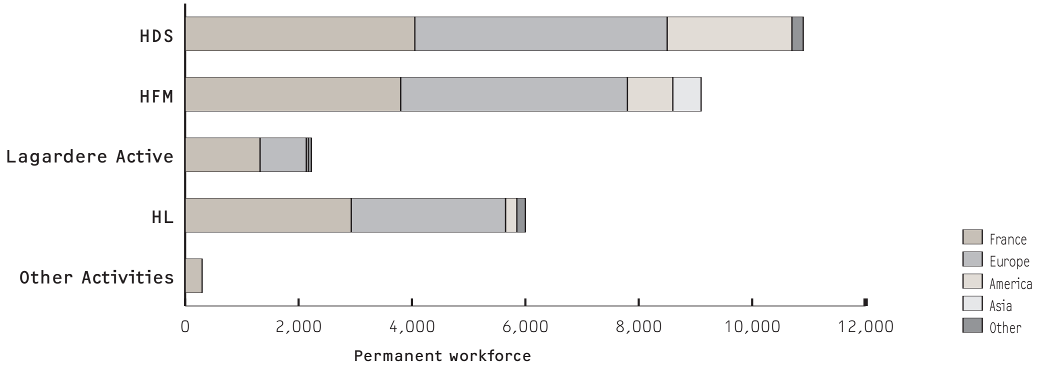
### 5_3_1_1 WORKFORCE

Business segments

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Lagardère Media | 27,521 | 26,949 | 26,239 | 30,786 | 30,863 |
| Other Activities | 253 | 198 | 361 | 340 | 461 |
| **Total** | **27,774** | **27,147** | **26,600** | **31,126** | **31,324** |

**A. Distribution by division and by geographic area**

Distribution of permanent workforce by division and by geographic area




The two divisions Distribution Services and Print Media account for 70% of the Group's permanent workforce, with respectively 39% of the workforce at Hachette Distribution Services and 31% at Hachette Filipacchi Médias. Hachette Livre accounts for 21% of the workforce. Lagardere Active, which comprises Lagardere Active Broadband and Lagardere Active Broadcast, represents only 8% of the workforce.

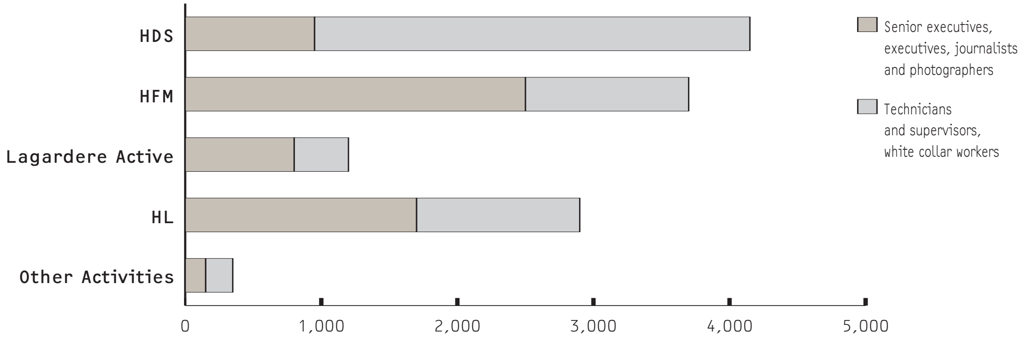
The Group's international presence is reflected in the workforce. In 2005, 57% of the permanent workforce was based outside France. The Group remains predominantly European, with 85% of the workforce in the Europe area (including France), 12% in America, 2% in Asia and 1% in the other regions (Australia, New Zealand, South Africa and Morocco).

Hachette Distribution Services is the most international division, with only 36% of its workforce in France, compared to 41% for Hachette Filipacchi Médias and 49% at Hachette Livre.

**B. Distribution by occupational group and by gender**

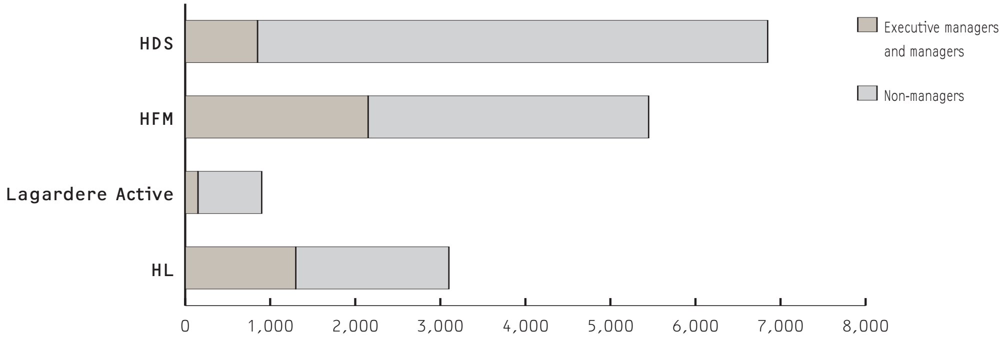
*By occupational group*

**France: distribution of executives/non executives in permanent workforce**




Almost half of employees in France are executives (*"cadres"*), journalists and photographers, reflecting the need for highly skilled people, given the nature of the business. However, there are considerable differences from one division to another. At Hachette Distribution Services, the proportion of executives is only 24%, whereas the proportion of white collars is the highest (62% of the workforce concerned), owing to the nature of the division's business. In contrast, executives, journalists and photographers represent 66% of the workforce at Hachette Filipacchi Médias.

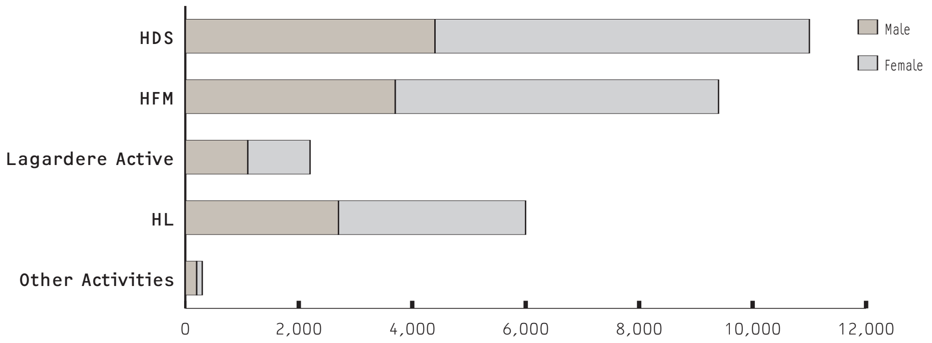
**Outside France: distribution of managers/non-managers in permanent workforce**



Outside France, the Group uses the classification of managers/non-managers rather than the executives/non-executives (*"cadres/non cadres"*) classification which is specific to France. This change of definition makes the proportion of managers seem lower, at 27% on average outside France. The same disparities between divisions exist as noted above for France.

*By gender*

**Distribution of permanent overall workforce by gender and by division**




Overall, the Group employs slightly more women than men. Women represent more than half of the workforce in all the divisions except at Lagardere Active and in the activities known as Other Activities. They account for 54% of the permanent workforce in France and 59% outside France.

Women are also present at management level and in highly skilled positions: 50% of employees in the executive category are women, both in France and outside France. This proportion is as high as 59% at Hachette Livre in France and 57% at Hachette Filipacchi Médias abroad.

In the Group, more than one senior executive out of four is a woman. This proportion varies from 11% at Hachette Distribution Services to 38% at Hachette Livre.

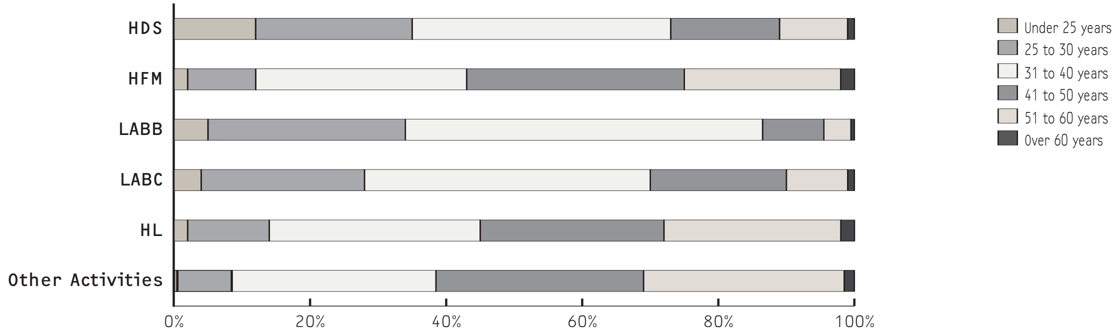
At Lagardere Active, for example, women occupy several key positions, and both the Chairman of Lagardere Active Publicité and the Head of the Youth business segment are women. In the Music business segment, there are several women on the executive committee, including in technical fields such as production and broadcasting management. The subsidiaries in Romania and Poland are also headed by women.

The Group's business is extremely open to female employment whether in retail sales at Hachette Distribution Services, in women's magazines at Hachette Filipacchi Médias, in publishing at Hachette Livre or in advertising sales at Lagardere Active.

### C. Distribution by age group and by seniority in France

*Distribution by age group*

France: distribution of permanent workforce by age group




In France, at Hachette Distribution Services and Lagardere Active Broadband, more than a third of the workforce is under 30.

At Hachette Distribution Services, unskilled positions in retail and distribution attract entry-level applicants. Furthermore, the contractual constraints of long hours in travel area retail shops requires work to be organised on the basis of part-time contracts, particularly for weekends, early morning and evening schedules.

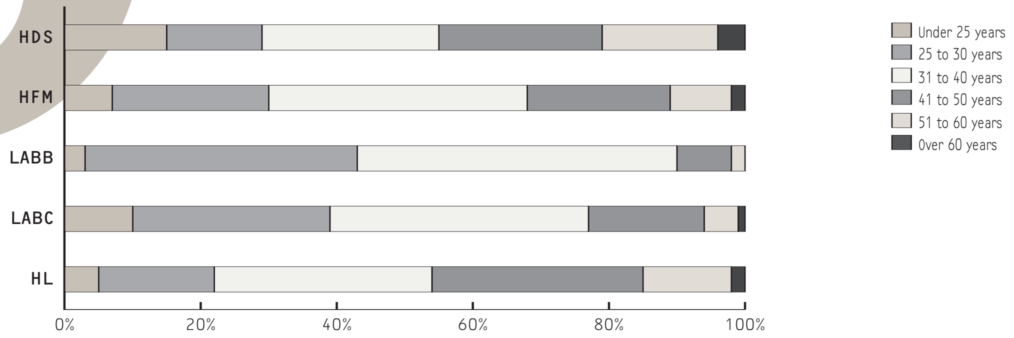
At Lagardere Active Broadband, the activities of recently created entities draw on information and communication technologies. These entities mainly attract young graduates who are highly qualified in these new skills domains. At Lagardere Active Broadcast, young graduates have a strong presence in Advertising brokerage, Special interest TV channels and FM Radio stations, where the recruitment policy focuses on these highly motivated, young candidates, who also correspond to their core business target. Technological changes in the media, particularly in radio and television, are increasingly leading the division's entities, like all other companies in this industry, to seek out new skills among younger people, who learn the latest skills as part of their study courses, and have assimilated the latest consumer products into their lifestyle.

In contrast, the more mature age groups are concentrated at Hachette Filipacchi Médias and Hachette Livre.

The relatively small proportion of young journalists at Hachette Filipacchi Médias is a reflection of the career path of this occupational group, who rarely occupy stable positions before the age of thirty. These employees tend to do freelance work at the beginning of their careers, for various publications.

Hachette Livre's publishing business capitalises on experience and on networks of contacts. Career paths in publishing are therefore generally long-term and experience in the business is a major advantage, particularly in the editorial professions.

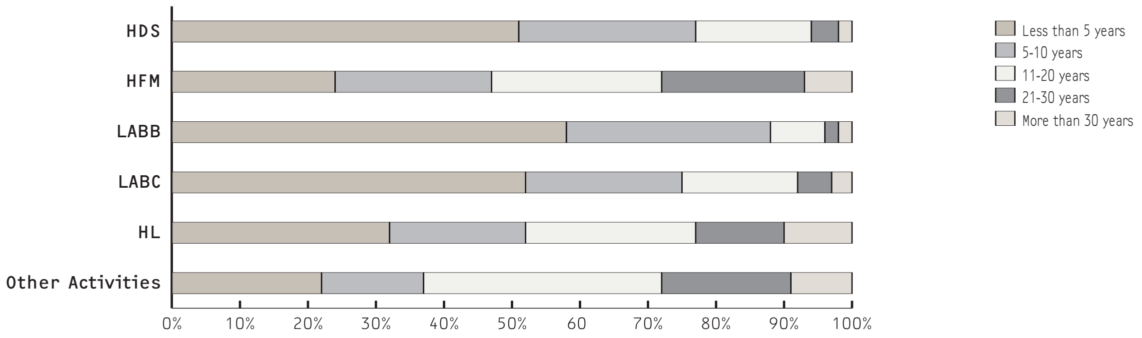
**Outside France: distribution of permanent workforce by age group**




Outside France, the workforce is younger overall, with employees under 30 accounting for 27% of the workforce, compared to 22% in France. The difference between France and the rest of the world is greater for the 31 to 40 age group, who represent 59% of the workforce abroad compared to 47% in France. This can be partially explained by the fact that the Group's presence outside France is relatively recent, and by the fact that the major part of Hachette Distribution Services' activities takes place outside France, involving younger groups of employees, as indicated above.

*Distribution by seniority*

**France: distribution of permanent workforce by seniority**




The data concerning seniority largely correlates to the data on age groups.

In France, 38% of the Group's employees have less than five years' seniority, a proportion that reaches 50% outside France. This category represents more than 50% of the workforce at Hachette Distribution Services and Lagardere Active (Lagardere Active Broadband and Lagardere Active Broadcast) in France.

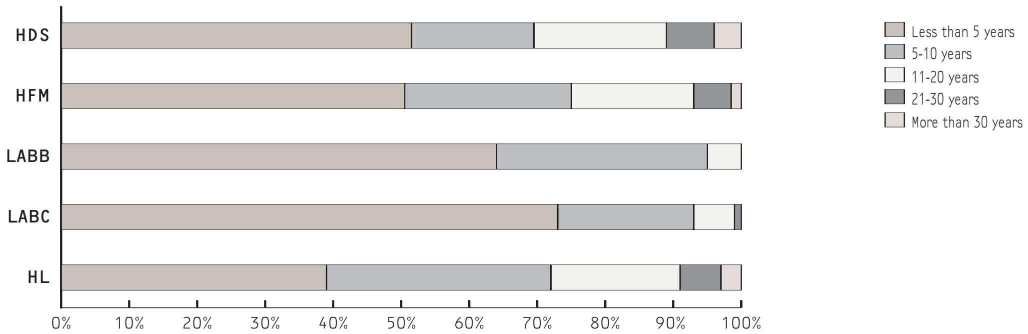
The Distribution Services Division faces a relatively high staff turnover – one of the characteristics of retail sales, where the managers of sales outlets, after 3 to 5 years in the position, are either promoted to positions with greater responsibility within the stores, or leave the business.

Lagardere Active operates in the highly competitive labour market of new technologies where there are several reasons behind the low level of seniority of employees:

- strong competition between employers in a business sector which is small, highly competitive and concentrated in the Paris area. This is the case of the sales forces of the Advertising brokerage companies.
- the development of Lagardere Active Broadcast's television activities, which has required the recruitment of new employees over the past five years.
- the need for companies in the media sector, over the past few years, to recruit staff conversant in the latest technologies (digital, multimedia, etc.).

On the other hand, at Hachette Filipacchi Médias and Hachette Livre, the majority of employees have more than 10 years' seniority, for the reasons mentioned above.

**Outside France: distribution of permanent workforce by seniority**




Outside France, growth in international activities over the past few years has led to recruitment. The majority of the staff hired is from relatively young age groups, who are better trained, particularly in terms of managerial and linguistic skills, enabling them to work in these international structures.

### D. Temporary work contracts

Almost 10% of the Group's workforce is employed through temporary work contracts. The proportion is 6% in France.

Employees on temporary contracts at Hachette Distribution Services represent 12% of the total workforce. This type of contract is mainly used in the sales outlets, to provide staffing during holiday periods, training leave or other requirements of the managers.

In the other divisions, temporary contracts may compensate for absenteeism (sick leave and maternity leave, in the main) and seasonal peaks in business. At Hachette Livre, for example, the use of temporary contracts mainly corresponds to peak business periods in terms of order preparation: the publication of new works in literature is generally scheduled from September to November, the Christmas season represents another peak, and school textbook orders are processed from May to September.

At Lagardere Active Broadcast, employment is governed by French Labour legislation applicable to Film and television production and Radio broadcasting activities. Within this framework, companies in certain sectors of the audiovisual business are permitted to utilise temporary 'custom' work contracts ('CDU'), for the duration of a radio season, for instance. Lagardere Active Broadcast, who employs seasonal entertainment workers with a special status, known as *"intermittents du spectacle"*, takes particular care to make sure it complies with the labour regulations pertaining to this type of status, particularly the contractual aspects.

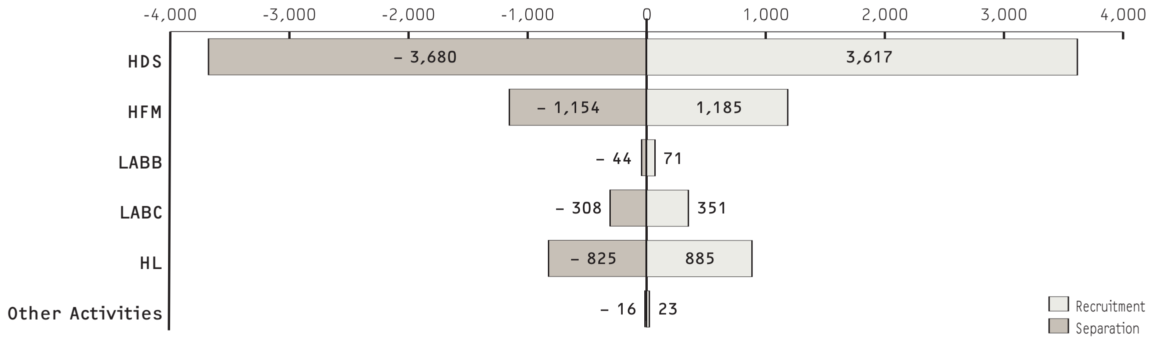
## 5_3_1_2 OCCUPATIONS AND EMPLOYMENT

### A. Applicants

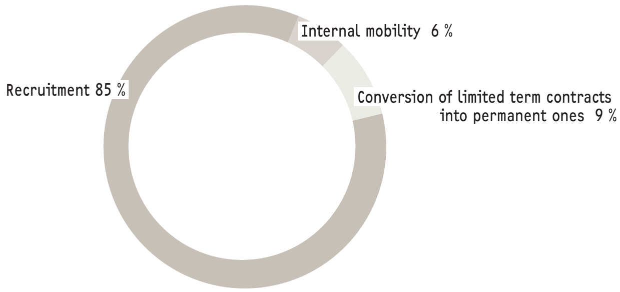
In 2005 more than 150,000 job applications were received, illustrating the strong attraction the Group exerts on the employment market. This can be explained by the great diversity of the Group's activities and business lines and by the reputation of the Group's names and brands. Every year, Lagardère Media puts several hundred job offers online on its website, and a large part of these are also advertised on the Group's Intranet, providing employees with numerous possibilities for internal mobility.

### B. Recruitment and separation

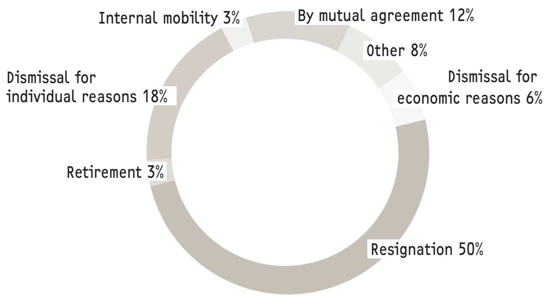
Recruitment and separation of overall permanent workforce by division



Typology of permanent staff recruited (as a %)




Typology of permanent staff separations (as a %)




Note: "Other" separations include various situations, such as when the employee leaves at the end of a trial period, or due to invalidity or death.

In 2005, the rates of staff recruitments and separations were practically equal, since they both represented 21% of the workforce. The largest changes occurred at Hachette Distribution Services, where the turnover was as high as 30%, owing to the specific nature of retail sales activities (see above). This staff turnover rate is approximately 15% in the other divisions.

The Group recruited 3,400 women compared to 1,806 men on permanent work contracts in 2005, a trend that confirms the predominance of women in the workforce.

The Group strives to promote internal mobility – the modalities of which are specified in the Group's mobility charter – which favours the spread and assimilation of Lagardère's core values: respect for other people, team spirit, excellence, loyalty and independence. However, the specific nature of the different divisions, their business activity and dispersed geographic location do not facilitate internal mobility, with the exception of employees who have functional responsibilities. In 2005, the rate of internal mobility at Lagardère Media was 6%; for France alone, the rate was 16%.

The highest rate of internal mobility was at Hachette Filipacchi Médias, accounting for 17% of positions filled, which is a reflection of the mobility prospects for journalists due to the Group's diverse portfolio of publications. The creation of the Music business segment at Lagardere Active Broadcast (MCM, Mezzo and Europe 2 music TV channels and Europe 2 and RFM music radio stations) was an opportunity to develop cross-wise relations between the businesses and provide certain managers with the possibility of extending their responsibilities. The rate of internal mobility was 11% at Lagardere Active Broadcast.

### 5_3_1_3 EXTERNAL LABOUR

The number of employees from temporary staffing services agencies, expressed in full-time job equivalents, only represents 3% of the Group's total workforce. Although relatively low overall, the use of external labour is considerable in the Book Publishing and Distribution Services Divisions.

At Hachette Livre, employees from temporary staffing services agencies represent 6% in full-time job equivalents, particularly in France and in the Americas, where they are involved in preparing book orders during seasonal peaks in business. A certain number are offered permanent employment.

At Hachette Distribution Services, temporary staff are employed in some European print media distribution subsidiaries. In concessionary retail sales, particularly in airports, certain subsidiaries also make use of temporary staff.

### 5_3_1_4 WORK ORGANISATION

#### A. Working hours

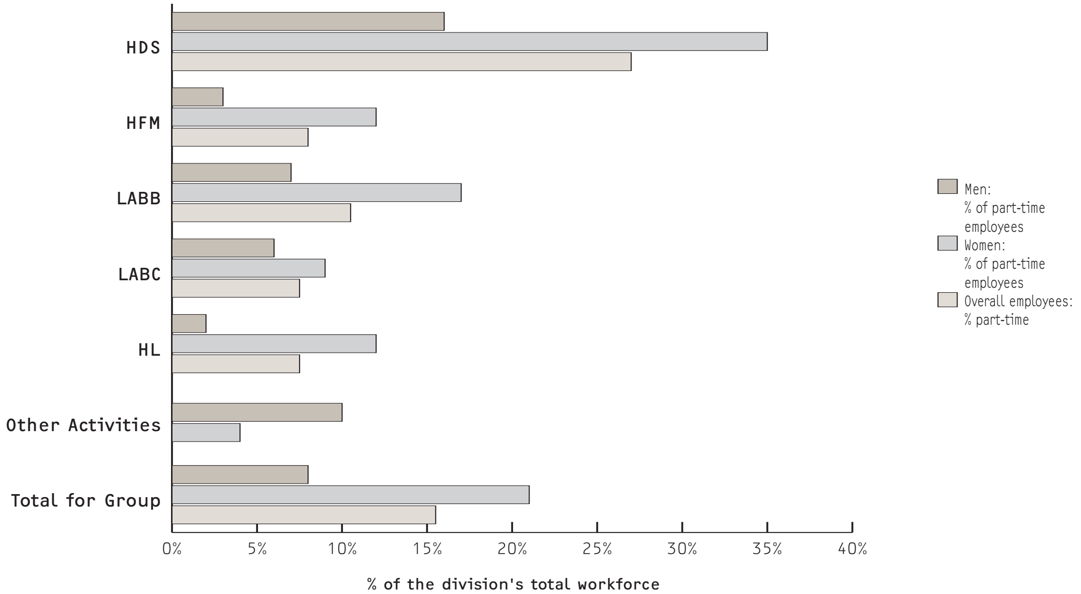
Working hours vary from one country to another, depending on labour legislation, collective agreements and contractual clauses. The statutory and/or contractual number of hours worked per week is 35 in France, and varies from 36 hours (certain companies in Spain) to 48 hours (the United Kingdom) in the rest of Europe. In North America, the number of hours worked weekly varies between 40 and 44 hours. In Asia, the average is 40 hours.

In all the countries in which they operate, Lagardère Media's subsidiaries respect the legal regulations regarding working hours under all circumstances.

#### B. Part time work

On average, 16% of Group employees working under permanent contracts occupy part time positions, and three quarters of these part time workers are women.

Percentage of part-time employees by division




At Hachette Distribution Services, a quarter of the workforce is part-time, whereas the figure is 10% at Lagardere Active Broadband, and approximately 7% within the other divisions.

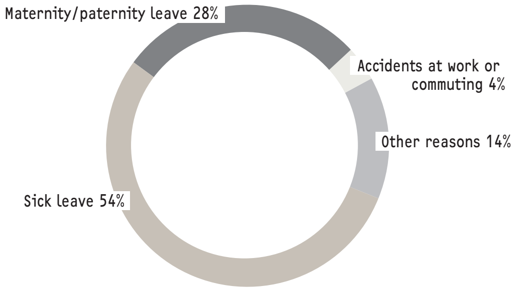
This rate varies according to the specific nature of the business. 70% of the Group's part-time employees work for Hachette Distribution Services. This situation can be explained by the fact that retail distribution subsidiaries employ high numbers of part-time staff owing to the extensive opening hours of the sales points (early opening and late closing), particularly in travel areas (train stations, airports, etc.) where opening hours are set in the franchise contracts. In the United States, positions available in retail distribution are often filled by students and people who simultaneously occupy several jobs in different companies.

Outside the specific retail sales context, the majority of conversions to part-time work are instigated at the request of the employee wishing to reconcile work and home life, and the Group's subsidiaries try to respond favourably. In 2005, practically all of the conversions to part-time work that took place within Lagardère Media were instigated at the initiative of the employee.

### C. Absenteeism

The average number of days' absence per person in 2005 was 14.5, for all reasons combined. This number varies, however, from one division to another and even from one subsidiary to another within divisions.

Distribution of days' paid leave for sickness, maternity, paternity, accidents at work or commuting (as a %)




In 2005, paid sick leave (54% of absences) and maternity or parental leave (28% of absences) constituted the vast majority of all paid leave.

### 5_3_1_5 SALARY POLICY

Given the diversity of geographic locations and the specific nature of each division's operations, the Group does not intend to implement a general salary policy. However, the common principles of conformity, competitiveness and equity in salary practices are applied by all of Lagardère Media's subsidiaries.

The salary policies implemented by subsidiaries are therefore deliberately competitive in relation to market practice and consistent with results.

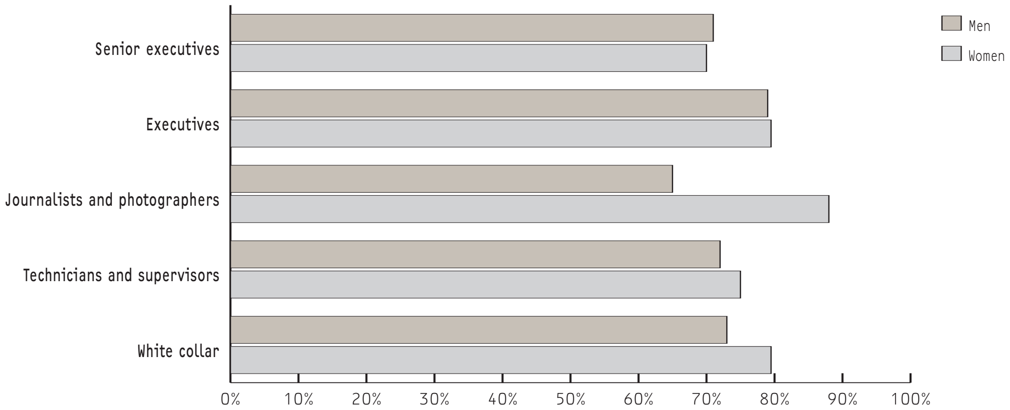
Salary practices are also attuned to the economic and labour conditions prevailing in each country, and, where relevant, to agreements with employee representative bodies of the business sector in terms of general pay increases.

To take into account the levels of skills, training and responsibility of employees, and the specific nature of the sectors they are working in, individualised pay rises are increasingly common. Individual performance levels are assessed on quantitative and qualitative criteria defined by the subsidiaries. Furthermore, in addition to basic salary, Group subsidiaries increasingly have recourse to individual performance incentives such as bonuses or a variable component of pay. These practices make it possible to link an employee's remuneration to the achieving of personal targets and collective objectives at the level of the subsidiary concerned.

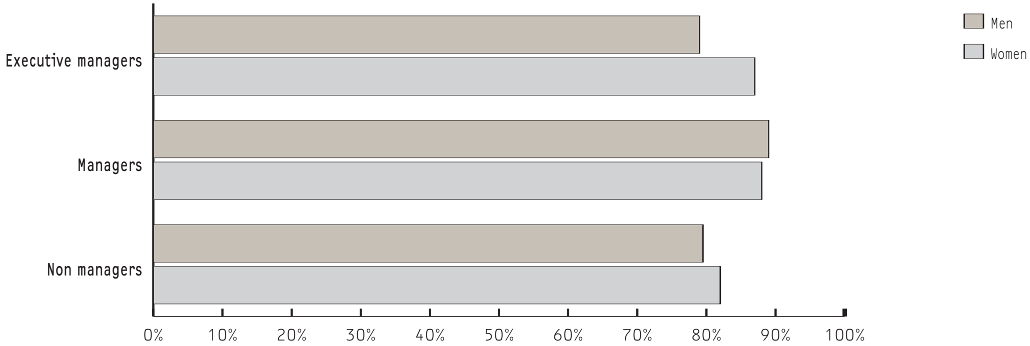
In 2005, 80% of the Group's workforce received a pay increase of some kind, either as part of a general pay rise or an individual increase.

As shown in the diagrams below, these salary increases were uniform across the different occupational groups, for both male and female employees.

France: Percentage of permanent workforce who received a pay rise




Outside France: Percentage of permanent workforce who received a pay rise




### A. Payroll

The average annual salary worldwide (including bonuses and variable remuneration) for all occupational groups taken together was approximately €36,600 in 2005.

The average annual salaries of executives, journalists and photographers in France and of managers abroad are relatively uniform at approximately €50,000.

The salaries of "white collar workers", "technicians and supervisors" and "non managers" range from €23,000 to €28,000 in France and from €18,000 to €26,500 abroad.

| Average salary (in euros) | Senior executives | Executives | Journalists and photographers | Technicians and supervisors | White collar |
|---|---|---|---|---|---|
| France | 159,067 | 48,087 | 51,094 | 28,148 | 22,977 |

| Average salary (in euros) | Executive managers | Managers | Non managers |
|---|---|---|---|
| America | 267,916 | 65,540 | 17,774 |
| Asia | 111,474 | 59,979 | 30,850 |
| Other | 95,326 | 34,223 | 26,633 |
| Europe | 111,556 | 42,533 | 26,427 |

These averages are given as an indication only, and should be interpreted with care. They correspond to a wide diversity of situations due to the very nature of the activities and geographic locations, with the cost of living varying greatly from country to country.

On average, the difference between the average annual salary of men and women in the same occupational group is between 10% and 30%, with a greater difference observed in the more highly skilled groups. These differences observed between average pay of men and women are due essentially to the relative disparities in the nature of the job positions and the responsibilities held, as well as differences in age, seniority and level of qualification between the two groups.

Lagardère Media is determined to encourage equal pay for women and men, under equal conditions of employment and qualification, and the salary grids implemented in some of the Group's subsidiaries are one means of achieving this equality.

**B. Minimum salary**

The national legislations in the countries where the Group operates do not all fix a minimum salary. This is the case, for example, in Hong Kong, Germany and Switzerland. Wherever the notion of legal minimum salary exists, Lagardère Media subsidiaries apply local regulations. In countries where there is no national legislation relative to the minimum salary, the salary is frequently determined by collective agreements and standard work contracts.

The existence of a minimum salary in Group companies is therefore most often the result of national legislation, a collective agreement or an agreement within the company.

Thus, in France, the existence of a minimum salary is the result of national legislation applicable to the entire workforce. In the rest of Europe, 80% of the workforce is employed in subsidiaries where a minimum salary is applicable (this rate is 58% in Asia). Although they have no defined common minimum salary, the American and Canadian subsidiaries respect the relevant regulations which vary depending on the State and the Province.

In certain countries, where the notion of minimum salary may sometimes be purely symbolic, or there is no minimum salary, salary practices are defined according to the salaries practiced on the local labour market.

**C. Salary ranges for each job position**

On average, 56% of the employees at Lagardère Media are employed in subsidiaries which have defined salary ranges for each job position. This proportion is between 40% and 73% outside France and reaches 65% in France.

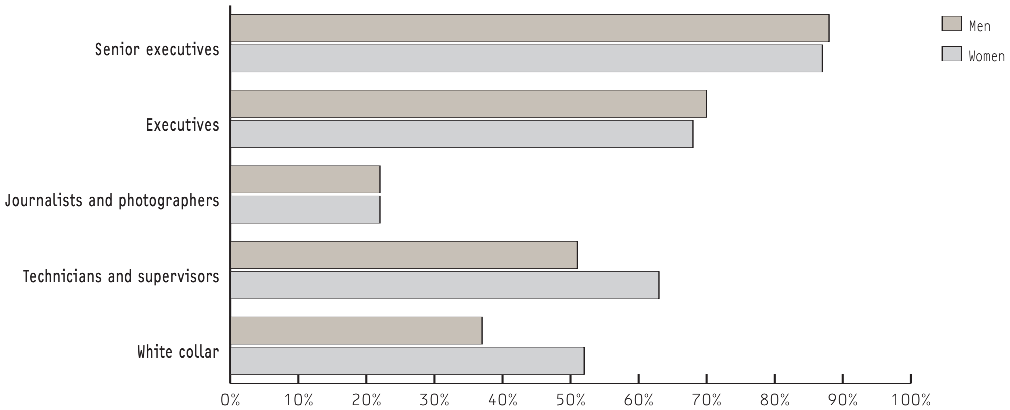
The situation is nonetheless contrasted from one division to another. For instance, salary ranges have been defined for almost 79% of the workforce of Hachette Distribution Services. The numbers of employees concerned at Lagardere Active Broadcast are also significant, with a proportion reaching 61%.

**D. Variable component of pay**

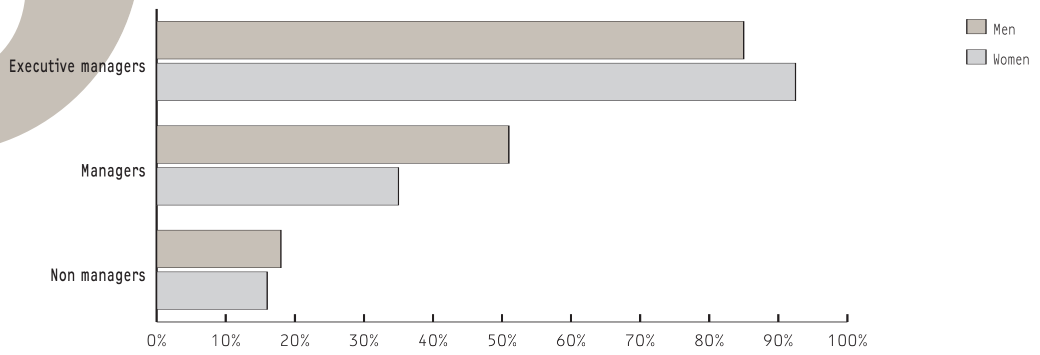
Within Lagardère Media, variable components of remuneration are used extensively as a means of complementing pay, particularly for staff in positions of responsibility and those working in editorial positions, marketing and sales.

In France, many of the Group's subsidiaries, particularly Hachette Livre and Hachette Distribution Services, have also decided to develop this type of complement for "non executives", the variable component being used in particular to reward the collective performance achievements of teams.

France: Percentage of permanent workforce with a variable component of pay



Outside France: Percentage of permanent workforce with a variable component of pay

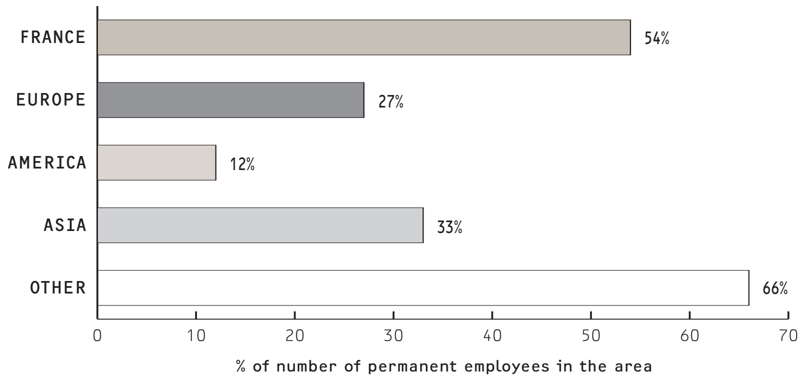



The average remuneration of 88% of the Group's senior executives or executive managers includes a variable component, primarily related to the achieving of performance targets.

Concerning the other employee groups involved in management and/or highly skilled, the situation differs somewhat between France and other countries. In France, the variable part of pay is used extensively for executives, since almost 70% of executives receive a variable payment in addition to their basic salary, while outside France, 43% of managers are entitled to this type of pay supplement.

In France, 45% of white collar workers and 59% of technicians and supervisors have a variable component added to their basic pay. Outside France, this practice is less widespread, and the proportion of non-managers concerned is 17%.

Percentage of permanent workforce receiving variable remuneration



The disparities between geographic areas can be explained by:

- local practices, as salary policies remain the prerogative of the divisions and of local management, and
- the much larger proportion of executives in France (50%) than the proportion of managers in the rest of the world (24%).

In France 54% of employees receive a variable component of pay, whereas this rate is 27% in Europe (excluding France), and 12% in North America.

**E. Profit sharing and employee investment**

An increasing number of the Group's subsidiaries are developing incentive schemes that allow employees to share in the financial results of their company, either in the form of remuneration linked to the achieving of targets, or in the form of a distribution of part of the company's profits through payments added to normal salaries.

However, the legal and tax regulations in force in the various countries where the Group operates have a strong influence on the development of such schemes. Group subsidiaries that have a system of remuneration linked to collective performance are mainly located in the following countries: France, Spain, Italy, the United Kingdom, Sweden and Poland.

In France, where the proportion of employees concerned is the highest within the Group, over and above the legal obligation on companies with more than 50 employees to distribute a share of profits to their personnel, many of the Group's subsidiaries, including small operations, have implemented profit-sharing agreements.

Employee savings schemes have been set up, mainly by the French entities in Lagardère Media.

The portion of Lagardère SCA's share capital held by Group employees at 31 December 2005 represents 2.41% of the shares issued by the Company, of which 0.95% is held through mutual funds.

**F. Stock options**

The allocation of stock options is a means of sharing Group profits with those employees who make a particularly positive contribution to the Group's performance. Criteria include level of responsibility, performance and results. It also develops the loyalty of employees considered vital in the long term, particularly junior executives with a high profile for professional development.

In 2005, 495 people were allocated options to purchase Lagardère SCA shares, and the total number of stock purchase options attributed was 1,683,844.

**G. Social welfare, retirement**

In France, Group employees are able to take advantage of complementary health and social welfare systems in addition to the general social security system, it being understood that the rules applying at subsidiary and division level are not all identical. The employer's participation in these schemes differs depending on the division and/or company in Lagardère Media, to enable better adaptation to specific situations.

In terms of complementary retirement pensions, some of Lagardère Media's companies have a pay-in retirement scheme for one or more specific categories of employees, in complement to the general retirement scheme.

## 5_3_1_6 WORK RELATIONS

### A. Employee representative bodies

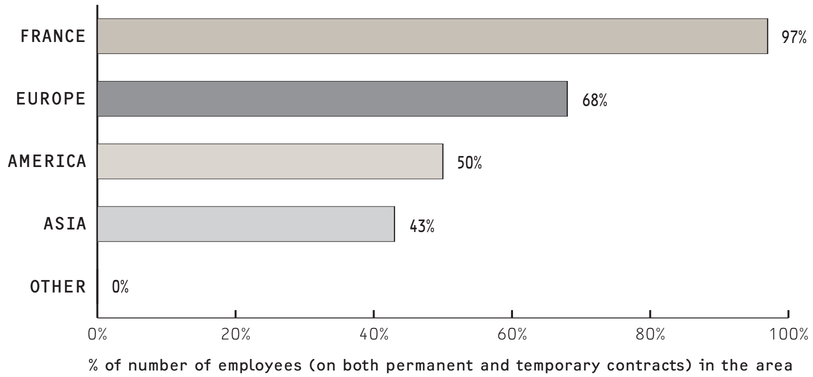
The Group Employees' Committee comprises 30 members representing Lagardère Group employees and five "observers" representing the EADS group (one for each nationwide union). It met twice in 2005, first of all with members of the *Bureau* only and Union Representatives, then in a plenary meeting of all members.

As regards the European Employees' Committee, which also comprises 30 members, its first meeting was held in June 2005. French representatives hold 15 seats and representatives from six other European countries share the remaining 15 (Spain, Belgium, Hungary, United Kingdom, Italy and Germany). Poland and the Czech Republic could also have been represented, but, as the companies of the Group situated in these countries do not have any employee representatives, no seats could be allocated to them.

The Group Employees' Committee and European Employees' Committee respective articles of association stipulate that each of these bodies must hold an annual meeting.

In addition to the plenary sessions, meetings of the members of the Bureau and the Union Representatives may be held if required by the current situation.

**Proportion of total workforce (on both permanent and temporary contracts) with employee representation**



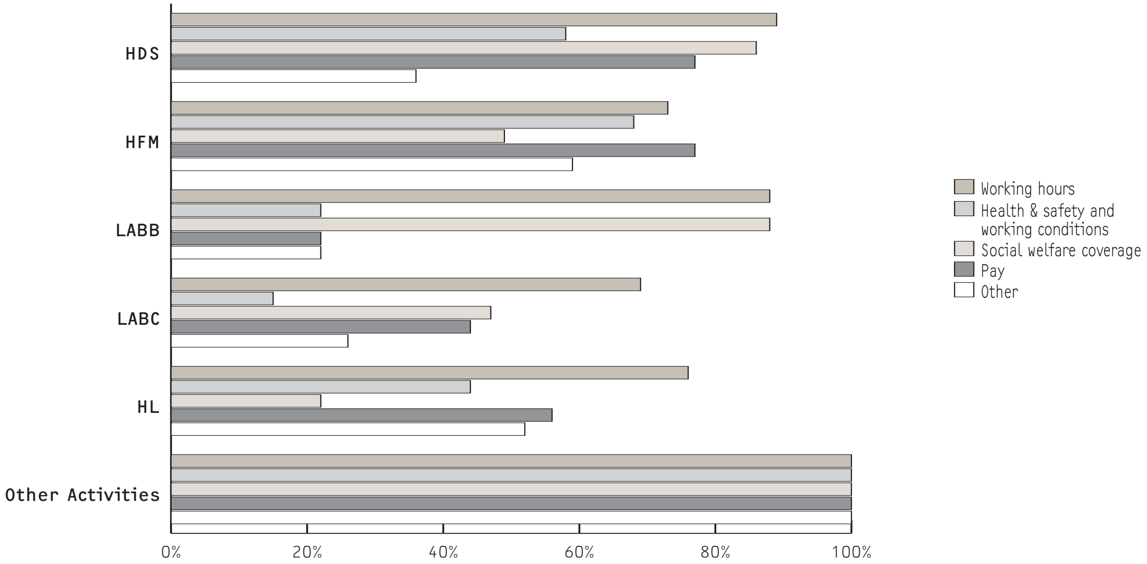

Employee representation concerns 76% of Lagardère Media's total workforce. In France, this rate is as high as 97%. The entities not covered correspond to very small structures with few employees.

68% of employees in Europe excluding France have employee representation. The lower rate of representation in America and Asia (50% and 43% respectively) can be explained by local practices and the labour legislation in force in these geographic areas, where dialogue between the workforce and management is not necessarily based on a collective process.

This dialogue between the workforce and management is an essential component of Group policy. 109 collective agreements were signed in 2005, including 91 in France and 16 in the rest of Europe.

These collective agreements generally concern a large number of subjects at the same time but pay, working hours and social welfare coverage are the themes most often discussed (see chart below).

**Proportion of employees (on both permanent and temporary contracts) covered by collective agreements, by subject**




**B. Representative bodies in the sphere of the media**

Lagardère Media has a presence in a large number of representative bodies in the sphere of the media, such as the Print Media and Book Publishing Unions, at both regional and national level. In this capacity, the Group plays an active part in negotiations between management structures and employee representative bodies.

## 5_3_1_7 SKILLS DEVELOPMENT

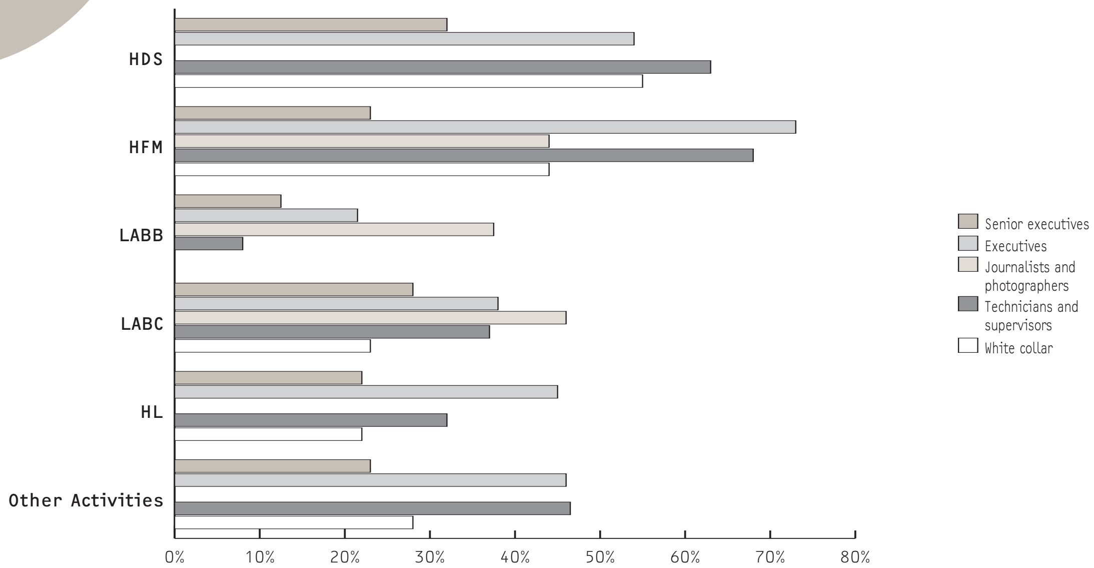
The indicators below mainly concern France. These indicators are not necessarily subject to regular tracking in all the countries the Group operates in and the local regulatory constraints on tracking and accounting are not necessarily the same as in France. The indicators related to countries outside France are given as an indication only.

The constant concern to harmonise and develop the individual and collective skills of its employees, and meet the demands of Group strategy, has led Lagardère Media to invest considerably in staff training.

The major technological changes occurring in the sphere of the media over the past few years have led the Group to devote considerable efforts to training employees on new tools, to allow them to keep abreast of these technological advances, both in terms of business lines (digitisation, multimedia, etc.) and support services (IT, finance, etc.).

Almost half of all employees in France attended a training course in 2005, for an average investment of €1,377 per employee trained. Abroad, almost a third of the workforce followed a training course.

**Proportion of the workforce in each occupational group in France who attended at least one training course**

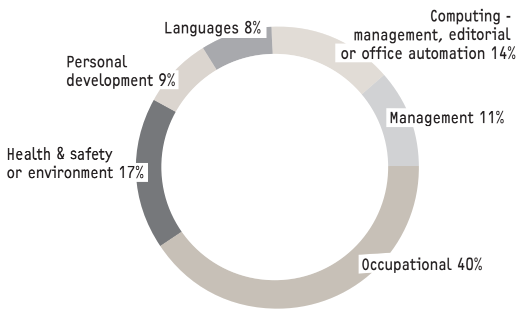



All the occupational groups in each of the divisions received training in 2005, as shown by the above chart for France: 46% of white collar workers, 48% of technicians and supervisors, 44% of journalists and photographers, 53% of executives and 25% of senior executives followed a training course.

Abroad, a quarter of non managers and almost half of managers followed at least one training course in 2005.

These training courses lasted on average from two to five days per employee, depending on the division and the geographic area.

Analysis of training courses by subject




Most of the training courses attended by employees are either directly related to their occupation (40% of training courses), or concern health & safety or computer skills.

In addition to developing staff operating and functional skills related to the various businesses, the Group is particularly attentive to the development of employees' management skills. Each division offers different cycles of management training.

The in-house university "Media Campus", through its three programmes (Leadership, Integration and Young Managers), fosters the development of the Group's key values. In 2005, 270 days of training were devoted to these programmes, intended, among other things, to convey the Group's corporate culture.

Lagardère Media welcomed over 2,200 trainees on industrial placements and 262 young people on alternate work/study contracts in 2005, mainly in the French subsidiaries. This placement policy is widely developed at Hachette Filipacchi Médias, Hachette Livre and, to a lesser degree, at Hachette Distribution Services. It is an excellent means of identifying future employment candidates and building a pool of potential new recruits. The Chief Editor at Europe 2 provides training to journalism students at the *Studio Ecole de France*, an activity which regularly leads to work placements or employment within the Group.

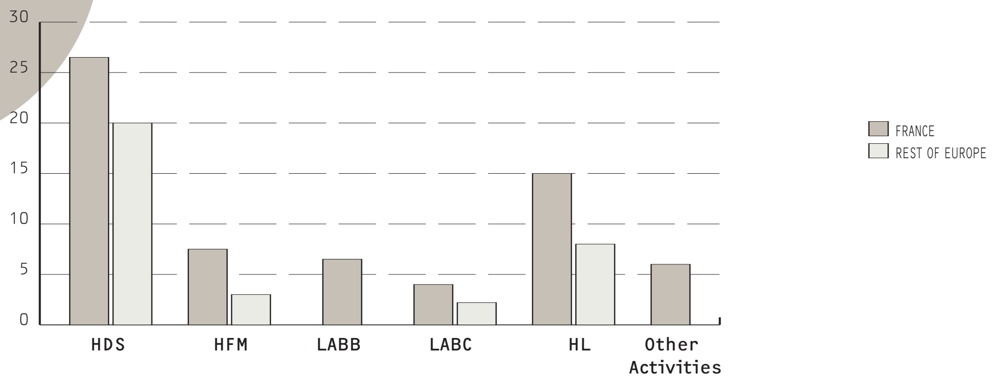
Europe 1 organises a bursary competition (the Lauga Bursary) each year, in May. The winner, a final year student from one of the journalism schools, is awarded a place on the editorial team of Europe 1 for three months, with a possibility of a permanent work contract afterwards.

## 5_3_1_8 HYGIENE AND SAFETY

The rate of frequency and the gravity of accidents at work* are the subject of rigorous monitoring within the different divisions. Continuous preventive actions are implemented and employees follow training courses adapted to the constraints of their activities, with a view to reducing the rate of frequency and the gravity of accidents at work.

* Rate of frequency = (number of accidents at work with stoppage x $10^6$): number of hours worked.
Rate of gravity = (number of days' stoppage x 1,000): number of hours worked.

Rate of frequency of accidents by division in France and in the rest of Europe




In France, the average rate of frequency of accidents at work within Lagardère Media in 2005 was in the order of 15, which is slightly lower than the rate observed in retail trade activities for France (*source:* CNAMTS). The rate of gravity was, on average, 0.5 for Lagardère Media.

These rates vary greatly, however, from one division to another. Hachette Distribution Services had a rate of frequency of 27 in 2005 and a rate of gravity of 0.8. Hachette Livre had a rate of frequency of 15 and a rate of gravity of 0.4, while at Hachette Filipacchi Médias these rates were respectively 8 and 0.4.

These disparities can quite easily be explained by the more dangerous nature of some of the divisions' business activities: at Hachette Distribution Services and Hachette Livre, the high level of materials handling generates a higher number of work accidents (small injuries such as cuts, etc.) than in the other divisions.

In the rest of Europe, the average rate of frequency of accidents at work was 11, with disparities between the different divisions similar to those observed in France.

Specific operations concerning issues relative to health and safety at work are conducted each year at the initiative of certain subsidiaries. In 2005, the Human Resources Division at Hachette Filipacchi Associés set up a working group entitled the "Health at work group", with the aim of preventing occupational risks encountered by people with restricted capacities confronted with difficulties at their workstations for health reasons. Solutions sought include the installation of ergonomic workstations, increased flexibility of working hours, functional assessments, or even the facilitation of employees' administrative tasks by coordinating the various institutions, from Social security medical advice to the social workers attached to municipalities, under the strictest medical and professional confidentiality. It also examines possible intervention in terms of individual and collective preventive health measures.

### 5_3_1_9 INTEGRATION OF HANDICAPPED EMPLOYEES

The statistics shown below have been drawn up by selecting the national definition of the notion of handicap in each country concerned.

Lagardère Media employs on average 10.5 handicapped people for every thousand employees, with the proportion reaching 14 per thousand in France.

Due to the specific characteristics of the businesses of the divisions, some are more or less suitable for providing job positions for handicapped people.

On a local level, several of the Group's subsidiaries are committed to promoting the integration of handicapped workers through agreements signed with local authorities. These programmes are accompanied by awareness raising and communication among staff.

Among Lagardère Media's French companies, fourteen are customers of a "support through work" centre *(Centre d'Aide par le Travail)*, whose services mainly involve the purchasing of office supplies, the packaging of various publications (e.g. film covering or jacket positioning), dispatch services and the upkeep of green areas.

Within the Print Media Division, Hachette Filipacchi et Associés took part in a career prospects open day for handicapped students. In cooperation with the representatives of the handicap sections of Bayard Presse and TF1, Hachette Filipacchi et Associés took steps to implement a partnership with the journalism schools to facilitate job finding for their handicapped students.

## 5_3_2 Corporate citizenship

The business activities of Lagardère Media constitute an essential vehicle for conveying ideas and cultural diversity: as a global player in the media and with a view to satisfying the expectations and curiosity of everyone, Lagardère Media strives to provide the public with a variety of contents through various modes of production, distribution or consumption, thereby favouring access to culture and the promotion of diversity of opinions and ideas.

- Through the Distribution Services Division, which runs an international network of approximately 4,000 cultural product outlets and manages the promotion and distribution of newspapers and magazines in 15 countries (handling the distribution and daily delivery of millions of copies of national and international publications), the Group offers a wide range of cultural and entertainment products: newspapers, magazines, books, music, video and multimedia.
- The Audiovisual Division offers the public access to a variety of cultural contents:
  - current affairs, news and discussions, which is the focus of programme scheduling on Europe 1;
  - the Group's music radio stations (Europe 2 and RFM in France and 17 mainly music radio stations outside France) and six music TV channels (MCM, MCM TOP, MCM POP, MCM Belgique, Mezzo and Europe 2 TV) promote a diversity of artistic expression by broadcasting contents from varied musical genres: variety, pop, rap, classical music, jazz, etc.; furthermore, VirginMega (co-owned by the Distribution Services Division) offers a catalogue of 750,000 music tracks for legal download;

  - the Group's Audiovisual production and distribution companies supply television channels with programme archives (drama, documentaries, animation) and programmes for immediate broadcast (features, light entertainment, prime-time); their rich catalogue, comprising a total of approximately 13,900 hours of viewing, is composed of an extensive range of diverse editorial contents.
- Hachette Livre's historic vocation is to publish, sell and distribute high-quality innovative books which meet the expectations of its readers in terms of knowledge, culture and entertainment. The Group's portfolio is extremely diversified across the editorial spectrum: general literature, illustrated books, part-works, dictionaries, youth works, etc. Hachette Livre plays a fundamental role in terms of education, and publishes a large number of school textbooks and academic works, as well as reference works and dictionaries.
- With more than 260 titles published in the world, Hachette Filipacchi Médias covers a wide range of print media segments: current affairs and business, home decoration and lifestyle, automobile, children, women's and men's magazines, leisure, celebrities, television, travel and daily newspapers.

The diversity and autonomy of the publishing houses at Hachette Livre and Hachette Filipacchi Médias, which are independent and fully responsible for the creative process and editorial decisions, contribute to the wide variety of editorial contents produced by these two divisions.

Beyond this fundamental role played in the course of its business activities, the Group shows its social commitment within the Jean-Luc Lagardère Foundation (section 5_3_2_1) and in terms of cultural sponsorship (section 5_3_2_2), involvement in the promotion of sports activities (section 5_3_2_3) and through numerous contributions in favour of society at large (section 5_3_2_4).

### 5_3_2_1 JEAN-LUC LAGARDÈRE FOUNDATION

The Jean-Luc Lagardère Foundation, formerly known as the Hachette Foundation, was first created in 1989, according to the wishes of Jean-Luc Lagardère to prolong the development of a major communication group through a commitment in favour of culture. The Foundation's purpose was extended in 2004 to include research and sport.

In the field of culture, the Jean-Luc Lagardère Foundation provides sponsorship around three missions: talent bursaries, the promotion of Francophone culture and culture in the hospital.

Because excellence was an emblematic value for him, Jean-Luc Lagardère Foundation attaches special importance to the annual bursaries awarded to young talents to allow them to complete a project in writing, film and television production, digital media and music. The juries of these bursaries are made up of celebrities from the world of the arts, culture and the media, who give up some of their time each year to help discover and promote the great names of tomorrow. To date, 131 winners in the categories of author, bookseller, photographer, press journalist, television script writer, film producer, musician and digital designer have received almost €3,100,000 to work on a project particularly dear to them. The high quality of the dossiers submitted in 2005 was such that the Jean-Luc Lagardère Foundation selected 11 winners instead of the usual eight, who were awarded grants worth a total €197,000.

As part of its support for Francophony, the Jean-Luc Lagardère Foundation gave €250,000 to the Honorary Committee of the Year of France in China, for what was the second and final year of this partnership. A grant was also awarded to the Jeannine Manuel Foundation to allow the École Active Bilingue to continue its mission of educating the future citizens of the world. It awarded a grant of €65,000 to the Éducation Santé association for the building of a library occupying floor space of 240 sq.m in the city of Richard-Toll in Southern Senegal, and provided support for the library bus of the Saint Joseph de Byblos Junior Secondary school in Lebanon. The presence of the Jean-Luc Lagardère Foundation outside France also involved the funding of *"Mauritanie lumière noire"*, an illustrated report by the winner of the 2002 Photography Bursary, and a donation to the Franco-Asian Medical Association, whose remit is to transmit new medical technologies to countries in Asia. The total amount of sponsorship awarded by the Jean-Luc Lagardère Foundation for the promotion of Francophony amounted to approximately €360,000.

Furthermore, the Jean-Luc Lagardère Foundation, which helps to give a friendly, human touch to children's wards in hospitals by creating cultural areas, made a contribution towards the creation of the media library of the *"Maison de Solenn/Maison des adolescents"*, in the Cochin hospital in Paris, for the use of teenage patients, in 2004. In 2005, the Jean-Luc Lagardère Foundation continued to make sure that the media library meets the expectations of teenagers in an optimum manner (subscriptions to new magazines, renewal of book stocks, etc.).

In the field of research, the Jean-Luc Lagardère Foundation intends to become a foremost sponsor in the coming years. It has already set up a long-term partnership with the Supélec Foundation through bursary exchanges. Each year, a Supélec bursary and a Jean-Luc Lagardère bursary will be awarded to research scientists admitted into post doctoral studies at Supélec Engineering School (amount of the award: €1 million over 3 years). As part of its intervention in favour of medical research, the Foundation awarded a grant of €20,000 to UNISEP, a non-profit organisation that funds medical, biological and treatment research concerning multiple sclerosis, as well as other types of intervention intended to help patients. The Foundation provided support for the *Gala de l'Espoir* of the Paris Committee of the Cancer Research League, which is firmly committed to the objectives defined in France's Cancer plan: prevention, screening, research, actions in favour of the sick and their families.

For 2005, the total amount of the contributions towards research was approximately €358,000.

In the field of sports, to promote the Lagardère Group's corporate values, in 2005 the Jean-Luc Lagardère Foundation confirmed its commitment to the sponsorship of sporting activities with a social aspect, in liaison with the development of the activities of the recently created Team Lagardère (see below). This commitment is based on two convictions: that sport is an aid to personal development and a factor in social integration. The Jean-Luc Lagardère Foundation has already provided its support to *Foot Citoyen*, a French soccer association that combats anti-social behaviour and violence through an educational and informative sports magazine for young people.

### 5_3_2_2 A MAJOR OPERATION IN CULTURAL SPONSORSHIP

At the end of 2005, Lagardère provided €3.8 million in funding under the new tax legislation in favour of sponsorship, for the National Modern Art Museum (Georges Pompidou Centre) to acquire a unique collection of avant-garde periodicals, principally related to the first half of the 20th century.

This collection of hundreds of publications, some short lived and confidential, some extremely rare, are landmarks of the burgeoning of all the major artistic trends acting as a platform for their conception and expression. An essential compilation of the sources of 20th century Art, these publications illustrate the crucial role played by this decisive medium for the ideas, inventions and thoughts of the greatest creative minds.

The Lagardère Group is delighted to have been able to help save this national press heritage – a set of works classified as a "national treasure" – which aroused the envy of major foreign institutions. This acquisition places the Centre Pompidou in the leading position in the field: the exhaustive nature of the collection will make it a vital partner for all research projects and exhibitions concerning the avant-garde movements in art.

### 5_3_2_3 ACTIONS TO PROMOTE THE DEVELOPMENT OF SPORTS

Lagardère is involved in the sponsorship and funding of activities in the field of sports, which incorporates the dimension of recognition created by sports that is closely related to the same values as those historically prized by Lagardère – respect for the individual, team spirit and surpassing oneself.

#### A. Lagardère's support for Paris' candidacy for the 2012 Olympic and Paralympic Games

As part of the support operations for the City of Paris' candidacy for the 2012 Olympic and Paralympic Games, the Lagardère Group continued the action commenced in February 2004 with the setting up the *Club des Entreprises Paris 2012*. This approach was based on the illustration, promotion and propagation of Olympic values.

The *Club des Entreprises Paris 2012* pursued three main objectives: to provide financial and technical support to the candidacy, to bring together the French business world and the population at large, and to develop communication around the candidacy. The action of the *Club des Entreprises* continued right up to the moment the 2012 Olympic and Paralympic host city was named, in Singapore on 6 July 2005.

The *Club des Entreprises* worked in close cooperation with the Paris *Mairie*, the *"GIP Paris 2012"* – an economic interest grouping set up to present Paris' application to the International Olympic Committee – the *Conseil Régional d'Ile-de-France* (the Regional Council of the Greater Paris Region), the French National Olympic and Sports Committee and, of course, with the Élysée Palace and the Ministry of Youth and Sports.

In a campaign that lasted 17 months, instigated by Lagardère, the *Club des Entreprises* assembled 20 of the largest French corporations: Accenture, Accor, Airbus, Air France, Bouygues, Carrefour, Crédit Agricole, EDF, France Télécom, Gaz de France, Lafarge, Lagardère, LVMH, Publicis, RATP, Renault, Sanofi-Aventis, Sodexho, Suez and VediorBis. The *Club des Entreprises* obtained the support of over 700 small and medium sized firms. No other candidacy benefited from such extensive support from the sphere of business.

In July 2005, thanks to its "Official Supporters", the Club had raised a budget amounting to more than thirty million euros, becoming the major contributor to the Paris candidacy, alongside the State, the Greater Paris Region and the City of Paris, bearing witness to the strong ties between the worlds of business and sport. In addition to financial support, the "Official Supporters", all leaders in their field, also contributed to strengthening the technical dossier presented by Paris.

A certain number of the initiatives of the *Club des Entreprises* bear witness to this operation. Some of the key examples include the organisation of the *"Forum économique des Jeux"* at the *Hôtel de Ville* in Paris on 14 February 2005; the *"Fêtons l'amour des Jeux"* day which was attended by over a million Parisians on the Champs-Elysées on 5 June 2005, the promotional campaign *"J'ai deux amours: les jeux et Paris"* and the production of Luc Besson's film which was shown at Singapore.

The Lagardère Group played a full part in the preparation and organisation of these events and operations, both in the capacity of "Official Supporter" of the candidacy and, especially, as coordinator of the *Club des Entreprises*.

Within the Group, these initiatives were backed, in particular, by Elle magazine, Europe 1, Le Journal du Dimanche, Paris Match, Relay, Télé7Jours, and Virgin, showing the full measure of the Group's support of the Paris candidacy.

**B. Lagardère, institutional partner of the sports club "Paris Jean-Bouin"**

Lagardère intends to make a contribution to the development of sports practices by accompanying the non-profit organisation "Paris Jean-Bouin" in the implementation of its projects.

The Association is the concessionary of the Paris-Jean-Bouin stadium, part of the public domain of the City of Paris, which has three thousand members in six sports disciplines, and is also a centre for sports practice for schools in the southwest of Paris.

In January 2004, Lagardère and the Association set up an institutional partnership aimed at cooperating with this hundred-year-old sports association to help it modernise and develop, and enable the Jean-Bouin stadium to become an active centre for animating and influencing the life of sports in Paris.

In 2004, the Association launched major restructuring and modernisation operations, which continued throughout 2005. It recently completed the renovation of two training rooms: a room for body-building open to all the Club's activities and a multipurpose sports hall, which provides the Paris Jean-Bouin stadium with the infrastructure to organise one of the final phases of the French 1st division Tennis Championships. In the 2006 sports season, this multipurpose sports hall will be used for physical fitness lessons open to all, as part of a sports policy to promote the health benefits of physical activity.

Through this partnership, the association was also able to heighten its support for sports for handicapped people and contributed to considerable successes, in particular in the field of tennis: the title of French team champion 2005, Michaël Jeremiasz rising to world number one player in 2005 and, in 2006, his victory at the Australian Open.

This new dynamic trend within the sports club benefited all the sports disciplines. In 2005, the women's and men's hockey teams reached the 1st division, a junior French record was set in the athletics section of decathlon and the 1st men's tennis team kept its title as French champion.

More than a conventional partnership based on financial support alone, Lagardère has decided to develop a new, innovative sports model by setting up, in the very heart of the Paris Jean-Bouin stadium, an innovative centre of scientific expertise applied to sports performance, Team Lagardère (see below). This centre contributes to the development of all the sports sections at Paris Jean-Bouin by implementing training assistance operations, the training of coaches and applied research.

**C. The creation of a scientific expertise centre applied to sport: Team Lagardère**

On 17 May 2005, Arnaud Lagardère announced the creation of Team Lagardère. This company is in charge of an ambitious, innovative programme: to create and develop a unique technical and scientific platform designed to favour sports training. Devoted, in the first instance, to competitive tennis players, Team Lagardère also intends to open up to other sporting disciplines and sport as a leisure activity.

With an opening on an international level, Team Lagardère aims to promote a:

- global development programme at the service of training, proposing several different modes of accompaniment (technical, tactical and physical, in particular);
- specific training strategy;
- continuous training system for technical supervisors (in particular, through assistance with the programming and evaluation of training sessions).

To meet these objectives, Team Lagardère has built a team comprising some of the best technicians in French sports. These technicians are responsible for accompanying the athletes in two main domains: physical training and technical monitoring.

Physical training takes place mainly on the sports fields of the Paris Jean-Bouin stadium. In 2005, Team Lagardère also opened a *Training Centre* in Sophia-Antipolis near Nice, on a site that allows Team Lagardère to take advantage of high quality complementary sports facilities and good weather conditions throughout the year.

The technical monitoring is performed within the *Research Centre* facility which is part of the multi-sports club Paris Jean-Bouin. This centre for scientific expertise applied to sport covers floor space of 900 sq.m and is devoted to the collection and analysis of energetic, technical and muscle-related sports data. When processed, this data is used to adapt sports training sessions in an optimum manner. In addition, the facilities include a conference room for the organisation of meetings to discuss sports-related issues.

At the end of 2005, Lagardère, in its capacity of sponsor, brought sixteen professional tennis players together at Team Lagardère to build a model that encourages athletic performance. These players were: Julien Benneteau, Cindy Chala, Nelly Ciolkowski, Alizé Cornet, Nicolas Devilder, Arnaud Di Pasquale, Louise Doutrelant, Jonathan Eysseric, Richard Gasquet, Michaël Jeremiasz, Nicolas Mahut, Paul-Henri Mathieu, Gaël Monfils, Mary Pierce, Eric Prodon and Edouard Roger-Vasselin.

In 2005, Team Lagardère also set up the internal *Club des Partenaires*, comprising major companies who have decided to undertake joint coherent and effective communication efforts, associating their brand names with the "Team Lagardère" brand. By the end of 2005, Le Coq Sportif, Sony and Yves Cougnaud-Constructions Modulaires had joined the *Club des Partenaires*.

**D. Tennis: an example of Lagardère's commitment to establish brand recognition**

It is in the field of tennis that Lagardère decided to develop its unique sporting model, based on the dynamics of exchanges between young players with a high potential and players from the sports elite.

In this respect, on 22 April 2005, Arnaud Lagardère and Christian Bîmes, Chairman of the French Tennis Federation, announced the setting up of a partnership, making the Lagardère Group an Official Partner of the International Roland Garros Tennis Tournament in France.

This partnership provides Lagardère with a presence in the entire tournament, in particular through Europe 1, which enjoys exceptional "broadcasting visibility" in one of the most mediatised tennis courts in the world. In addition, to provide listeners with up-to-the-minute information, Europe 1 has a studio right inside the tennis stadium itself.

Furthermore, in 2005 Lagardère became the title partner of the international "Mondial Paris Cadets – Trophée Lagardère" tournament for a period of three years. This tournament is reserved for the under sixteens, and was held from 24 June to 2 July, 2005 at the Racing Club de France, on the La Croix-Catelan site, in the Bois de Boulogne.

While asserting its strategy in tennis and becoming partner of the Paris Tennis League, the objective of the Lagardère Group is to make this tournament a reference and affirm a long-term strategy, by investing in the future of this sports discipline.

Lagardère also organised the second edition of the "Jean-Luc Lagardère Trophy" as part of the ATP Senior Tour, as in 2004. This year's trophy, under the direction of Guy Forget, Captain of the French national tennis teams, brought together eight of the best players who have made tennis history over the past twenty years: Arnaud Boetsch, Sergi Bruguera, Pat Cash, Jim Courier, John McEnroe, Goran Ivanisevic, Thomas Muster and Cédric Pioline.

The Jean-Luc Lagardère Trophy is a major vehicle for communication to the general public, as it brings together star players whose careers are emblematic of success in a sport that is highly popular with French people.

**E. Project in progress**

On 13 January 2006, the City of Paris launched a call for candidacies for the takeover of the concessionary domain of La Croix-Catelan. Owned by the City of Paris, the site covers approximately seven hectares in the heart of the Bois de Boulogne (in the 16th *arrondissement* of Paris) and comprises a number of sports facilities (including 48 tennis courts and an Olympic sized swimming pool). The current tenant is the non-profit organisation Racing Club de France. On 30 January 2006, the Group responded to the call for candidacies, and the City's decision is expected in the coming months.

This candidacy is part of the strong relationship the Lagardère Group has built up over a long period with the world of sports. Its ambition is to give the site a new impetus to enable it to become the vehicle of a real sports project at both top level and for families. Its success would confirm the Group's solid presence in sports in Paris.

**F. Other actions aimed at promoting sports activities**

Numerous other instances of actions in favour of the development of sports activities have been instigated by the Group's subsidiaries. Here are a few examples:

- In the Media Division, "Elle" magazine sponsored the 37th EDHEC race, a regatta organised by the students at the EDHEC Lille business school in April 2005. Every year this race attracts 200 boats, 110 teams competing onshore and a large number of students and visitors; in total, 6,000 students from French and international universities and schools, and also amateur and professional skippers, come together on the occasion of an event which is the largest student sports meeting in Europe.

  In association with Ford, "Elle" magazine was also partner and participant in the *Rallye Aïcha des Gazelles,* which took place in April 2005. This navigation trial, open to engine-powered land vehicles driven by amateur or professional female crews of different nationalities, in addition to the sporting aspect, has also had a humanitarian dimension since 2002, as it allows the winners to make a donation to the association they represent. Within this framework, "Elle" supported the *"Enfants d'Asie"* association, which acts in favour of underprivileged children in South-East Asia and has already enabled the sponsorship of 4,000 orphans and children in distress since 1991.

  Furthermore, "Elle à Paris" sponsored *"La Parisienne"*, a 6-km race reserved exclusively for women with almost 7,000 participants, which took place in September 2005.

  Similarly, at regional level, the Nice Matin group, which is part of Hachette Filipacchi Médias, directed and promoted the 29th edition of the Nice Matin group cross-country race in November 2005. This cross-country race brought together thousands of participants, amateurs and professionals alike, over a variety of distances, and is scheduled in the calendar of the French Athletics Federation. Since 1994, the Nice Matin group has also sponsored the *Solidarsport* association whose aim is to promote respect among the young generations, with sport as a unifying factor, and culture. The association involves all the employees of Nice Matin and receives the technical support of the newspaper (particularly by making premises available and the promotion of sports, artistic or cultural events organised by *Solidarsport*). In 2005, *Solidarsport* repeated the "citizenship prize" first started in 2003; this event, which aims to reward students in their third year of secondary school for good behaviour and sense of responsible citizenship, involved 1,000 students in the framework of sports and cultural events.

- The radio stations and television channels of the Audiovisual Division build a large number of partnerships with sports federations each year in the context of events that they organise. Examples include: RFM handled promotion of artistic ice-skating, by helping to organise the Eric Bompard Trophy at Bercy in May 2005, and horse-riding, which was the subject of a presentation at the Horse Fair in Paris in December 2005; MCM sponsored several surfing events such as the *Biarritz Surf Festival,* the *Rip Curl Pro* and the *O'Neill Pro.*

- Lagardere Active Publicité Internet handles the promotion of a large number of sporting activities, and banners placed by the company attracted more than 2,370,000 visitors to the sports sites for which it handles publicity.

### 5_3_2_4 OTHER ASPECTS OF SOCIAL INVOLVEMENT

The Group's companies generally help to fund a certain number of charitable organisations through donations. For instance, in 2005, within Hachette Filipacchi Médias, HFM US gave financial support to Museums and Opera houses to promote the arts and culture and also funded several educational organisations (particularly within the framework of academic initiatives or the attribution of bursaries) and numerous associations.

Furthermore, the Group – particularly through the Audiovisual Division – regularly places advertising space at the disposal of charitable or humanitarian organisations, such as Secours Catholique, Unicef, the Red Cross, Reporters sans Frontières, Restos du Cœur, Grandir à l'Ecole, ATD Quart Monde, Handicap International, etc.

More specifically, in 2005 the Group continued its intervention in favour of promoting education and culture, and the emancipation of women, as well as various good causes including the freedom of the press, public health, the protection of children and support for the handicapped. It also participated in various charitable operations.

**A. Promoting education and culture**

In addition to the fundamental role played by Lagardère in promoting cultural diversity as part of its daily business, and in addition to the actions conducted by the Jean-Luc Lagardère Foundation, Group companies organise or participate in various operations to promote education and culture.

*Promoting education*

Lagardère Media takes part in a large number of events in favour of education. Here are a few examples:

- Through the *"Savoir Livre"* organisation, Hachette Livre participates in actions to promote reading at primary schools in cooperation with the Education Ministry and the Books and Reading Division of the Ministry for Culture.

  Furthermore, the subsidiaries in the Book Publishing Division make large donations of books to State schools, libraries and communities in difficulty in a number of countries, including Spain, the United Kingdom, Morocco, Nicaragua, Mexico, etc.

  Hachette Diffusion Internationale showed its determination to promote education and equal opportunities in 2005 by helping to fund the building of a primary school in Cameroon.
- Since 2002, Canal J has organised a competition for students at four French animation schools, the *"Espoirs de l'animation"*, in partnership with the Annecy International Festival of Animated Film. The work produced by these students, following predefined specifications, is submitted for judging to a jury composed of eight children from 11 to 15. Prizes are awarded in the categories of "short films" and "student projects and end of study evaluation films".

Lagardère Images International and Lagardère Networks International channels were involved in the prime contractorship for the launch of a pan-Arabic channel in Qatar dedicated to the education of young people in the world Arab community (Al Jazeera Children's Channel).

- Within the Distribution Services Division, the Relay sign cooperated with Unicef once again to promote reading and writing. As part of this action, all of the store sign's outlets supported the action of the association in favour of education and childhood.

*Promoting culture*

Group companies organise and regularly take part in competitions, exhibitions and events for the promotion of culture. Thus, for example:

- In the Media Division, the *"Prix Louis Hachette"*, which designates the best journalists in their profession and thereby spreads the rules of the art by exemplariness, each year awards the best articles/reports/works or interviews produced during that year. The prize has been running for more than twenty years.

  On the occasion of the Year of Brazil in Paris, "Elle" magazine joined forces with the Parc de la Villette in Paris to support the event, in particular by providing backing to Brazilian fair trade cooperatives. "Elle" handled the promotion of a fashion parade by Brazilian designers and women from the *favelas*, which was also featured in an article in the magazine, with an opening double-page spread in the Cultural Life section.

  Paris Match also helps organise the *"Grand Prix du Photo Reportage Etudiant"* which rewards 10 photo reportages produced by students, on events experienced as part of a personal journey, their studies or a humanitarian project. The best photo reportage is also published in an issue of the "Paris Match" magazine.
- Numerous literary prizes are also organised by the companies in the Group. A few examples include: for the past 25 years, at the Distribution Services Division, the Relay store sign has organised the annual *"Prix du Roman d'Evasion"*, which rewards a novel or essay illustrating the imagination or evasion and grants them store space and promotion in the network of sales outlets; in the same way, "Elle" magazine attributes an annual *"Grand Prix des lectrices"* to a novel chosen by several juries composed of readers of the magazine. "Version Femina" magazine instigated a joint operation with the Robert Laffont publishing house for the second time round, the first event having taken place in 2004/2005. Projects are submitted to a selection procedure and the winning candidate is offered a writer's residency to write a novel which is then published. "Version Femina", in partnership with the Grand Livre du Mois, also organises a literary prize for a work from a short-list of twelve selected by the magazine's readers.
- Lagardere Active Publicité Internet handles the promotion of a large number of cultural activities, and the Internet banners it placed attracted over 4,300,000 visits to cultural websites.
- In partnership with Unicef as part of *"Opération Brikkado"*, Canal J helps raise the awareness of young viewers concerning the actions of Unicef, particularly environmental conservation, solidarity and friendship.
- Lastly, in the course of 2005, the Group sponsored a number of exhibitions. Paris Match, for instance, sponsored:
  - *"Collection Philips"* at the Musée du Luxembourg, and produced the official exhibition guide,
  - *"L'âge d'or des sciences arabes"* at the Institut du Monde Arabe, for which a virtual tour of the collection with a commentary was made available to surfers on Paris Match's website,

– *"Désert en panoramique: entre ciel et terre"*, an exhibition of photographs of the Atacama desert (Chile) by Serge Brunier, at the Palais de la Découverte,
– *"Jacques-Louis David, grandeur et intimité d'une œuvre"*, at the Musée Jacquemart-André, for which Paris Match produced an official lithography.

**B. Emancipation of women**

The Lagardère Group's commitment in favour of the emancipation of women was particularly manifest at Hachette Filipacchi Médias, which is an essential player in the women's press, particularly through "Elle" magazine which, since its creation, has promoted the equality of women in society. On the occasion of the magazine's 60th anniversary, events were organised to retrace the way women's occupations have changed in French society, from the end of WWII to today: an exhibition of photographs showing the evolution of women at work through an analysis of the women's dress codes and, in November 2005, discussions in various cities in France with subjects such as *"Conquest, enthusiasm, culpability, inequalities: the adventure of women at work", "Contraception, sexuality, new families: the private lives of French women" and "From couturier patterns to the passion for undergarments: evolutions and revolutions in fashion"*, with expert speakers on each of the themes.

In 2004, Hachette Filipacchi Médias created a company Foundation under the aegis of "Elle" magazine. This Foundation is an extension of the original idea behind the magazine: to accompany the evolution, the emancipation and the place of women in society.

The "Elle" company Foundation, endowed with starting capital of €1,250,000, may enlist the support of all the companies, organisations and international brand names who are the regular partners of the Hachette Filipacchi Médias group in order to extend its reach. It aims to support projects originating from non-governmental organisations to promote the emancipation of women by giving priority to education for girls, teachers' training, women's education and professional integration. In the future, it may also provide support for the creation of information media (newspapers, radio stations) intended for women.

In 2005, the "Elle" company foundation supported a certain number of projects, in particular:

- the development of the Afghan women's magazine "Roz", published by the *"Afghanistan Libre"* association. Hachette Filipacchi Médias had already accompanied the launch of this magazine early in 2004. The fruit of the cooperation between "Elle" magazine and Afghan female journalists, it has a print run of 6,000 copies.
- the latest edition of the *"Elle solidarité Mode"* competition, which offers three young women from underprivileged housing areas three years' fees in three reputable fashion schools;
- the "Grozny students" project implemented by the Etudes sans Frontières Association, which aims to cover all costs for three female students from Chechnya to attend French universities or schools and accompany them to develop their career project once they return home;
- *"Ma petite entreprise au féminin"*, a project which accompanies, for a period of 18 months, a group of one hundred women in difficulty who have decided to regain autonomy by setting up their own business; the accompaniment takes the form of field training with the help of employees from Hachette Filipacchi Médias to facilitate skills transfer.

Abroad, the foundation also provides funding for:

- Projects aimed at providing education for young girls from underprivileged areas, particularly in Guatemala (in partnership with the association "Les Trois Quarts du Monde – Solo Para Mujeres") and in the Philippines (with "Enfants d'Asie", with a view to funding the higher education of 100 young women who have obtained their baccalaureate).
- In Burkina Faso, the "Elle" company Foundation finances the *Eau Vive* association for a professional training programme involving 355 women concerning, in particular, the improvement of production techniques and the commercialisation of fruit drying and cheese making.

The Lagardère Group's commitment in favour of women's emancipation was also shown by the participation of several entities in the Book Publishing Division in discussions and debates about the changing place of women in society, and by awareness raising campaigns in favour of women (Fédération Solidarité Femme, for example) broadcast by the radio stations and television channels of the Audiovisual Division.

Lastly, for the fifth year running, the "Version Femina" magazine awarded the Women's Version Femina prize, which pays tribute to women who have devoted their efforts to helping attitudes and customs evolve. Individually or through associations, against distress, sickness, despair, indifference and abandonment or with the desire to promote their region, these women have committed to progress, with the determination to help and the will to give as their only driving force.

**C. Actions in favour of "Good causes"**

*Freedom of the press*

In 2005, Lagardère Media continued to work in favour of press freedom. As part of these operations, the Group played a part in the institutional development of the Press, as illustrated by its involvement in a number of associations. One of these was the Association Presse-Liberté, which has the vocation of defending and promoting the freedom of the press, and is run by Hachette Filipacchi Médias.

Similarly, within the Distribution Services Division, for more than ten years the Relay sign in France has been showing its attachment to freedom of expression and the liberty of the press by supporting "Reporters Sans Frontières" (RSF). This support takes the form of commercialising the annual photographic work of the Association in its different points of sale, with the proceeds going entirely to the association. Other subsidiaries of the Group support RSF through donations, but also by allowing the use of their distribution network for the promotion of the Association's work or by the allocation of advertising space. The editorial office of Europe 2 sponsors, among others, Cuban journalist Miguel Galvan Gutierrez, under the aegis of the association Reporter sans Frontières.

*Public health and donations to hospitals*

Health concerns constitute another preferential domain in which the Group's initiatives are deployed. The major areas of medical research (the fight against cancer, AIDS, etc.) are given considerable coverage by the Group's television channels, radio stations and advertising brokerage subsidiaries.

Lagardere Active's television channels and radio stations give wide coverage to public health issues in order to raise the awareness of their respective audiences. Filles TV, for instance, devotes a weekly programme to social issues such as anorexia, AIDS and the suicide of young people; in 2005, the website of MCM hosted www.jesuis-manipule.com, a website created by INPES (Ministry of Health), which addresses the problem of smoking among young people. AIDS was also largely present on the channels MCM, Europe 2 TV, MCM Pop, MCM Top and Mezzo, who, on the occasion of the World AIDS day, took part in an awareness raising campaign, among other things by showing the campaign's 'red ribbon' on the screen.

Europe 1, Télécompagnie and Europe News supported neurological research through the action of the Fondation pour la Recherche sur le Cerveau on the occasion of the *"Neurodon"* event, by organising a specific campaign.

At the Distribution Services Division, the Group's Australian retail subsidiary Newslink supported an Australian children's cancer organisation called Canteen, by commercialising items bearing the colours of the association in its sales outlets, and giving the proceeds to the association. In the same way, Virgin commercialised an exclusive publication on behalf of a French cancer research charity.

In partnership with Unesco, Paris Match regularly organises forums open to the public on public health issues, such as osteopathy and osteoporosis in 2005. On this occasion, leading academics and celebrities in their respective fields were invited to take part in the discussions.

The Group also demonstrated the important place it gives to health issues through numerous donations to hospitals. Lagardere Active's television channels, in particular, donated CDs and DVDs to the communication services of several large hospitals and to associations working in favour of children in hospital.

The Relay store sign, which is present in a large number of French hospitals, frequently participates locally in events in favour of sick children, or targeted at people in hospital beds.

*Protection of children*

In all the countries where it is present, Hachette Distribution Services supports charity organisations that defend children's rights (including Unicef in France, Child Focus in Belgium, SOS Kinderdorf in Germany, Caritas in Poland, Intervida in Spain, Calcutta Espoir in Switzerland and Make a Wish in Canada).

Lagardere Active, through the Canal J and MCM Belgique television channels, took part in campaigns concerning the dangers of the Internet and the promotion of signs for the protection of minors. The radio stations and advertising brokerage companies also intervened in favour of the protection of children by broadcasting advertising spots and placing advertising banners for associations such as SOS Children's Villages, Petits Princes, etc.

*Support for handicapped people*

In addition to the Group's actions in favour of the employment of handicapped people (see section 5_3_1_9), Hachette Livre Distribution supports the *Téléthon* and the handicapped children's association *"Clairefontaine Enfance"*.

Furthermore, through its television channels, Lagardere Active broadcast a large number of advertising spots on behalf of associations for the handicapped, in particular Handicap International.

*Charitable actions*

In 2005, Group subsidiaries continued the operations commenced at the end of 2004 in the wake of the tsunami that devastated Asia. Immediate actions took the form of display campaigns (calling for donations to the Red Cross in the Relay stores, for example), the allocation of advertising space (particularly by Paris Match, Europe 1, Europe 2 and MCM), special editions with the proceeds given to an NGO (Nice Matin) as well as financial donations.

In addition to the Group's specific mobilisation to help the victims of the Asian tsunami, Lagardère also gives regular support to people in difficulty generally. In this way:

- For a number of years, several subsidiaries of Lagardere Active Broadband have been involved in an initiative of the *Mairie* of the 19th *arrondissement* of Paris to help eradicate long-term unemployment. The people following this programme are given a skills evaluation and have regular meetings with employees in the Group's Human Resources Division, who advise and support them in their job search. In Germany, the company Legion actively supports the Red Cross and Unicef by regularly participating in donation campaigns, making available its audiotel infrastructures and organisational skills. In 2005, over €4.4 million in donations was collected in favour of various associations.
- For the 3rd year running, Interdeco, the advertising broker for Pélerin magazine (Bayard group) organised *"Au cœur de la pub"*, a large-scale Christmas collection involving media agencies. The gifts donated are given to families and people in difficulty. Similarly, in 2005, as part of the *"Pub de Cœur"* action, Interdeco and Pélerin undertook to pay 1% of their year's advertising sales revenues to a charity organisation; this year, the sum was paid to *"Cœur des femmes"* a French charity which assists women suffering from social exclusion.

## 5_3_3 Environmental information

In 2005, in terms of the environment, the Steering Committee examined the following topics:

- Responsible paper management policy (section 5_3_3_1),
- Responsible management of printing requirements and printing activities (section 5_3_3_2),
- The transport of books, magazines and newspapers (section 5_3_3_3),
- Management and recycling of returns (section 5_3_3_4), and
- Action in terms of energy consumption and waste management (section 5_3_3_5).

The principal industrial and environmental risks related to the Group's business activities are described in Chapter 3, section 3_3 of this Reference Document.

### 5_3_3_1 RESPONSIBLE PAPER MANAGEMENT POLICY

The amount of paper required annually to manufacture the Group's books, magazines and daily newspapers increased by 30,000 tonnes in 2005, from 460,000 tonnes in 2004 to 490,000 tonnes in 2005.

This is the result of the integration of new publishing houses in the Book Publishing Division, which increased Hachette Livre's paper consumption from almost 50,000 tonnes in 2004 to 80,000 tonnes in 2005. On the other hand, the amount of paper used in the manufacture of the Group's magazines and newspapers remained stable in 2004 and 2005, representing almost 410,000 tonnes.

*Reminder of the paper cycle: from forest development to the recycling of recovered paper*

Cellulose from wood constitutes the indispensable raw material for the paper industry. Cellulose fibres come from forest exploitations in which the trees to be used in papermaking are cut as part of thinning out operations. The careful identification and calibration of the trees to be cut is an indispensable component of the good management and protection of the forests.

The wood is delivered to paper manufacturers in the form of wood chips originating from the forest itself or from a by-product of sawmills, and in the form of billets or even whole trunks.

The bark recovered in paper mills is used, in the majority of cases, as a combustible for the production of energy.

Through the successive operations of pulping, refining, cooking, pulp cleaning, and perhaps bleaching, the cellulose is transformed into papermaking pulp. After mixing, in some cases, with fibres from recovered, recycled paper, this pulp is fed into the machines on which, after pressing and drying, the paper is rolled, and then cut into the formats dictated by the requirements of end-users.

The paper is delivered to the printing centres in the form of reels or sheets, and is then printed, bound and packaged to the customer's specifications. The printed products (magazines, newspapers and books) are delivered to the distribution centres, then to the different points of sale.

The waste and cut off produced by these printing centres, as well as returns of unsold books and magazines, after recovery and sorting by recovery agents, are recycled to the paper industry. After various operations of slushing and, sometimes, de-inking, these recycled fibres are reintroduced into the paper manufacturing process in the form of pulp.

**A. The Group's main suppliers of paper are particularly concerned about the impact of their business on the environment**

Hachette Filipacchi Médias is one of the largest buyers of paper in the world. For the whole of the Print Media Division, paper procurement is placed under the authority of a single department, which negotiates and manages the purchases of paper for the Group's magazines and newspapers published in France, and supervises all those made by the different foreign subsidiaries.

The procurement policy implemented is essentially based on global contracts with major paper suppliers, all of whom have a global reach. Hachette Filipacchi Médias chooses its paper suppliers according to a list of criteria at the top of which features their commitments with respect to the environment. The Print Media Division requires its main suppliers to state, through questionnaires, their policy and their environmental performances on issues such as the use of a system of environmental management, the sustainable management of forestry resources, the traceability of supplies, recourse to technologies that do not require bleach and the manufacture of paper incorporating the use of recycled fibres.

Hachette Livre, a more modest player on the world market in terms of size, with a volume of 80,000 tonnes purchased in 2005, also conducts environmental awareness raising operations targeted at its paper suppliers. In this context, Hachette Livre's Technical department requires that the main paper suppliers demonstrate their environmental policy and practices through the certification of their environmental management system by a competent independent body. Suppliers who do not yet hold certification are required to take the requisite steps to receive such certification.

*Environmental management systems* (of the type ISO 14001 or the European Union's environmental management and audit system, EMAS) provide useful tools for the paper companies, allowing them to set environmental targets, monitor progress made and integrate an approach of continuous improvement. Obtaining (or renewing) certification shows that a paper supplier has taken the effect of their business activities on the environment into account and has implemented actions for improvement that enable objectives to be achieved.

Hachette Filipacchi Médias' paper suppliers have all defined an environmental policy and over 80% of them have implemented an ISO 14001 and/or EMAS certified system of environmental management. In addition, all Hachette Filipacchi Médias' paper suppliers alert their employees to environmental issues, in particular by organising regular training sessions: the proportion of employees who have received training on these issues exceeds 80% for all the paper suppliers taken together.

At the end of 2005, 80% of Hachette Livre's paper suppliers' sites had an ISO 14001 certified system of environmental management.

Concerning the *Sustainable management of forestry resources*, *forestry certification* is a means of guaranteeing that the wood used in paper manufacture comes from responsibly managed forests. It aims to ensure that the forests are exploited in such a manner and intensity that they maintain their biological diversity, capacity for regeneration, vitality and capacity to satisfy current and future needs in terms of ecological, economic and social functions that are pertinent at local, national and global level. Certification also aims to ensure that they do not cause damage to other ecosystems.

*Example of certification action: European Programme for the Endorsement of Forest Certification schemes (PEFC)*

*PEFC certification includes a series of controls over the wood and paper pulp supply chain. PEFC certification follows the same approach as ISO standards. PEFC certification is carried out according to state-of-the-art procedures common to all business sectors concerned, and enable paper manufacturers who procure their raw materials from this sector to assure their customers and other players in the industry that they are promoting the sustainable management of forests.*

*The aim of the certification is to provide a credible response to the need for transparency and confidence as expressed by consumers and more generally by all the market players.*

On average, more than 50% of Hachette Filipacchi Média's paper supplies come from certified forests and practically all of the division's paper manufacturers (almost 90%) have shown a strong determination to develop the "certified forestry" part of their supply by defining target increases in the share of wood supplies taken from this type of forest.

In order to raise the awareness of its paper suppliers to environmental issues, Hachette Livre encourages them to commit to sustainable forestry management, by increasing the amount of wood supplies (or paper pulp manufactured with wood) they obtain from certified forests. The share of Hachette Livre's paper supplies in France that comes from certified forests is over 35% on average and is expected to continue to increase.

As far as the *traceability of supply* is concerned, Hachette Filipacchi Médias' principal suppliers of paper have all stated that they have implemented a system which makes it possible to trace their supplies of wood and paper pulp. These systems have all been certified by an independent body, and provide accurate information on the sources of wood and paper pulp supplies. In the same way, the principal suppliers of paper to Hachette Livre have similar tracking systems.

Hachette Filipacchi Médias and Hachette Livre therefore provide accurate traceability of the paper used in the manufacture of their magazines and books, from reception of the rolls or sheets of paper at the printer's to the delivery of the magazines and books to the distribution centres.

Concerning the *bleaching of pape*r, the product most commonly used up to the beginning of the 1990s was chlorine. Due to the toxicity of the waste products created, two new processes were developed to enable the partial and sometimes even total elimination of elemental chlorine from the bleaching process: one known as ECF (Elemental Chlorine Free) based on the use of the less toxic chlorine dioxide, and the other known as TCF (Totally Chlorine Free) using only oxygen reactants (oxygen, ozone, peroxide or peracides).

All of Hachette Filipacchi Médias paper suppliers have implemented ECF or TCF processes throughout their production operations, with the respective share of each process depending on the type of paper produced. Furthermore, they have all stated that the search for products presenting a lesser level of risk has become one of the major criteria for the selection of their own suppliers.

The use of *recycled fibres* in the *manufacture of paper* reduces the amount of wood taken from the forests and, through selective sorting, encourages more effective recycling of domestic waste. However, the part of recycled fibres that can be used varies depending on the quality of paper required and, in some cases, the type of printing process used. Newspapers, for example, or certain wrapping papers, which are products with a relatively short life cycle, can be manufactured wholly from recycled fibres. On the other hand, in the production of magazines, the use of papers incorporating a large proportion of recycled fibres is rendered difficult by their intrinsic characteristics, particularly surface finish, colour and printability: the fine white paper used to print magazines rarely contains any recycled fibres. 80% of Hachette Filipacchi Médias' suppliers have nonetheless implemented a determined policy of increasing the proportion of recycled fibres used in paper manufacturing. For certain publications, Hachette Filipacchi Médias uses paper incorporating up to 30% recycled fibres and as far as the Group's newspapers are concerned, the paper used in their production is entirely produced from recycled fibres.

Similarly, the fine paper used for books, which generally have a longer life cycle than magazines, more rarely contains recycled fibres.

As regards *discharge into the natural environment*, the paper industry is highly concerned about the discharge of waste water. The paper manufacturing process requires large quantities of water and pollutants dissolved in waste water could be a source of pollution for the natural environment if not treated adequately. To address this problem, all of Hachette Filipacchi Médias' suppliers have implemented a waste water reduction strategy and have waste water treatment facilities within their factories. Furthermore, these suppliers have all implemented procedures and emergency systems to counteract accidental spillage into the public water system.

Hachette Filipacchi Médias' paper manufacturers have all instigated policies to *reduce water and power consumption*. By developing systems for recycling treated waste water, Hachette Filipacchi Médias' paper manufacturers have achieved remarkable reductions in water consumption per tonne of paper produced (a decrease of up to 50% between 2000 and 2005, for some of them).

The *solid waste* generated by the paper industry mainly comprises bark, wood chips, cuttings of pulp and paper, and sludge. Most of the time, this waste is recycled as fuel for power stations. Dangerous waste (oils, empty chemicals containers, chemicals in particular) is produced in small quantities. All Hachette Filipacchi Médias' suppliers have implemented a determined policy to restrict and/or recycle waste products.

**B. Actions in favour of reducing grammages and formats at Hachette Filipacchi Médias**

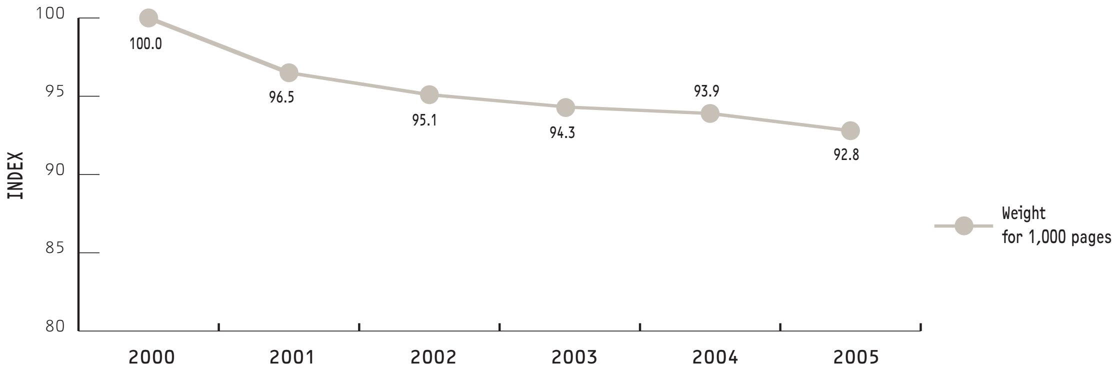
The continuous technological progress made by the paper industry over the past few years has enabled the Group to seek to use paper with lower grammages whenever possible.

To this first measure towards reducing paper consumption may be added a second one, related to decreasing the formats of several magazines in the long term, or producing variations in a smaller format (for example, *Télé 7 Jours, Parents, Elle à Table*) or the production of small format versions of magazines (for example, *Isa*, *Parents* or *Elle à Paris*). This policy is applied by Hachette Filipacchi Médias in all of its subsidiaries, including those located outside France.

The graph below gives a good illustration of the results of the policy implemented by Hachette Filipacchi Médias in France relating to magazines. These results are based on a sample of magazines representing approximately 2/3 of the quantities of paper used by Hachette Filipacchi & Associés (HFA), the company which prints the magazines produced in France by Hachette Filipacchi Médias (i.e., essentially, the publications printed by HFA since 2000, excluding titles launched or acquired since that year).

The combined efforts to use lower grammages of paper and reduce formats have therefore made it possible to reduce paper consumption of this very representative sample by more than 7% for the same print run, over a period of five years. In 2005, the continuation of this policy enabled a further reduction in paper consumption of 1% compared to 2004.

Average weight of one thousand pages: changes between 2000 and 2005 at HFA




Because readers of books and readers of magazines have different expectations, this policy of smaller formats or reduced grammage cannot easily be applied in book manufacture.

## 5_3_3_2 RESPONSIBLE MANAGEMENT OF PAPER CONSUMPTION AND ENVIRONMENTAL ISSUES – PRINTING REQUIREMENTS AND PRINTING OPERATIONS

### A. Limiting paper losses during the manufacturing process

Within the Group, production and editorial management teams work in close collaboration with the printers to keep paper losses to a strict minimum when printing.

The rate of wastage corresponds to the percentage of paper lost in the course of the manufacturing process. It is calculated by comparing the quantity of paper input to the printing process with the quantity of paper delivered in the form of books or magazines, as the case may be.

These losses are inherent to the manufacturing process, and correspond particularly to paper lost:

- during the printing phase, when the machines are "calibrated" (adjustment of the inks, alignment, etc.), or during the print run,
- or when the books are shaped, through trimming in the final formatting of the work, or during binding and assembly.

The rate of wastage varies greatly depending on the printing technology used (types of machine, colours) and on the number of books or magazines manufactured (print run).

*(i) Action taken by Hachette Livre to limit the rate of wastage*

Paper losses during the manufacturing of books represents up to almost a quarter of the paper used each year by Hachette Livre. As part of the policy of optimising paper wastage in the division, the teams at Hachette Livre determine the optimal technical choices and calculate precisely the quantity of paper to be allocated to the printer.

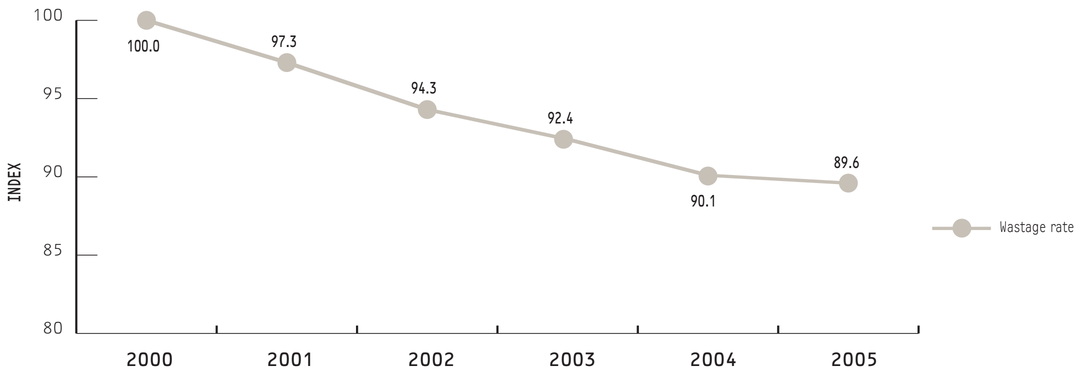
*Reducing wastage is one of the objectives set in the guidelines and checklists of the Book Publishing Division's Technical departments in France. Outside France, paper consumption is also subject to regular monitoring.*

Regular reviews of material consumption and rates of wastage enable approval of choices made: printers, printing techniques, types of paper, etc. These analyses also make it possible to identify new technologies that can be used and inform the editorial managers of more economical formats, thus allowing them to respond to market demands in the best possible conditions.

For France, over the past few years the product mix has been relatively stable, and so the examination of changes in the global rate of wastage shows the gains obtained by the systematic tracking of paper consumption and the selection of more efficient means of printing. *The rate of paper loss during manufacture has been reduced by more than 10% over the last five years at Hachette Livre in France.*

Outside France, this rate of wastage indicator has not yet been subject to consolidation via an information system.

**Wastage rate: changes between 2000 and 2005 at Hachette Livre in France**




Measured on constant production levels, the reduction in the wastage rate is expected to continue, but will remain linked to the suppliers' ability to develop innovative technological solutions to allow the trend to continue.

The downward trend in book print runs could have an unfavourable impact on the rate of paper wastage, by multiplying the calibrations required, but inversely, it would have a favourable impact on the rate of returns by limiting the initial number of copies printed.

*(ii) Action taken by Hachette Filipacchi Médias to limit the rate of wastage*

As part of its policy to limit the rate of paper wastage, Hachette Filipacchi Médias has taken a certain number of actions concerning the printing and shaping phases.

Improving the rate of wastage, for example, for Hachette Filipacchi Médias, is a key factor in negotiations between the Technical departments and the printers.

For each magazine print run in France, in order to keep the rate of wastage to a minimum during the printing phase, Hachette Filipacchi Médias determines the optimal choice of techniques and calculates the number of copies to be printed depending on sales statistics. On the basis of this data, precise print run instructions are given to the printer.

Hachette Filipacchi Médias performs regular monitoring of consumption and of new technical possibilities in order to provide editorial management with format optimisations, thus enabling them to meet market demands in the best possible conditions.

These factors have allowed the global rate of wastage during magazine manufacture in France to be reduced by more than 10% over the past five years.

**B. Printing techniques and environmental issues**

*(i) Magazine and newspaper printing at Hachette Filipacchi Médias*

In France, the Group's magazines are printed entirely by third parties. Sub-contractors are selected according to a list of criteria, including their commitments with respect to the environment. Hachette Filipacchi Médias requires all of its French printers to state their policy and performances in terms of the environment, particularly on subjects such as the use of toxic products, the emission of pollutants (particularly volatile organic compounds resulting from the evaporation of inks containing solvents) and waste management.

As far as newspapers are concerned, Hachette Filipacchi Médias' regional daily newspapers are printed by the Group's two printers: Nice Matin and La Provence.

The techniques used by Hachette Filipacchi Médias' printers are photo-engraving and offset printing. *Photo-engraving* is a printing process in which the parts to be printed are engraved on a cylinder covered with a layer of copper then chrome. The ink is then applied to the cylinder, which passes onto the paper for printing. In *offset printing*, three cylinders are used: one cylinder that carries the ink and an alcohol solution, an impression cylinder that prints the paper, and, between the two, a blanket cylinder that transfers the ink to the impression cylinder.

Concerning the *environmental policy* of Hachette Filipacchi Médias' printers, of the thirteen sub-contractors queried, twelve produce regular inventories of the performance of their site; five have a dedicated organisation (environment or sustainable development department). Similarly, in terms of hygiene and safety, twelve sub-contractors conduct regular risk evaluation studies.

Nice Matin and La Provence each have a safety and environment manager who is in charge of producing regular inventories of the environmental situation of the two sites and risk evaluation studies in terms of hygiene and safety. Nice Matin, for instance, conducted a health and safety risk evaluation study in 2005 with a view to implementing a new policy in 2006, whose aim is to further improve the procedures in place in order to maximise the prevention of accidents at work. In the same way, La Provence conducted a full evaluation of health and safety risks in 2002 and since 2003 has conducted regular staff training and awareness raising sessions, as well as operations to increase the safety and number of signs in evidence in all potentially dangerous areas.

Regarding the *products used*, Hachette Filipacchi Médias' sub-contractors have all implemented strict procurement procedures to guarantee the absence of prohibited substances. Furthermore, the printers have instigated technical tests that must be validated by several printing facilities managers before any new products can be purchased. The potentially dangerous nature of products is systematically controlled by the safety and environment departments, and occupational health authorities are consulted prior to the purchase and use of products. In the same way, at Nice Matin and La Provence, "product sheets" are systematically analysed and then submitted to either the occupational health authorities or to a toxicology laboratory, in the case of doubt; in the event of a negative result, the product is replaced.

Over 90% of Hachette Filipacchi Médias' sub-contractors stated that they have a policy of finding substitute products. The same applies at Nice Matin and La Provence, who continually replace the products they use by other, less toxic products. For example, some units have succeeded in totally discontinuing the use of trichlorethylene in processes, in replacing certain solvents by solvents derived from plant esters, or by totally removing isopropyl alcohol from the processes.

A third of Hachette Filipacchi Médias' printing service providers have already succeeded in removing all toxic products from their production processes and have received the green printers label - 'Imprim' Vert' - from the French Printing and Graphic Communication Federation (FICG).

*The 'Imprim'vert' green printers label*

Imprim'vert certification is an assurance that business activities respect the environment. This label is awarded to printers who voluntarily commit to the following three best practices:

- *elimination of dangerous waste in compliance with the regulations:*
  - fixatives and developers of plates and films,
  - cleaning solvents,
  - ink residues,
  - used wetting solutions,
  - ink boxes and toner cartridges,
  - dirty rags,
  - effluent from screen printing, etc.
- *secure storage of dangerous liquids;* for example, the use of retaining basins, dedicated, protected storage areas, transfer equipment, etc.
- *replacement of products labelled as toxic* (inks, varnishes and solvents) with less dangerous products.

For all of Hachette Filipacchi Médias' printers, including Nice Matin and La Provence, the products that cannot be replaced are subject to specific procedures, particularly: detailed job description sheets, staff training on the symbols for danger and/or handling procedures, restriction, as far as possible, of manual handling (switch to automatic uptake), etc.

From this perspective, the staff of La Provence received training on the handling and use of these chemical products, and at Nice Matin an automatic ink delivery system has been implemented to reduce manual intervention. In order to *avoid the risks of pollution*, the two printers store their inks and other chemical products that present a risk for the environment and health in premises with a retention capacity, and both printers have defined procedures and emergency protocols in the event of accidental spillage (absorbent rollers, absorbent towel kits, recovery products, etc.).

More than three quarters of the sub-contractors working for Hachette Filipacchi Médias have implemented a voluntary policy of *limiting their consumption* of products, particularly developers, fixatives, isopropyl alcohol and cleaning agents. Nice Matin and La Provence have also implemented a policy of limiting their consumption of potentially toxic products. La Provence, for instance, strives to limit the use of developer, fixative and cleaning agents in its processes.

Furthermore, Nice Matin and La Provence also have a policy of limiting the consumption of electricity, gas and water; the implementation of this policy is achieved through the regular monitoring of consumption levels.

*An example of good practices: reducing the amount of ink used at Nice Matin*
The automatic coloured ink feeding system has allowed Nice Matin to reduce product losses by 8%. Furthermore, at the end of 2005, Nice Matin installed a new printing system which, by means of a specific file processing system, is intended to limit colour inking, and thereby further reduce the amount of coloured ink used by almost one half; more detailed results will be available by the end of 2006.

Concerning *air pollution*, all Hachette Filipacchi Médias' sub-contractors communicate many significant efforts in terms of reducing their emissions of volatile organic compounds or VOC (vapour containing substances from ink and solvents); they all possess a VOC processing system that recovers solvents for re-use or incineration, with energy sometimes produced as a by-product.

The rotary printers at Nice Matin and La Provence are also fitted with a dust aspirator, which reduces the frequency at which the blankets require cleaning and therefore further reduces the use of cleaning agents. Nice Matin also controls the vapours at the workstations located near the rotary presses.

In terms of *waste management*, all Hachette Filipacchi Médias' printers, including Nice Matin and La Provence, have a voluntary policy for limiting *paper wastage* during the manufacturing process (losses when the machines are started up, during cutting, trimming, etc.). This policy of limiting paper waste is achieved, in particular, through extensive printing press control procedures and by optimising the calibration of the machines (inking, size of paper cuts, unwrapping the paper reels on the unwinders, running of tests at each start up of a new run to check pagination and refine inking) in order to limit paper wastage. The installation of two new rotary presses at La Provence in 2006 should simplify calibration and therefore achieve an additional reduction in waste; results in figures are expected to be available in 2007.

Waste paper is systematically recycled by all the printers working for Hachette Filipacchi Médias.

Concerning other types of *waste specific* to the printing sector, all Hachette Filipacchi Médias' sub-contractors who use the photo-engraving process state that the copper and chrome on the cylinders is recovered and recycled after use.

Nice Matin and La Provence have set up procedures to separate non toxic waste from toxic waste. Waste is therefore stored by category: Ordinary Industrial Waste (OIW) and Special Industrial Waste (SIW) (bobbins, scrap metal, ink cartridges, cells, batteries, pallets, etc.). All Special Industrial Waste is recovered by certified firms (using specific collection vehicles, treatment systems specific to each type of waste, etc.) who process the waste. The SIW checklists are systematically sent to both printers, so that they can monitor what happens to SIW after collection. The two sites also possess special containers for recovering the rags used during the manufacturing process; these rags are then cleaned by a certified company and reused by both printers.

In the same way, any *liquid waste* from the Group's printers that may contain metals, solvents or other chemical agents (in particular, developing and fixing baths) are also collected by certified companies for recycling.

*(ii) Hachette Livre's environmental policy with regard to printers*

Hachette Livre instigated an environmental information policy in 2004 to raise the awareness of its printers to environmental issues, and encourages those who have not yet received certification to take the necessary steps to obtain it.

Efforts focussed in the first instance on those sub-contractors operating in countries where social and environmental legislation is less strict than in Europe. Through these awareness raising operations in particular, 80% of Hachette Livre's printers located outside Europe (mainly in Asia) have now obtained ISO certification.

The information campaign will continue not only for sub-contractors located outside Europe, but will also target Hachette Livre's European printers who represent 85% of the printing work currently carried out. This is expected to bring about a gradual improvement of the environmental performances of printers in the Book Publishing Division, which intends to carry out regular monitoring of the certification processes of its sub-contractors.

### 5_3_3_3 TRANSPORT DURING MAGAZINE MANUFACTURING

**A. Transport during magazine manufacturing**

The Print Media Division has defined a policy to rationalise the transport chain within the manufacture of its magazines, with a view to reducing the economic and environmental impact of the activity.

As part of this policy, Hachette Filipacchi Médias requires that all its printers manage the storage of the paper to be used in the manufacturing process rather than making use of a dedicated warehouse. This system avoids the need for the reels of paper to be transported between the storage warehouses and the printing workshops.

Hachette Filipacchi Médias also conducts regular discussions with sub-contractors (particularly printers, express delivery services and postal services) concerning the rationalisation of the transport chain related to printing, binding, transport and distribution activities. For instance, one of the stated objectives is to concentrate a maximum number of magazine manufacturing operations on the same site to limit the transport required between sub-contractors.

**B. The rationalisation of transport during distribution**

In France, in compliance with the regulations applying to the magazine print media distribution system (the "Bichet law"), magazines are distributed either by the publisher, or by the express delivery cooperatives (NMPP, Transport Presse, MLP).

The significant reduction in the number of newsagents, the diversification of print media products and the drive to optimise costs all led Nouvelles Messageries de la Presse Parisienne (the principal distributor of the Group's magazines), to reform its distribution logistics a few years ago. This reorganisation made it possible to reduce the number of kilometres covered, thereby reducing fuel consumption and wear on vehicles. NMPP intends to repeat this optimisation process regularly.

Outside France, newspaper and magazine distribution is specific to each country. Group subsidiaries in the print media distribution business (particularly SGEL in Spain, AMP in Belgium, Lapker in Hungary and Naville in Switzerland) supply a large number of sales outlets daily, sometimes even several times a day, within strict time frames, between the time that publications leave the printing facilities and the time the sales outlets open. In Hungary, for example, Lapker supplies 13,000 sales outlets and SGEL in Spain supplies 18,000 sales outlets. This daily delivery and collection of returns by lightweight vehicles is organised into relatively stable rounds, to all sales outlets, within the same time constraints every day. However, variations may occur, owing to natural changes in the network of sales outlets (new openings, closures, conversions) but especially due to the seasonal nature of sales (volumes differ) and of networks, for seasonal outlets are set up in tourist destinations during summer or winter holiday periods.

Over the past few years, Hachette Distribution Services has conducted studies, either through a manual process or using dedicated software, to optimise these delivery rounds. These optimisation studies have made it possible to reduce the number of kilometres covered, and their repetition will ensure that all of the sales outlets can be supplied, taking account of time constraints, with no significant variances from these optimum figures for kilometres covered and transport time.

### 5_3_3_4 THE MANAGEMENT AND RECYCLING OF RETURNS

#### A. Management of returns in France at Hachette Filipacchi Médias

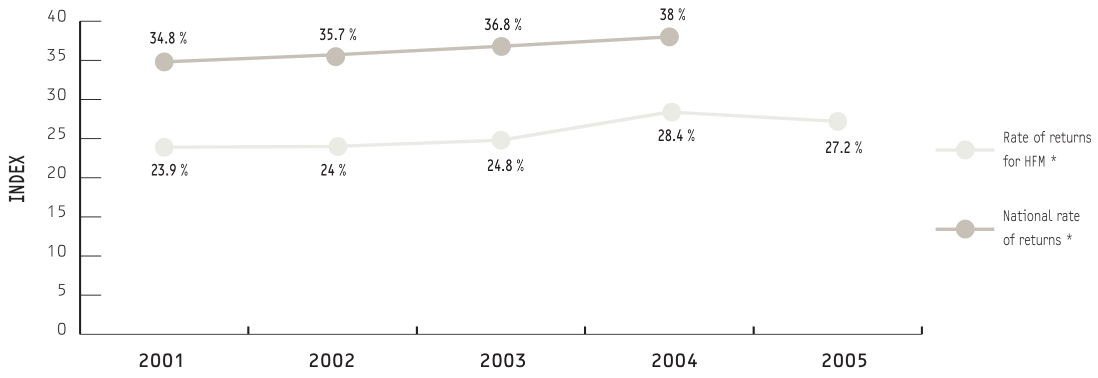
Effective management of the rate of returns has positive repercussions on the environment since it can help reduce the number of copies manufactured and the number of copies destroyed, thereby reducing both the consumption of paper and the volume of paper to be recycled. This is why Hachette Filipacchi Médias gives a lot of importance to the adjustment of its returns.

The management of sales and, consequently, of returns depends on how newspaper and magazine distribution is organised in each country. The actions and performance levels of Hachette Filipacchi Médias therefore have to be analysed in view of the specific characteristics of each system.

To improve the management of returns, which are an inherent part of the sale-per-copy system, Hachette Filipacchi Médias makes regular "adjustments" to the volumes printed and delivered by means of specialised software used by the Sales Directors.

The rate of returns in France, for all publishers taken together, increased steadily between 2001 and 2004 (*source:* NMPP, *Tendances de la Vente au numéro, Marché & Réseau 2003* and *Bilan Presse NMPP-TP vente au numéro métropole 2004**) as shown in the chart below. The rates of returns for Hachette Filipacchi Médias in France where half of sales are achieved, followed the same trend, but are largely inferior to the national rates of returns for the same period (see graph below).

**Comparison of the rate of returns at HFM with the national rate of returns**




* All publication frequencies taken together

At Hachette Filipacchi Médias, the rate of returns decreased from 28.4% in 2004 to 27.2% in 2005, for all publication frequencies taken together.

* Data relative to newsstand sales, and data presenting the national rates of returns for 2005 were not yet available when this document went to press.

Similarly, the rates of return in the sale-per-copy segment varied considerably depending on print media product category and sub-category. In 2004, for instance, the national rates of returns were (*source:* NMPP, *Bilan Presse NMPP-TP vente au numéro métropole 2004*):

- 36% for the current affairs press (including, for example, 27.7% for "celebrity" magazines, 53.4% for "business" magazines, 54% for "consumer" magazines, 66.9% for "society/trends" magazines, etc.),
- 37% for women's magazines (including, for example, 41.4% for "fashion/beauty" magazines, 48.7% for "cookery" magazines, 54.1% for "well-being/health" magazines, 60.3% for "family life" magazines, etc.),
- 54.4% for children' magazines and
- 53% for the "Home" category.

The "adjustment" operations carried out by Hachette Filipacchi Médias made it possible to achieve, over the past three years and for more than three quarters of the publications produced by Hachette Filipacchi Médias in France, average return rates well below the national averages for their category.

**B. Destruction and recycling of returns**

In the print media returns processing cycle, the wholesale print media distributors collect the returns from the points of sale. Some publishers reclaim some or all of their returns, and the remaining unsold copies are destroyed. In France, on average 90% of the returns generated by the press distribution system for newsstand sales are destroyed, and the remaining 10% are returned to the publishers at their request.

In France, for daily newspapers and magazines, the express service company NMPP (the principal distributor for the Group's titles) hand over returns to collectors spread throughout France, who commit to recycling these returns. The copies retrieved through this method are shredded to make paper pulp, which is in turn sold to paper manufacturers to make cardboard or recycled paper.

The subsidiaries of the Distribution Services Division who work in the print media distribution business (in particular SGEL in Spain, AMP in Belgium, Lapker in Hungary and Naville in Switzerland) systematically send the returns for destruction by the companies who recycle them. These unsold copies represent an annual volume of 89,400 tonnes, of which 25,500 tonnes for SGEL, 16,300 tonnes for Lapker, 38,900 tonnes for AMP and 8,700 tonnes for Naville.

As regards books, approximately 20% of the works put on sale by Hachette Livre are returned by the sales outlets; half of these publications are sent back to the publishers or sorted to be put on sale again and the other half is sent to be pounded and used to make paper pulp.

*The pounding of book returns*

*The pounding of book returns is carried out by external service providers. Unsold books are sorted, cut and shredded. The fragments of rejected pages are then compacted into balls of paper that are resold to paper manufacturers. The best sheets will provide paper for second editions of books and the pages of these second edition books will be used to make paper napkins or wrapping paper, while the remainder is used to make cardboard.*

## 5_3_3_5 ACTIONS IN TERMS OF ENERGY CONSUMPTION AND WASTE MANAGEMENT

### A. The actions of the Group in terms of energy consumption

In 2005, Lagardère implemented procedures to measure the energy (power and liquid fuel) consumption of its French subsidiaries. As at 31 December 2005, annual electricity consumption was in the order of 100 gigawatthours*, gas was 25 gigawatthours* and water consumption was approximately 145 thousand cubic meters*.

The premises housing the head offices of Hachette Filipacchi Médias and Hachette Livre, among the largest within the Group, are heated by Compagnie Parisienne de Chauffage Urbain (CPCU). 75% of the energy supplied by CPCU is produced through procedures that respect the environment: the recycling of domestic waste and combined heat and power production.

In the first quarter 2005, Lagardère instigated discussions concerning the reduction and/or optimisation of energy consumption within the Group. This consumption is principally linked to work in office buildings and the lines for improvement identified are more particularly related to lighting (chiefly the use of low-energy consumption light bulbs), air conditioning, ventilation and heating.

In partnership with the Group's electricity supplier, a global approach to "Controlling Energy Expenditure" has been instigated, with the aim of identifying all potential sources of energy savings, assessing the potential gains and implementing the corresponding action.

An energy audit was undertaken on ten sites representing approximately 40% of the Group's consumption in France. These audits had the objective of gathering a certain amount of technical data (particularly, building structure, windows, floor space/window space, aspect, existing equipment, air conditioning, etc.) and practical data (hours of frequentation, maintenance, etc.) based on which lines of specific progress have been identified and improvement actions have been taken by the sites concerned.

### B. Waste management

The Group intends to conduct discussions on how to reduce and/or manage waste, which is almost totally tertiary, to be launched in 2006. In order to prepare for these discussions, an inventory of existing good practices is already under way.

* Energy consumption included in the overheads of the sites and not itemised have been estimated according to the types of premises and number of occupants concerned.

## 5_3_4 Ethics – Code of conduct

### 5_3_4_1 AT GROUP LEVEL

The Lagardère Group is determined to carry out its business activities honestly and impartially, in compliance with the laws and regulations applicable in the different countries where it operates, while at the same time honouring universal values and fundamental rights. The Group therefore places great importance on the principles of the Universal Declaration of Human Rights and the International Labour Organisation, and on the directing principles of the OECD aimed at multinational corporations, as demonstrated particularly by its joining the United Nations Global Pact.

The writing of a new draft Code of Conduct, to replace the one which has been in force within the Group for over ten years, was completed at the end of 2005 and is currently being examined by the representative bodies of the staff concerned. This draft code, which draws its inspiration form the fundamental values on which Lagardère has built its legitimacy and reputation – respect for other people, team spirit, the search for excellence, loyalty and independence –, will serve as a reference for the business practices of each member of the Group. This document states a certain number of fundamental principles concerning the Group's relations with its employees, with outside partners and competitors, customers, shareholders and with the community at large.

- Concerning the relations of the Group with its employees, the draft code addresses, in particular:
  - working conditions, hygiene and safety conditions;
  - respect for fundamental rights and equitable practices in terms of employment (particularly by avoiding all types of discrimination and harassment);
  - respect for the private lives of employees.

The Group intends to foster the development of professional skills by means of training and promotion.

- Concerning relations with external partners and competitors, the Group restates the principle of the respect of loyal business practices and free competition; it prohibits all forms of corruption in France and elsewhere, as well as contributions to political parties by or on behalf of the companies in the Group. Furthermore, the draft code stipulates a certain number of rules regarding the acceptance and offering of business gifts.
- Concerning customer relations, the Group restates the principles of respecting commitments with regard to customers and the confidentiality of information concerning them; it stipulates the objective of providing customers with high-performance products and services adapted to their needs and expectations and information that is as sincere and loyal as possible.
- The Group intends to act in the interests and in consideration of its shareholders and, in this respect, the draft code states that Lagardère:
  - will strive not only to achieve an optimum level of asset valuation but also to protect assets to the best of its ability;
  - will strive to provide shareholders with information that is intelligible, relevant and reliable, and to be attentive to shareholders, particularly through the intermediary of the Shareholders' Committee.

- Concerning Group relations with the community at large, the draft code stipulates the principle of strict application of the laws and regulations in force and its determination to contribute to sustainable development.

There is also an IT charter specifying the rules governing the use of computer tools; this charter applies to all of the Group's employees.

### 5_3_4_2 AT DIVISION LEVEL

Certain divisions have implemented specific charters or particular rules of conduct applicable to their business activities.

- In the Print Media Division, in France, a business ethics charter is given to journalists when they join the Group. This charter precisely defines the rules of conduct to which all journalists in all the editorial sections of Hachette Filipacchi Médias are subject. By defending the self regulation of the profession, this charter is particularly useful in identifying threats of press censorship.

  It states the fundamental values of journalism: a critical mind, impartiality (the obligation to seek and expose the various aspects of a situation), equity, independence (which implies that the journalist must maintain a distance from political power and pressure groups), the respect of the public, honesty and an open mind.

  The charter then states the principles underlying the profession of journalist, which include:
  - the truth of the information and its rigorous communication; in particular, it is the duty of the journalist to (i) check the truth of the facts reported, by verifying information and sources, (ii) situate the facts and opinions reported in their context, so as to make them comprehensible, without exaggerating or decreasing their importance, (iii) make sure that the presentation of articles and features does not alter information or induce error;
  - the search for information and its dissemination;
  - the protection of sources and materials pertaining to journalism;
  - the right to information in the respect of the rights of individuals to their civil liberties.

  At the Print Media Division, each Chief Editor of a publication is responsible for questions of editorial ethics, in compliance with the regulations in force. All advertising in the sectors subject to regulation (for example, offers of loans, health claims, small ads for clairvoyance, comparative advertisements, the use of the French language, compliance with the Evin law regarding the advertising of tobacco and alcoholic drinks, etc.) are systematically submitted for the approval of the General Secretary's office. The validity of the advertisements is assessed, particularly with respect to the laws in force, the provisions of the Consumer Code and the recommendations of the Advertising Verification Bureau. Furthermore, the advertising of alcoholic beverages and food supplements is subject to the opinion of the Advertising Commission of the APPM *(Association pour la Promotion de la Presse Magazine)* the Chairman of which is a member of Hachette Filipacchi Médias' Management Committee. In the same way, editorial articles that present brands of alcoholic beverages or contests are submitted for the evaluation of the General Secretary's office which makes sure they are compliant, particularly concerning the respect of the health message.

- Concerning the printing and shaping of books, since 2004 Hachette Livre has been conducting a policy of raising the awareness to social issues, targeted at its suppliers located outside Europe. To date, 40% of these suppliers have already obtained OHSAS 18001 certification (a standard that is recognised the world over for hygiene, safety and working conditions) and Hachette Livre encourages those who are not yet certified to take the necessary steps to obtain certification. These awareness raising operations will be continued.

  Furthermore, within the Book Publishing Division, certain publishing houses have implemented a specific code of conduct that recalls the fundamental principles of human rights and children's rights to all the suppliers and sub-contractors who participate, directly or indirectly, in the book production processes. To this end, contracts signed with external service providers stipulate the enforceability of this code, so that the principles are imposed on the suppliers and sub-contractors.

  The code also recalls a certain number of fundamental values, most of which originate from the principles of the International Labour Organisation (ILO), that the company's suppliers and sub-contractors must respect: the prohibition of children's employment, discrimination and hard labour and disciplinary measures; the commitment to ensure health and safety in the workplace, acceptable terms of remuneration and reasonable working hours.

  The code also stipulates that the publishing houses concerned may check that these principles are applied by their suppliers and sub-contractors and, consequently, may initiate, during the validity period of the contracts, compliance audits on the premises of suppliers and sub-contractors and on any of the suppliers' and sub-contractors' production sites. In the event of failure to respect the provisions of the code, sanctions, which may involve the termination of the contract accompanied with a fine, may be applied against the defaulting party.

  In the course of 2005, compliance audits were performed, and some gave rise to requests for corrective action by the suppliers and sub-contractors concerned (particularly, reduction in the weekly working hours of the employees and application of the rules related to working conditions and hygiene). Regularity auditing will be performed to check that the requested corrective action has been implemented by the suppliers concerned.

- In the Audiovisual Division, the General Secretary's office maintains regular contacts with Lagardere Active's advertising brokers providing advice on the regulations in force in the sector (particularly in terms of regulated advertising). In the same way, the General Secretary's office answers any specific questions from the operational staff about the content of advertising messages broadcast to the public.

  In terms of Radio broadcasting, General Management of the Europe 1 news and current affairs radio station, is particularly attentive to application of the code of ethics of the profession of journalist, which guarantees the credibility of the company and the infringement of which could severely jeopardise its business operations. The same vigilance is exercised by the General Management of the music radio stations, with regard to the Chief Editors of these radio stations.

*Europe 1's independence*

Europe 1 is independent by convention, conviction and in practice. It is not subject to pressure from any source, for it takes care to allow expression to different forms of opinion. A producer of editorial content in terms of information and programmes, Europe 1 makes sure that all its broadcasts respect the principles of impartiality and pluralism. In reality, our independence is protected by four pillars:

- The first is quite obviously the journalists themselves, with their code of conduct, rules, demands and sense of responsibility. If they obey instructions, they lose all credibility, and cease to exist in their competitive profession. They know that anyone who, on radio or television, bends to outside influences loses standing and is weakened in the long term.
- The second is the public. Today well-informed, clear-minded, and demanding, it has the capacity to choose instantly. It only has confidence in media who have demonstrated their independence, those who defend liberty and not submission. The public is not mad. It identifies any media that are manipulated. If the dice are loaded, it will listen and watch elsewhere. There is nothing more counter-productive, including commercially, than dependence.
- The third pillar is the creative talent, quality and cohesion of the teams. This is the key factor in the results that make it possible to finance the resources that guarantee this independence. We are all the more free and strong when we don't have to go cap in hand to anyone.
- The forth pillar, clearly, is a strong, supportive shareholder. He recognises the independence of the teams that he nominates as a systematic prerequisite, respected both within the Group and externally. This is a means of increasing our effectiveness.

Editorial professions are inseparable from ethics. One first has to be demanding with respect to oneself. Be exhaustive, rigorous, neutral, impartial. Not deference, but respect. An event can never be fully explained by a single version. Independence is protected by contracts and agreements, but it is above all a driving force, a state of mind that has made Europe 1 vibrant for more than fifty years.

Jean-Pierre Elkabbach

In all the programmes broadcast, Management of the music radio stations monitors application of the principles of respect for the human individual, equality of the sexes and protection of children and minors. It is particularly attentive to preventing deviations that could disturb the sensitivity of young listeners. To this end, the work contracts signed with programme comperes stipulate the conditions governing their intervention in broadcasting, and systematically impose the obligation to respect the law, the peace, morality and national security.

The Group's "Youth" channels apply the principle of strict respect for children and particularly their protection against threatening contents. This is the guiding principle behind all the editorial choices of each TV channel. More particularly concerning Gulli, which is a channel for children from 6 to 15 years old, an ethics committee comprising child specialists is in charge of generating both general discussions on the place of television in children's lives and on the channel itself and its programmes.

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# 6

# Net assets
# Financial position
# Results

# 6_1 PER SHARE DATA AND DISTRIBUTION POLICY

## 6_1_1 Per share data

| *in euros* | 2001 Basic | 2001 Diluted(1) | 2002 Basic | 2002 Diluted(2) | 2003 Basic | 2003 Diluted(2) | 2004 Basic | 2004 Diluted(2) | 2005 Basic | 2005 Diluted(2) |
|---|---|---|---|---|---|---|---|---|---|---|
| Consolidated profit attributable to holders of the parent, per share | 4.59 | 4.41 | (2.16) | (2.16) | 2.47 | 2.42 | 3.65 | 3.44 | 4.88 | 4.74 |
| Equity attributable to holders of the parent, per share | 30.63 | 29.08 | 27.32 | 27.31 | 28.75 | 28.86 | 28.68 | 31.28 | 31.45 | 33.72 |
| Cash from operations before change in working capital, per share | 4.26 | 4.04 | 4.41 | 4.34 | 6.02 | 5.88 | 8.75 | 8.76 | 9.52 | 9.23 |
| Market price at 31 December | 47.00 | | 38.71 | | 45.77 | | 53.10 | | 65.00 | |
| Dividend | 0.82 | | 0.82 | | 0.90 | | 1.00 + 2.00(3) | | 1.10(4) | |

(1) Including new shares that may be created as a result of share subscription warrants, stock options and convertible bonds.
(2) Including new shares that may be created under stock options plans.
(3) Ordinary dividend of € 1 per share and exceptional dividend of € 2 per share.
(4) Dividend to be approved by the General Meeting of Shareholders on 2 May 2006.

## 6_1_2 Creation of shareholder value

In parallel to the transition to IFRS, the Group has redefined its performance indicators. The creation of shareholder value is no longer calculated specifically.

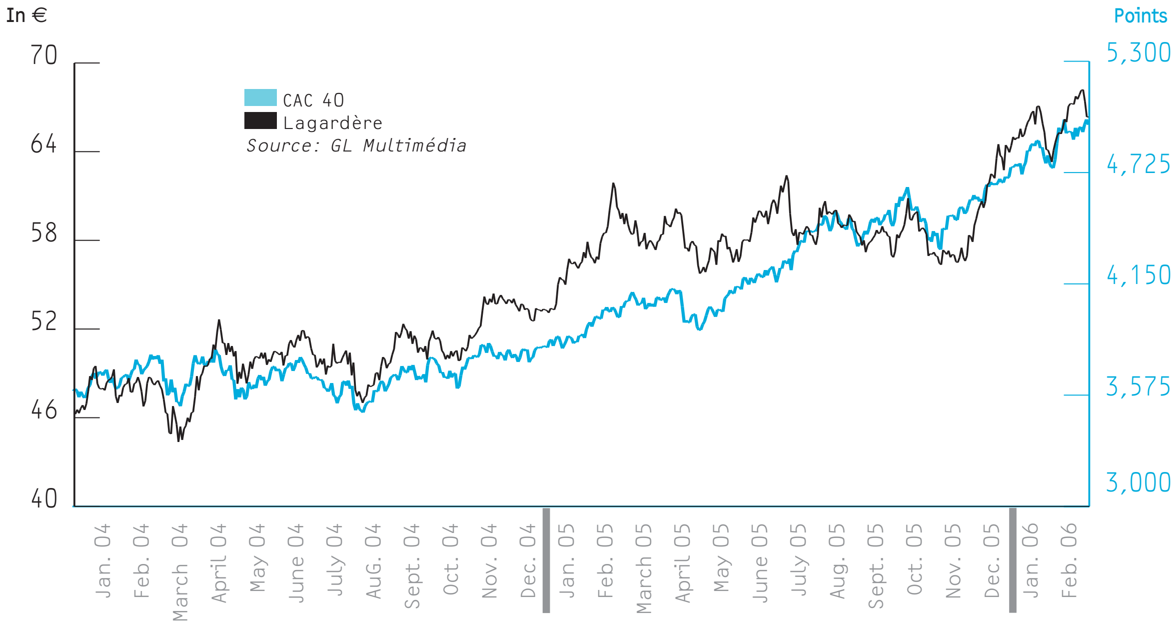
## 6_1_3 Distribution policy

Total dividends paid for the years 2001, 2002, 2003 and 2004* (ordinary dividend of €1) amounted to €110.8 million, €111.2 million, €122.8 million and €136.7 million respectively.

For the years 2003 and 2004, total dividends accounted for 36.8% and 35.8% of net profit attributable to equity holders of the parent (excluding the exceptional dividend).

* Only the ordinary dividend of €1 paid out of 2004 net profit is taken into account, thus excluding the €2 exceptional dividend paid for the same year (see note 3 under table above).

## 6_1_4 Changes in closing share prices 1 January 2004-20 February 2006



# 6_2 ANALYSIS OF LAGARDÈRE SCA'S CONSOLIDATED FINANCIAL POSITION AND RESULTS

## 6_2_1 General

In accordance with the European regulation issued on 19 July 2002, the Lagardère Group's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) as from 1 January 2005. These standards were applied with retrospective effect in the opening balance sheet at 1 January 2004, with the exception of IAS 32 and IAS 39 on financial instruments, which have been adopted with effect from 1 January 2005. With this exception, the comparative figures presented for 2004 have been restated pro forma, under the same IFRS governed principles as those applied at 31 December 2005.

All figures are expressed in millions of euros.

The consolidated income statements are summarised below.

| | 2005 | 2004 |
|---|---|---|
| **Net sales** | **13,013** | **12,296** |
| **Profit before finance costs and tax** | **920** | **889** |
| Finance costs, net | (76) | (97) |
| Income tax expense | (142) | (240) |
| **Net profit** | **702** | **552** |
| *Attributable to equity holders of the parent* | *670* | *495* |
| *Attributable to minority interests* | *32* | *57* |

Operations by main business segments are analysed below.

## 6_2_2 Lagardère Media

The Media segment includes the operations of the Book Publishing, Print Media, Distribution Services and Lagardere Active divisions.

Significant changes in this segment's structure during 2005 were as follows:

### Book Publishing

- Full consolidation over 12 months of the British publishing group Hodder Headline, which was only consolidated from 1 October in 2004.

### Print Media

- Proportionate consolidation over 12 months of the 49% holding in Psychologies Magazine, which was only consolidated from 1 July in 2004.

### Distribution Services

- Full consolidation from 1 November 2005 of newly acquired businesses in the Asia-Pacific zone.

### Lagardere Active

- In January 2005, Lagardère and Canal+ Group exchanged their cross-shareholdings in multiThématiques and Lagardère Thématiques. Lagardère Group sold Canal+ its 30% holding in multiThématiques, and raised its investment in Lagardère Thématiques from 51% to 100%. In 2004, the investment in multiThématiques was accounted for under the equity method and Lagardère Thématiques was fully consolidated.
- Full consolidation of the Polish radio station Eurozet, now owned 95% (previously proportionately consolidated on a 49% basis in 2004).

Summarised statements of income and cash flows of Lagardère Media are as follows:

### Income statement

| | 2005 | 2004* |
|---|---|---|
| **Net sales** | **7,901** | **7,501** |
| Recurring operating profit before associates | 503 | 470 |
| Income from associates | 63 | 41 |
| Non-recurring items | (67) | 35 |
| **Profit before finance costs and tax** | **499** | **546** |
| Finance costs, net | (52) | (59) |
| **Profit before tax** | **447** | **487** |

(*) After reallocation of corporate costs to Lagardère Media by Other Activities based on the rates used in 2005.

### Cash flows

| | 2005 | 2004 |
|---|---|---|
| Cash flows from operations before change in working capital | 662 | 684 |
| Change in working capital requirement | 2 | 41 |
| **Cash generated from operations** | **664** | **725** |
| Interest paid and received and income taxes paid | (219) | (274) |
| **Net cash from operating activities** | **445** | **451** |
| Cash used in investing activities | (223) | (624) |
| *– Intangible assets and property, plant and equipment* | *(161)* | *(204)* |
| *– Investments* | *(62)* | *(420)* |
| Proceeds from disposals of non current assets | 65 | 726 |
| *– Intangible assets and property, plant and equipment* | *14* | *23* |
| *– Investments* | *51* | *703* |
| Sales (purchases) of short-term investments | 582 | (13) |
| **Net cash from investing activities** | **424** | **89** |
| **Total cash from operating and investing activities** | **869** | **540** |

| | 2005 | 2004 |
|---|---|---|
| **Capital employed*** | **4,163** | **3,793** |

* Non-current assets less non-current liabilities (excluding debt) and working capital requirement.

The main factors marking 2005, which saw only very small growth in advertising and consumption, were the development of Book Publishing and Media Distribution activities, sustained business levels for the Audiovisual segment, and very low increases in advertising revenues and magazine sales. Hachette Filipacchi Médias was operating in difficult market conditions, but the policy to launch new titles was pursued, while recently introduced magazines such as *Public* and *Choc* confirmed their popularity. Hachette Distribution Services benefited from a pickup in air travel, and sustained growth in Eastern Europe and Australia.

Lagardère Media's sales for 2005 thus increased by 5.3% without adjustments for changes in group structure and exchange rates. Changes in exchange rates (annual average rates) had only a limited impact, largely due to the US dollar/euro rate's stability between 2005 and 2004. The sales growth registered by Lagardère Media reflects the first full year of consolidation of Hodder Headline, which generated additional sales of €176 million.

Excluding the effect of changes in group structure and exchange rates, sales growth was 2.5%. Sales increased in all divisions, but showed particularly strong progress for Lagardere Active which recorded internal growth of 9.2% in 2005.

Recurring operating profit before associates amounted to €503 million, a rise of €33 million or 7.1% from 2004 without adjustments for changes in group structure and exchange rates. The following factors contributed:

- with effect from 1 January 2005, the Lagardère Group brought in new rules for the reallocation by Other Activities of corporate costs for management of the media businesses. The fees payable by the Lagardère Media's operational units were increased, in return for an equivalent increase in the Other Activities' earnings. This had no impact on consolidated results.

  To present accounts comparable to 2005, the comparative figures reported for 2004 have been restated pro forma and include an allocation of corporate costs recalculated under the rules applied from 2005. This led to an additional pro forma expense of €27 million in 2004 for Lagardère Media, offset by an equivalent improvement in the Other Activities' earnings.
- the employee benefit expense recognised by Lagardère Media in respect of stock options granted totalled €22 million in 2005 compared to €10 million in 2004.

  This increase mainly resulted from the fact that the 2004 expense related exclusively to the plan introduced on 18 December 2003, while the 2005 figure also includes the expense generated by the plan introduced on 20 November 2004.

Excluding the cost of stock option plans, net profit rose by 9.3%.

Recurring operating profit before associates changed as follows for each division:

- Hachette Livre's recurring operating profit rose by €25 million, still supported by the well-balanced development of all French publishing and distribution activities, and some good performances in Spain. Other contributing factors were the "Dan Brown effect", as his novels *Da Vinci Code* and *Angels and Demons* continued to head the bestseller lists, and high sales of literary award-winning books. The newly consolidated Hodder Headline business contributed an additional €20 million;

- Recurring operating profit for the Print Media division declined by €7 million, including €3 million caused by higher stock option plan expenses. The improved results in France (other than the TV press), Italy and Japan did not offset the insufficient growth in advertising revenues in most countries, and the loss of the Philip Morris custom publishing contract in the US;
- Hachette Distribution Services' recurring operating profit rose by €5 million. In addition to higher profits in Poland and by airport outlets, this rise was due to an excellent performance in the Australia-Asia-Pacific area;
- Lagardere Active registered recurring operating profit growth of €10 million due to significant increases in audiovisual production and publishing.

Income from associates was €63 million in 2005, an increase of €22 million from 2004, largely thanks to good performances by CanalSatellite (impact of +€6 million), and because an exceptional write-down of €13 million had been recognised in 2004 on the investment in multiThématiques.

Non-recurring items included in the profit before finance costs and tax represented a net loss of €67 million in 2005, including:

- €25 million in restructuring costs, mainly incurred by the Print Media division for the discontinuation of the magazine OhLà, rationalisation of photograph agency costs and cost-cutting plans introduced in France and the US;
- €59 million of impairment losses on goodwill and intangible assets, primarily concerning certain special interest TV channels whose carrying amount had to be reduced in view of higher costs and increasing competition in the sector, partly related to the advent of Digital Terrestrial Television.

Non-recurring items in 2004 included a reversal of €104 million from the provision on T-Online shares. After neutralisation of the impact of this reversal on earnings for 2004, profit before finance costs and tax increased by €57 million or 12.9%.

Net finance costs were €7 million lower than in 2004. This reflects the effect of the lower level of interest-bearing debt at Lagardère Media, following receipt in 2005 of the sale price of most of the T-Online shares held at end 2004 (€582 million).

### Cash flows

Cash flows from operations before change in working capital amounted to €662 million, the decline of €22 million from 2004 being mainly attributable to the Print Media division.

The working capital requirement significantly improved in 2004, and was stable over 2005 (declining by €2 million).

Given the reduction in interest and taxes paid, net cash from operating activities stood at €445 million in 2005, from €451 million in 2004.

Purchases of intangible assets and property, plant and equipment totalled €161 million in 2005, €43 million lower than in 2004, which included the €63 million acquisition of a building for the Print Media division's head office in the Paris area.

Purchases of investments in 2005 amounted to €62 million, the main acquisition concerning an additional 46% holding in Eurozet, a Polish subsidiary of Lagardere Active's Radio segment. The principal investment of 2004 was the acquisition of the Hodder Headline publishing group by Hachette Livre for €313 million.

Disposals of assets amounted to €65 million in 2005 and included the payment made by Canal+ Group when the cross-shareholdings in multiThématiques and Lagardère Thématiques were ended, and the sale of 10% of the publisher Dalloz. The high figure of €726 million recorded in 2004 included €667 million received from Wendel Investissement on the sale of those Editis assets that Lagardère was not authorised to retain as a result of the decision of the European Commission.

Sales of short-term investments stood at €582 million, the price received for the sale of most of the portfolio of T-Online shares. At 31 December 2005, the Group retained 5.5 million shares (compared to 69.6 million shares at 31 December 2004), carried at their market value in the consolidated financial statements for €45 million.

All these items generated €869 million of total cash from operating and investing activities in 2005, compared to €540 million in 2004.

At 31 December 2005, capital employed totalled €4,163 million, up by €370 million from 2004. This was largely the result of the increase in the value of certain American assets, as the US dollar's value against the euro rose by some 15% between 31 December 2004 and 31 December 2005.

## 6_2_3 EADS

Lagardère's presence in the High Technology industry is represented by its interest in EADS, which is included in Lagardère's consolidated financial statements using the proportionate method of consolidation based on Lagardère's percentage interest of 14.95% in 2005 and 15.10% in 2004.

Summarised statements of the Lagardère Group's share in earnings and cash flows of EADS, without adjustments for changes in group structure and based on the share attributable to Lagardère, are as follows:

### Income statement

| | 2005 | 2004 |
|---|---|---|
| **Net sales** | **5,112** | **4,795** |
| Recurring operating profit before associates | 392 | 350 |
| Income from associates | 31 | 13 |
| Non-recurring items | (3) | (18) |
| **Profit before finance costs and tax** | **420** | **345** |
| Finance costs, net | (23) | (45) |
| **Profit before tax** | **397** | **300** |

## Cash flows

| | 2005 | 2004 |
|---|---|---|
| Cash flows from operations before change in working capital | 644 | 551 |
| Change in working capital requirement | 155 | 264 |
| **Cash generated from operations** | **799** | **815** |
| Interest paid and received and income taxes paid | (29) | (52) |
| **Net cash from operating activities** | **770** | **763** |
| Cash used in investing activities | (578) | (681) |
| *- Intangible assets and property, plant and equipment* | *(427)* | *(554)* |
| *- Investments* | *(151)* | *(127)* |
| Proceeds from disposals of non current assets | 176 | 112 |
| *- Intangible assets and property, plant and equipment* | *53* | *17* |
| *- Investments* | *123* | *95* |
| Purchases of short-term investments | (123) | (11) |
| **Net cash used in investing activities** | **(525)** | **(580)** |
| **Total cash from operating and investing activities** | **245** | **183** |

| | 2005 | 2004 |
|---|---|---|
| **Capital employed*** | **1,106** | **578** |

* Non-current assets less non-current liabilities (excluding debt) and working capital requirement.

## Operations

EADS' contribution to Lagardère's consolidated sales was €5,112 million, up by 6.6% from its 2004 contribution of €4,795 million.

The main drivers of this growth were Airbus, which registered a 9.7% increase in sales thanks to an improvement in the volume of aircraft delivered (378 in 2005, compared to 320 in 2004) and Eurocopter, which also benefited from the high increases in deliveries and consolidation of Australian Aerospace. Aggregate sales for all EADS Defence business remained stable compared to 2004 because revenues generated by the A400M programme were not recorded until the first half of 2006.

At the end of 2005, the order intake by EADS (on a 100% basis) rose considerably to €92.6 billion, reflecting the significant growth in Airbus orders and major defence contracts such as the Tiger, NH90 and A400M for export.

The order book totalled €253 billion (on a 100% basis), up 37% from 2004, partly benefiting from a more favourable Euro/USD rate at the end of 2005 (1 euro = 1.18 US$, against 1.36 USD in 2004). EADS' order book is currently the largest in the global aerospace and defence industries.

In 2005, EADS' contribution to the recurring operating profit befor associates stood at €392 million, up from €350 million in 2004. This performance is mainly attributable to Airbus and the Space division.

Airbus confirmed its number one position on the commercial aviation market in 2005 with its best ever year in terms of deliveries and profitability, largely achieved through its "Route 06" cost-saving programme. The lower level of research and development expenses is concomitant with higher capitalisation of research and development costs inherent to the A380, and the start of production on its passenger version.

The rise in recurring operating profit of the Military Transport Aircraft division reflects the success of operations and the end of the restructuring process initiated the previous year.

Eurocopter's recurring operating profit was higher than in 2004 despite a slightly lower margin due to a less favourable product mix, the impact of exchange rate risk hedging and rising research and development costs.

The increase in the Space division's recurring operating profit over the year illustrates the business growth despite a persistently unfavourable commercial environment, and the positive impact of the reduced cost base after the now completed restructuring.

In 2005, the Defence and Security Systems division reported slightly lower recurring operating profit than in 2004, primarily due to the reversal of a provision for litigation in 2004 and expenses allocated to the Drones business in 2005. However, this was almost fully offset by the improved operating performances.

For Other businesses not attached to any division (ATR, EADS EFW, EADS Socata and EADS Sogerma Services) recurring operating profit was down overall from 2004 despite the positive contributions by ATR, EADS EFW and EADS Socata. The loss registered by EADS Sogerma Services was more accentuated than in 2004 principally as a result of operating losses, asset impairment and restructuring expenses.

Almost all income from associates was contributed by Dassault Aviation.

Cash from operating and investing activities totalled €245 million. This improvement from 2004 was mainly due to the stability of cash flows generated from operations, thanks to higher cash from operations before change in working capital and the lower level of investments for development of the A380.

## 6_2_4 Overview of consolidated results

Total profit before tax of the Lagardère Group's business segments, and consolidated profit for the year, are as follows:

| | 2005 | 2004 |
|---|---|---|
| Total profit of business segments | 844 | 787 |
| Other Activities | - | 5 |
| **Profit before tax** | **844** | **792** |
| Income tax expense | (142) | (240) |
| **Consolidated profit for the year** | **702** | **552** |
| *Attributable to equity holders of the parent* | *670* | *495* |
| *Attributable to minority interests* | *32* | *57* |

- Other Activities comprise those operations not directly related to one of the business segments presented above. Other Activities results are as follows:

**Income statement**

| | 2005 | 2004* |
|---|---|---|
| Recurring operating profit before associates | 1 | 3 |
| Non-recurring items | - | (5) |
| **Profit before finance costs and tax** | **1** | **(2)** |
| Net financial income (loss) | (1) | 7 |
| **Profit before tax** | **0** | **5** |

* After reallocation of corporate costs to Lagardère Media based on the rates used in 2005, ie a positive impact of €27 million for Other Activities in 2004.

Recurring operating profit before associates mainly comprises corporate costs borne by the central holding companies and the contribution of Matra Automobile's Spare Parts department. In 2004, it also included the results of the Arjil Bank, which was sold at the end of that year.

- The income tax expense for 2005 was €142 million compared to €240 million for 2004, a decrease of €98 million. EADS' tax expense increased by €18 million due to the higher net profit. Excluding EADS, there was a €116 million decrease from 2004, leading to a tax expense of €16 million in 2005. This is due to non-recurring profit of €99 million resulting from the settlement of tax litigation previously covered by provisions, and new tax rules for withdrawals of perpetual subordinated notes introduced by the 2005 Finance Law.

## 6_2_5 Cash flows

### 6_2_5_1 CONSOLIDATED CASH FLOW STATEMENT

In 2005, net cash from operating activities amounted to €1,215 million (€445 million from the Media segment and €770 million from EADS), representing an increase of €60 million from 2004. Cash generated by the Media segment and EADS operations were stable over the two years. The increase is attributable to Other Activities, where cash flows reached equilibrium after a net cash outflow of €59 million in 2004. This is due to the increase in corporate expenses reallocated to Media divisions in 2005, and the fact that non-recurring expenses were booked in 2004 in connection with the purchase of certain Editis assets.

Total cash used in investing activities amounted to €826 million in 2005, €495 million less than in 2004, principally due to the acquisition of Hodder Headline that year (€313 million).

Total cash from investing activities in 2005 was €254 million, from €835 million in 2004 which included €667 million received from Wendel Investissement on the sale of Editis assets. In addition, changes in short-term investments, principally the sale of T-Online shares (€582 million) generated €459 million in 2005.

In all, total cash from operating and investing activities amounted to €1,102 million in 2005, compared to €646 million in 2004.

Net cash of €444 million was used in capital transactions, including:

- the capital increase by Lagardère SCA through the exercise by employees of their subscription options (+€40 million);
- acquisition of treasury shares (–€54 million);

- dividends paid (–€412 million, including €272 million for the exceptional dividend of €2 per share paid in July 2005).

Net cash used in financing transactions amounted to €1,095 million, mainly concerning the holding company Lagardère SCA, which in 2005 reimbursed its 2003 syndicated loan (€700 million) and repurchased, then redeemed, bonds convertible into T-Online shares (€767 million). A new syndicated loan of €2.2 billion was arranged, with €250 million drawn by 31 December 2005, and a structured loan of €151 million was also contracted.

As a result of the above cash flows, including the effect of translation adjustments and reclassifications, net cash and cash equivalents decreased by €425 million from 2004 to €1,898 million at 31 December 2005.

### 6_2_5_2 NET CASH SURPLUS (INDEBTEDNESS)

Net indebtedness is calculated as follows:

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Short-term investments and cash and cash equivalents | 849 | 1 498 | 2,347 | 1,957 | 1,414 | 3,371 |
| Non-current debt | (1,280) | (627) | (1,907) | (1,819) | (665) | (2,484) |
| Current debt | (644) | (659) | (1,303) | (1,211) | (109) | (1,320) |
| **Net cash surplus (indebtedness)** | **(1,075)** | **212** | **(863)** | **(1,073)** | **640** | **(433)** |

Compared to 31 December 2004, net indebtedness increased by €430 million. The main factors are as follows:

| | Excluding EADS | EADS | Total Group |
|---|---|---|---|
| **Net cash surplus (indebtedness) at 31 December 2004** | **(1,073)** | **640** | **(433)** |
| Total cash from operating and investing activities, as reported in the consolidated cash flow statement | 857 | 245 | 1,102 |
| Net cash used in capital transactions, as reported in the consolidated cash flow statement | (369) | (75) | (444) |
| Proceeds from the sale of T-Online shares | (582) | - | (582) |
| Put options granted to minority shareholders recognised in debt | (76) | (523) | (599) |
| Reduction in financial liabilities hedged by derivative instruments following measurement at fair value | 118 | - | 118 |
| Items reclassified as cash and cash equivalents by EADS | - | (66) | (66) |
| Effect on cash of changes in exchange rates | 28 | 4 | 32 |
| Effect on cash of changes in group structure and other movements | 22 | (13) | 9 |
| **Net cash surplus (indebtedness) at 31 December 2005** | **(1,075)** | **212** | **(863)** |

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# 6_3 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2005

## Consolidated Income Statement for the year ended 31 December 2005

| *(in millions of euros)* | | 2005 | 2004 IFRS |
|---|---|---|---|
| Net sales | *(notes 6 and 7)* | 13,013 | 12,296 |
| Other income from ordinary activities | | 519 | 542 |
| Revenue | | 13,532 | 12,838 |
| Purchases and changes in inventories | | (7,210) | (6,602) |
| Capitalised production | | 6 | 2 |
| Production transferred to inventories | | 349 | (17) |
| External charges | | (2,291) | (2,127) |
| Payroll costs | *(note 8)* | (2,949) | (2,746) |
| Depreciation and amortisation expense | | (334) | (343) |
| Other operating income and expense | *(note 9)* | (277) | (170) |
| Income from associates | *(note 16)* | 94 | 54 |
| **PROFIT BEFORE FINANCE COSTS AND TAX** | *(note 6)* | **920** | **889** |
| Finance costs, net | *(note 10)* | (76) | (97) |
| **PROFIT BEFORE TAX** | | **844** | **792** |
| Income tax expense | *(note 11)* | (142) | (240) |
| **PROFIT FOR THE YEAR** | | **702** | **552** |
| Attributable to equity holders of the parent | | 670 | 495 |
| Attributable to minority interests | *(note 24)* | 32 | 57 |
| *Basic earnings per share attributable to equity holders of the parent* | *(note 12)* | *4.88* | *3.65* |
| *Diluted earnings per share attribuable to equity holders of parent* | *(note 12)* | *4.74* | *3.44* |

## Consolidated Cash Flow Statement for the year ended 31 December 2005

| *(in millions of euros)* | | 2005 | 2004 |
|---|---|---|---|
| **Profit for the year** | | **702** | **552** |
| Income tax expense | | 142 | 240 |
| Finance costs, net | | 76 | 97 |
| **Profit before finance costs and tax** | | **920** | **889** |
| Depreciation and amortisation expense | | 334 | 343 |
| Impairment losses, provision expense and other non-cash items | | 130 | (25) |
| Gains on disposals of assets | | (23) | (8) |
| Dividends received from associates | | 40 | 42 |
| Income from associates | | (94) | (54) |
| **Cash flow from operations before change in working capital** | | **1,307** | **1,187** |
| Change in working capital requirement | | 146 | 223 |
| **Cash generated from operations** | | **1,453** | **1,410** |
| Interest paid | | (130) | (162) |
| Interest received | | 81 | 94 |
| Income taxes paid | | (189) | (187) |
| **Net cash from operating activities** | **(A)** | **1,215** | **1,155** |
| **Cash used in investing activities** | | | |
| Purchases of intangible assets and property, plant and equipment | | (591) | (770) |
| Purchases of investments | | (92) | (410) |
| Purchases of other non-current assets | | (143) | (141) |
| **Total cash used in investing activities** | **(B)** | **(826)** | **(1,321)** |
| **Cash from investing activities** | | | |
| Proceeds from disposals of non-current assets | | | |
| Intangible assets and property, plant and equipment | | 67 | 41 |
| Investments | | 63 | 681 |
| Decrease in other non-current assets | | 124 | 113 |
| **Total cash from investing activities** | **(C)** | **254** | **835** |
| Sales (purchases) of short-term investments | (D) | 459 | (23) |
| **Net cash used in investing activities** | **(E) = (B)+(C)+(D)** | **(113)** | **(509)** |
| **Total cash from operating and investing activities** | **(F) = (A)+(E)** | **1,102** | **646** |
| **Capital transactions** | | | |
| Proceeds from capital increase by the parent | | 40 | 32 |
| Change in minority interests in capital increases by subsidiaries | | 17 | 9 |
| Change in treasury shares | | (54) | (27) |
| Dividends paid to equity holders of the parent* | | (412) | (126) |
| Dividends paid to minority shareholders of subsidiaries | | (35) | (26) |
| **Financing transactions** | | | |
| Increase in debt | | 488 | 98 |
| Decrease in debt | | (1,583) | (167) |
| **Net cash used in financing activities** | **(G)** | **(1,539)** | **(207)** |
| **Other movements** | | | |
| Effect on cash of acquisition of Editis | | | 128 |
| Effect on cash of changes in exchange rates | | 19 | (6) |
| Effect on cash of other movements | | (7) | 4 |
| **Total other movements** | **(H)** | **12** | **126** |
| **Change in net cash and cash equivalents** | **(I) = (F)+(G)+(H)** | **(425)** | **565** |
| **Net cash and cash equivalents at beginning of the year** | | **2,323** | **1,758** |
| **Net cash and cash equivalents at end of the year** | *(note 23)* | **1,898** | **2,323** |

* Including the portion of net profit paid to the general partners.

## Consolidated Balance Sheet at 31 December 2005

| ASSETS *(in millions of euros)* | | 31 December 2005 | 31 December 2004 |
|---|---|---|---|
| Intangible assets | *(note 14)* | 1,745 | 1,611 |
| Goodwill | *(note 13)* | 2,649 | 2,468 |
| Property, plant and equipment | *(note 15)* | 2,689 | 2,512 |
| Investments in associates | *(note 16)* | 1,542 | 1,523 |
| Other non-current assets | *(note 18)* | 1,194 | 620 |
| Deferred tax assets | *(note 11)* | 505 | 457 |
| Assets held for sale | | 132 | – |
| **Total non-current assets** | | **10,456** | **9,191** |
| Inventories | *(note 19)* | 2,874 | 2,420 |
| Trade receivables | *(note 20)* | 2,039 | 1,935 |
| Other current assets | *(note 21)* | 1,273 | 1,049 |
| Short-term investments | *(note 22)* | 253 | 844 |
| Cash and cash equivalents | *(note 23)* | 2,094 | 2,527 |
| **Total current assets** | | **8,533** | **8,775** |
| **Total assets** | | **18,989** | **17,966** |

## Consolidated Balance Sheet at 31 December 2005

| EQUITY AND LIABILITIES *(in millions of euros)* | | 31 December 2005 | 31 December 2004 |
|---|---|---|---|
| Share capital | | 866 | 859 |
| Reserves | | 2,783 | 2,537 |
| Profit attributable to equity holders of the parent | | 670 | 495 |
| Minority interests | *(note 24)* | 142 | 272 |
| **Total equity** | *(note 24)* | **4,461** | **4,163** |
| Provisions for employee benefit obligations | *(note 25)* | 725 | 708 |
| Non-current provisions for contingencies and losses | *(note 25)* | 624 | 575 |
| Non-current debt | *(note 26)* | 1,907 | 2,484 |
| Other non-current liabilities | *(note 28)* | 1,815 | 1,525 |
| Deferred tax liabilities | | 761 | 529 |
| Liabilities associated with assets held for sale | | 9 | - |
| **Total non-current liabilities** | | **5,841** | **5,821** |
| Current provisions for contingencies and losses | *(note 25)* | 673 | 687 |
| Current debt | *(note 26)* | 1,303 | 1,320 |
| Trade payables | | 2,707 | 2,523 |
| Other current liabilities | *(note 28)* | 4,004 | 3,452 |
| **Total current liabilities** | | **8,687** | **7,982** |
| **Total equity and liabilities** | | **18,989** | **17,966** |

## Consolidated Statement of Changes in Equity for the year ended 31 December 2005

| *(in millions of euros)* | Share capital | Share premiums | Other reserves | Treasury shares | Translation reserve | Valuation reserve | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2004** | **852** | **1,378** | **1,337** | **(194)** | **237** | | **243** | **3,853** |
| Currency translation adjustments | | | | | (121) | | (12) | **(133)** |
| Profit for the year | | | 495 | | | | 57 | **552** |
| ***Total recognised income and expense for the year*** | | | ***495*** | | ***(121)*** | | ***45*** | ***419*** |
| Dividends | | | (126) | | | | (25) | **(151)** |
| Capital increase by the parent* | 7 | 25 | | | | | | **32** |
| Changes in treasury shares | | | | (16) | | | | **(16)** |
| Share-based payments | | | 17 | | | | | **17** |
| Changes in scope of consolidation | | | | | | | 9 | **9** |
| **At 31 December 2004** | **859** | **1,403** | **1,723** | **(210)** | **116** | | **272** | **4,163** |
| Currency translation adjustments | | | | | 122 | | 1 | **123** |
| Changes in fair value of: | | | | | | | | |
| Derivative financial instruments | | | | | | (555) | | **(555)** |
| Investments in non consolidated companies | | | | | | 6 | | **6** |
| Profit for the year | | | 670 | | | | 32 | **702** |
| ***Total recognised income and expense for the year*** | | | ***670*** | | ***122*** | ***(549)*** | ***33*** | ***276*** |
| Changes in accounting policy (adoption of IAS 32 and 39) | | | (175) | | | 733 | (122) | **436** |
| Dividends | | | (412) | | | | (21) | **(433)** |
| Capital increase by the parent* | 7 | 32 | | | | | | **39** |
| Capital increase attributable to minority interests | | | | | | | 36 | **36** |
| Changes in treasury shares | | | | 44 | | | | **44** |
| Changes in equity instruments | | | (81) | | | | | **(81)** |
| Share-based payments | | | 37 | | | | | **37** |
| Changes in scope of consolidation and other | | | | | | | (56) | **(56)** |
| **At 31 December 2005** | **866** | **1,435** | **1,762** | **(166)** | **238** | **184** | **142** | **4,461** |

* Options exercised.

**Impact of consolidating EADS on the consolidated financial statements of the Lagardère Group**

EADS was formed in July 2000 following an agreement signed on October 14, 1999 by DaimlerChrysler, Lagardère SCA and the French Government with a view to uniting Aerospatiale Matra's and Dasa's activities in the aeronautics, space and defence industries. Having regard to the intention and objectives of the three founding partners, embodied in the agreements that led to the formation of EADS, to establish long-term joint control over the new group, EADS is included in the consolidated financial statements of Lagardère using the proportionate method of consolidation, based on Lagardère's interest of 14.95% in 2005 and 15.10% in 2004.

For the purposes of the consolidation, EADS' consolidated financial statements have been restated to neutralise the effects of the adjustments recorded by EADS at the time of the business combinations with Aerospatiale Matra and Dasa. This is in line with the Lagardère Group's election not to restate business combinations carried out prior to 1 January 2004 on first-time adoption of IFRS and therefore to recognise these entities' net assets at historical cost. In addition, certain reclassifications have been performed to comply with the presentation of the Lagardère Group consolidated financial statements.

The following table reconciles the EADS group's statutory financial statements to the amounts recognised for EADS in the Lagardère Group consolidated financial statements:

## 2005

| *(in millions of euros)* | EADS 100%, EADS format | Reclassifications of financial items | Amortisation of fair value adjustments of fixed assets | Adjusted EADS at 100% | Lagardère Group's share (14.95%) | Dilution gain (loss) and other | Lagardère Group's share (14.95%) |
|---|---|---|---|---|---|---|---|
| **Net sales** | **34,206** | | | **34,206** | **5,112** | | **5,112** |
| Profit before finance costs and tax | 2,712 | (22) | 57 | 2,747 | 410 | 10 | 420 |
| Finance costs, net | (177) | 22 | | (155) | (23) | | (23) |
| Income tax expense | (825) | 0 | (22) | (847) | (126) | | (126) |
| **Net profit** | **1,710** | **0** | **35** | **1,745** | **261** | **10** | **271** |
| Attributable to equity holders of the parent | 1,676 | 0 | 35 | 1,711 | 256 | 10 | 266 |
| Attributable to minority interests | 34 | 0 | 0 | 34 | 5 | 0 | 5 |

## 2004

| *(in millions of euros)* | EADS 100%, EADS format | Reclassifications of financial items | Amortisation of fair value adjustments of fixed assets | Adjusted EADS at 100% | Lagardère Group's share (15.10%) | Dilution gain (loss) and other | Lagardère Group's share (15.10%) |
|---|---|---|---|---|---|---|---|
| **Net sales** | **31,761** | | | **31,761** | **4,795** | | **4,795** |
| Profit before finance costs and tax | 2,131 | 55 | 129 | 2,315 | 349 | (4) | 345 |
| Finance costs, net | (246) | (55) | | (301) | (45) | | (45) |
| Income tax expense | (664) | | (50) | (714) | (108) | | (108) |
| **Net profit** | **1,221** | **0** | **79** | **1,300** | **196** | **(4)** | **192** |
| Attributable to equity holders of the parent | 1,018 | 0 | 71 | 1,089 | 164 | (4) | 160 |
| Attributable to minority interests | 203 | 0 | 8 | 211 | 32 | 0 | 32 |

## Consolidated Income Statement for the year ended 31 December 2005

| *(in millions of euros)* | 2005 Excluding EADS | 2005 EADS 14.95% | 2005 Lagardère Group | 2004 Excluding EADS | 2004 EADS 15.10% | 2004 Lagardère Group |
|---|---|---|---|---|---|---|
| Net sales | 7,901 | 5,112 | 13,013 | 7,501 | 4,795 | 12,296 |
| Other income from ordinary activities | 490 | 29 | 519 | 491 | 51 | 542 |
| **Revenue** | **8,391** | **5,141** | **13,532** | **7,992** | **4,846** | **12,838** |
| Purchases and changes in inventories | (3,742) | (3,468) | (7,210) | (3,659) | (2,943) | (6,602) |
| Capitalised production | 6 | 0 | 6 | 2 | 0 | 2 |
| Production transferred to inventories | (11) | 360 | 349 | 19 | (36) | (17) |
| External charges | (2,277) | (14) | (2,291) | (2,103) | (24) | (2,127) |
| Payroll costs | (1,680) | (1,269) | (2,949) | (1,547) | (1,199) | (2,746) |
| Depreciation and amortisation expense | (127) | (207) | (334) | (134) | (209) | (343) |
| Other operating income and expense | (123) | (154) | (277) | (67) | (103) | (170) |
| Income from associates | 63 | 31 | 94 | 41 | 13 | 54 |
| **PROFIT BEFORE FINANCE COSTS AND TAX** | **500** | **420** | **920** | **544** | **345** | **889** |
| Finance costs, net | (53) | (23) | (76) | (52) | (45) | (97) |
| **PROFIT BEFORE TAX** | **447** | **397** | **844** | **492** | **300** | **792** |
| Income tax expense | (16) | (126) | (142) | (132) | (108) | (240) |
| **PROFIT FOR THE YEAR** | **431** | **271** | **702** | **360** | **192** | **552** |
| Attributable to equity holders of the parent | 404 | 266 | 670 | 335 | 160 | 495 |
| Attributable to minority interests | 27 | 5 | 32 | 25 | 32 | 57 |

## Consolidated Cash Flow Statement for the year ended 31 December 2005

| *(in millions of euros)* | | 2005 Excluding EADS | 2005 EADS | 2005 Lagardère Group | 2004 Excluding EADS | 2004 EADS | 2004 Lagardère Group |
|---|---|---|---|---|---|---|---|
| **Profit for the year** | | **431** | **271** | **702** | **360** | **192** | **552** |
| Income tax expense | | 16 | 126 | 142 | 132 | 108 | 240 |
| Finance costs, net | | 53 | 23 | 76 | 52 | 45 | 97 |
| **Profit before finance costs and tax** | | **500** | **420** | **920** | **544** | **345** | **889** |
| Depreciation and amortisation expense | | 127 | 207 | 334 | 133 | 210 | 343 |
| Impairment losses, provision expense and other non-cash items | | 81 | 49 | 130 | (29) | 4 | (25) |
| Gains on disposals of assets | | (17) | (6) | (23) | (7) | (1) | (8) |
| Dividends received from associates | | 35 | 5 | 40 | 36 | 6 | 42 |
| Income from associates | | (63) | (31) | (94) | (41) | (13) | (54) |
| Change in working capital requirement | | (9) | 155 | 146 | (41) | 264 | 223 |
| **Cash generated from operations** | | **654** | **799** | **1,453** | **595** | **815** | **1,410** |
| Interest paid | | (94) | (36) | (130) | (107) | (55) | (162) |
| Interest received | | 35 | 46 | 81 | 44 | 50 | 94 |
| Income taxes paid | | (150) | (39) | (189) | (140) | (47) | (187) |
| **Net cash from operating activities** | **(A)** | **445** | **770** | **1,215** | **392** | **763** | **1,155** |
| **Cash used in investing activities** | | | | | | | |
| Purchases of intangible assets and property, plant and equipement | | (164) | (427) | (591) | (216) | (554) | (770) |
| Purchases of investments | | (72) | (20) | (92) | (395) | (15) | (410) |
| Purchases of other non-current assets | | (12) | (131) | (143) | (29) | (112) | (141) |
| **Total cash used in investing activities** | **(B)** | **(248)** | **(578)** | **(826)** | **(640)** | **(681)** | **(1,321)** |
| **Cash from investing activities** | | | | | | | |
| Proceeds from disposals of non-current assets | | | | | | | |
| Intangible assets and property, plant and equipment | | 14 | 53 | 67 | 24 | 17 | 41 |
| Investments | | 50 | 13 | 63 | 682 | (1) | 681 |
| Decrease in other non-current assets | | 14 | 110 | 124 | 17 | 96 | 113 |
| **Total cash from investing activities** | **(C)** | **78** | **176** | **254** | **723** | **112** | **835** |
| Sales (purchases) of short-term investments | (D) | 582 | (123) | 459 | (12) | (11) | (23) |
| **Net cash from (used in) investing activities** | **(E) = (B)+(C)+(D)** | **412** | **(525)** | **(113)** | **71** | **(580)** | **(509)** |
| **Total cash from operating and investing activities** | **(F) = (A)+(E)** | **857** | **245** | **1,102** | **463** | **183** | **646** |
| **Capital transactions** | | | | | | | |
| Proceeds from capital increase by the parent | | 40 | | 40 | 32 | | 32 |
| Change in minority interests in capital increases by subsidiaries | | 17 | | 17 | 9 | | 9 |
| Change in treasury shares | | (54) | | (54) | (27) | | (27) |
| Dividends paid to equity holders of the parent* | | (351) | (61) | (412) | (77) | (49) | (126) |
| Dividends paid to minority shareholders of subsidiaries | | (21) | (14) | (35) | (16) | (10) | (26) |
| **Financing transactions** | | | | | | | |
| Change in debt | | (1,044) | (51) | (1,095) | (141) | 72 | (69) |
| **Net cash from (used in) financing activities** | **(G)** | **(1,413)** | **(126)** | **(1,539)** | **(220)** | **13** | **(207)** |
| **Other movements** | | | | | | | |
| Effect on cash of acquisition of Editis | | | | | 128 | 0 | 128 |
| Effect on cash of changes in exchange rates | | 15 | 4 | 19 | (3) | (3) | (6) |
| Effect on cash of other movements | | 6 | (13) | (7) | (4) | 8 | 4 |
| **Total other movements** | **(H)** | **21** | **(9)** | **12** | **121** | **5** | **126** |
| **Change in net cash and cash equivalents** | **(I) = (F)+(G)+(H)** | **(535)** | **110** | **(425)** | **364** | **201** | **565** |
| **Net cash and cash equivalents at beginning of the year** | | **1,007** | **1,316** | **2,323** | **643** | **1,115** | **1,758** |
| **Net cash and cash equivalents at end of the year** | | **472** | **1,426** | **1,898** | **1,007** | **1,316** | **2,323** |

* Including the portion of net profit paid to general partners.

## Consolidated Balance Sheet at 31 December 2005

| ASSETS (in millions of euros) | 31 December 2005 Excluding EADS | 31 December 2005 EADS 14.95% | 31 December 2005 Lagardère Group | 31 December 2004 Excluding EADS | 31 December 2004 EADS 15.10% | 31 December 2004 Lagardère Group |
|---|---|---|---|---|---|---|
| Intangible assets | 1,613 | 132 | 1,745 | 1,528 | 83 | 1,611 |
| Goodwill | 1,838 | 811 | 2,649 | 1,755 | 713 | 2,468 |
| Property, plant and equipment | 697 | 1,992 | 2,689 | 667 | 1,845 | 2,512 |
| Investments in associates | 1,316 | 226 | 1,542 | 1,359 | 164 | 1,523 |
| Other non-current assets | 215 | 979 | 1,194 | 190 | 430 | 620 |
| Deferred tax assets | 123 | 382 | 505 | 74 | 383 | 457 |
| Assets held for sale* | | 132 | 132 | | | |
| **Total non-current assets** | **5,802** | **4,654** | **10,456** | **5,573** | **3,618** | **9,191** |
| Inventories | 568 | 2,306 | 2,874 | 558 | 1,862 | 2,420 |
| Trade receivables | 1,322 | 717 | 2,039 | 1,270 | 665 | 1,935 |
| Other current assets | 724 | 549 | 1,273 | 653 | 396 | 1,049 |
| Short-term investments | 181 | 72 | 253 | 746 | 98 | 844 |
| Cash and cash equivalents | 668 | 1,426 | 2,094 | 1,211 | 1,316 | 2,527 |
| **Total current assets** | **3,463** | **5,070** | **8,533** | **4,438** | **4,337** | **8,775** |
| **Total assets** | **9,265** | **9,724** | **18,989** | **10,011** | **7,955** | **17,966** |

* Assets and groups of assets for disposal, mainly related to aircraft sales financing activities.

## Consolidated Balance Sheet at 31 December 2005

| EQUITY AND LIABILITIES (in millions of euros) | 31 December 2005 Excluding EADS | 31 December 2005 EADS 14.95% | 31 December 2005 Lagardère Group | 31 December 2004 Excluding EADS | 31 December 2004 EADS 15.10% | 31 December 2004 Lagardère Group |
|---|---|---|---|---|---|---|
| Share capital | 866 | | 866 | 859 | | 859 |
| Reserves | 1,757 | 1,026 | 2,783 | 1,598 | 939 | 2,537 |
| Profit attributable to equity holders of the parent | 404 | 266 | 670 | 335 | 160 | 495 |
| Minority interests | 116 | 26 | 142 | 153 | 119 | 272 |
| **Total equity** | **3,143** | **1,318** | **4,461** | **2,945** | **1,218** | **4,163** |
| Provisions for employee benefit obligations | 142 | 583 | 725 | 142 | 566 | 708 |
| Non-current provisions for contingencies and losses | 249 | 375 | 624 | 249 | 326 | 575 |
| Non-current debt | 1,280 | 627 | 1,907 | 1,819 | 665 | 2,484 |
| Other non-current liabilities | 56 | 1,759 | 1,815 | 70 | 1,455 | 1,525 |
| Deferred tax liabilities | 443 | 318 | 761 | 415 | 114 | 529 |
| Liabilities held for sale* | | 9 | 9 | | | |
| **Total non-current liabilities** | **2,170** | **3,671** | **5,841** | **2,695** | **3,126** | **5,821** |
| Current provisions for contingencies and losses | 333 | 340 | 673 | 339 | 348 | 687 |
| Current debt | 644 | 659 | 1,303 | 1,211 | 109 | 1,320 |
| Trade payables | 1,715 | 992 | 2,707 | 1,639 | 884 | 2,523 |
| Other current liabilities | 1,260 | 2,744 | 4,004 | 1,182 | 2,270 | 3,452 |
| **Total current liabilities** | **3,952** | **4,735** | **8,687** | **4,371** | **3,611** | **7,982** |
| **Total equity and liabilities** | **9,265** | **9,724** | **18,989** | **10,011** | **7,955** | **17,966** |

* Liabilities directly associated with assets held for sale.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(all figures are expressed in millions of euros)*

## NOTE 1 ACCOUNTING PRINCIPLES

In accordance with European Commission regulation 1606/2002 dated 19 July 2002, the consolidated financial statements of the Lagardère Group for the year ended 31 December 2005 have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and related interpretations published by the International Accounting Standards Board (IASB) that had been endorsed by the European Union as of 31 December 2005.

The Group has not elected for early application of the standards and interpretations published before the end of 2005 whose adoption is not compulsory until the first financial year commencing on or after 1 January 2006.

The 2005 consolidated financial statements represent the Group's first financial statements under IFRS. They include comparative information for 2004 prepared in accordance with the same standards except for IAS 32 and IAS 39 on financial instruments, which have been adopted as from 1 January 2005. The effect of applying these two standards is presented in note 4.

The 2004 and 2003 financial statements, which were prepared under French GAAP, are shown in note 34.

The options selected for the first-time adoption of IFRS, in accordance with IFRS 1, the differences between IFRS and the French generally accepted accounting principles applied in prior years and their effects on opening consolidated equity at 1 January 2004, the consolidated balance sheet at 31 December 2004 and the income statement and cash flow statement for 2004 are presented in note 35.

### *Measurement principles*

The financial statements have been prepared using the historical cost model, except for certain financial assets and liabilities which have been measured at fair value.

### *Use of estimates and judgements*

The preparation of the financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities and contingent amounts at year-end, and of income and expenses for the year.

Management reviews these estimates and assumptions at regular intervals, based on past experience and various other factors considered as reasonable, which form the basis of its assessment of the carrying amount of assets and liabilities. Actual amounts may differ from these estimates, due to changes in assumptions or other conditions.

## NOTE 2 SCOPE AND METHODS OF CONSOLIDATION

### 2_1 Scope of consolidation

The consolidated financial statements include the financial statements of the parent company and of the subsidiaries under its control, jointly-controlled entities (joint ventures) and entities in which the Group has significant influence (associates) which are consolidated by the methods described below.

### 2_2 Consolidation methods

The consolidation methods used are as follows:

- All subsidiaries controlled by Lagardère are **fully consolidated**. Control is the power to govern the financial and operating policies of an entity. The full consolidation method consists of combining the financial statements of the parent and its subsidiaries line by line and recognising minority interests in the net assets of each subsidiary on a separate line in equity.
- Jointly-controlled entities are **proportionately consolidated**. This method consists of combining the parent company's share of each of the assets, liabilities, income and expenses of the jointly-controlled entity with the similar items, line by line, in its financial statements.
- Associates, defined as companies over which Lagardère exercises significant influence, are accounted for by the **equity method**. Significant influence is assumed to be exercised when the Group holds, directly or indirectly, more than 20% of the capital. Under the equity method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets.

The list of subsidiaries, jointly-controlled entities and associates is provided in note 33.

### 2_3 Closing dates

The financial statements of all consolidated subsidiaries were closed at 31 December.

### 2_4 Translation of financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries are translated into euros as follows:

- Balance sheet items are translated using official year-end exchange rates,
- Income statement items are translated using average exchange rates for the year.

The resulting exchange differences are recognised as a separate component of equity, under "Translation reserve".

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are considered as assets and liabilities of the subsidiary concerned. They are therefore measured in the subsidiary's functional currency and translated at the year-end exchange rate. When a foreign subsidiary is sold, cumulative exchange differences recognised in equity are reclassified into profit.

### 2_5 Intra-group balances and transactions

Intra-group balances and transactions are eliminated on consolidation. Impairment losses deducted from the carrying amount of investments in and receivables from consolidated companies are cancelled by adjusting equity, and movements for the year are neutralised in the income statement.

## NOTE 3 ACCOUNTING PRINCIPLES AND VALUATION METHODS

***Preliminary comment***

The accounting principles and valuation methods described below apply to all consolidated companies, including EADS which is proportionately consolidated. The nature of EADS' business requires application of certain specific accounting principles and methods in the preparation of the accounts. These are described in note 3_20 below.

### 3_1 Net sales

Revenue from sales of goods and services is recognised when title is transferred to the buyer or the service is rendered. Purchases and sales corresponding to exchanges of goods or services of a similar nature and value are eliminated on consolidation and do not therefore appear in the income statement.

Revenue from magazine publishing and sales of part books (Book Publishing division) is stated net of distribution fees.

Revenue from sales of advertising airtime and national magazine distribution (Curtis at Hachette Distribution Services) consists solely of the fees received for these services.

### 3_2 Operating leases

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

### 3_3 Recurring operating profit before associates

The Group uses as its main performance indicator recurring operating profit before associates, which is calculated as follows:

**Profit before finance costs and tax**

*Items to be excluded:*

Disposal gains or losses

Impairment losses on intangible assets and property, plant and equipment

Restructuring costs

= **Recurring operating profit**

*Less:*

Income from associates

= **Recurring operating profit before associates**

### 3_4 Translation of foreign currency transactions

In the balance sheet, foreign currency receivables and payables are translated into euros at the year-end exchange rate. The resulting exchange differences are recognised in profit, except for those related to long-term financing of the Group's net investment in foreign operations which are recognised directly in equity.

### 3_5 Share-based payments

Options to purchase or subscribe for shares have been granted to certain members of management and employees of the Group. In accordance with IFRS 2 "Share Based Payment", an expense is recognised in payroll costs representing the benefit granted to beneficiaries as of the date of grant, and a matching entry is recognised directly in equity. IFRS 2 applies to stock options granted as from 7 November 2002 and not yet vested at 1 January 2005.

The fair value of the share-based payment is calculated using a binomial model that takes account of the plan's features (exercise price and period), market factors at grant date (risk-free interest rate, share price, volatility, projected dividends) and assumptions regarding beneficiaries' future behaviour.

This expense is recorded on a straight line basis over the vesting period (two years for Lagardère SCA's plans) and may be adjusted during that period if beneficiaries leave the Group or if options are forfeited. It is not adjusted to reflect subsequent movements in the share price.

### 3_6 Finance costs, net

This item corresponds to interest expense on borrowings and income from the investment of available cash. It also includes gains and losses on derivative instruments related to borrowings, short-term investments and cash equivalents.

### 3_7 Deferred taxes

Deferred taxes are recognised for temporary differences between the carrying amount of assets and liabilities and their tax base. In accordance with the liability method, they are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Adjustments to deferred taxes for changes in tax rates are recognised in profit for the period in which the change is announced. In accordance with IAS 12 "Income Taxes", deferred tax assets and liabilities are not discounted.

At the level of each tax entity (company or tax group), deferred tax assets arising from deductible temporary differences, tax assets and tax loss carry-forwards are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

For investments in associates, the difference between the carrying amount of the investment and the tax base corresponds to the associate's cumulative undistributed profits from the acquisition date and the related deferred tax is therefore calculated at the tax rate that will be paid by the Group when the profits are distributed.

Deferred taxes are recognised as income or an expense and included in profit for the year, except to the extent that they arise from a transaction or event which is recognised directly in equity, in which case they are credited or charged to equity.

### 3_8 Business combinations and goodwill

Goodwill corresponds to the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities at the date of the business combination. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit.

In accordance with IFRS 3 "Business combinations", goodwill is not amortised but is reviewed for impairment at each year-end or whenever there is an indication that fair value may be impaired.

The method used to test goodwill for impairment is described in note 3_10 below.

On disposal of a subsidiary or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill related to associates is included in the carrying amount of the investment.

## 3_9 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. They are amortised over their probable useful life. Intangible assets with an indefinite life are not amortised but are tested regularly for impairment in the same way as goodwill (see note 3_10).

In the Media business, no development costs are incurred that would be recognised in the balance sheet under IFRS.

## 3_10 Impairment tests

The carrying amount of property, plant and equipment and intangible assets is reviewed at regular intervals to determine whether there is any indication that their value may be impaired. One such indication is evidence that an asset's economic performance is or will be worse than expected. If such an indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. The recoverable amount of goodwill and intangible assets with an indefinite life is estimated at each balance sheet date, irrespective of whether there is any indication of impairment. When the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised on goodwill are irreversible.

If it is not possible or relevant to estimate the recoverable amount of an individual asset, the estimate is performed at the level of the cash-generating unit to which the asset belongs.

### *Lagardère Media*

Two methods are used to estimate recoverable amounts:

- the discounted cash flows method, applied to the individual asset or to the cash-generating unit to which the asset belongs,
- the market price method or the price of recent transactions involving similar assets.

Cash flow projections are based on the most recent business plans and forecasts, generally covering a period of three to five years. Cash flow projections beyond that period are estimated using a growth rate that reflects the average long-term growth rate observed in the industry.

The discount rates applied to these cash flow projections correspond to the after-tax rates and are determined separately for each business. The rates applied at 31 December 2005 and 2004 were within the following ranges:

| | 2005 | 2004 |
|---|---|---|
| Discount rate (risk-free rate plus a market risk premium) | 7.1 to 8.9% | 8 to 10% |
| Growth rate | 2 to 5% | 2 to 5% |

### *EADS group*

Impairment tests are performed annually at the level of the cash-generating units (on segment level or one level below) by using cash flow projections based on current operative planning covering a five years period. These current forecasts are based on past experience as well as on future expected market developments.

The assumption for the growth rate used to calculate the terminal value in general amounts to unchanged 2%. Airbus is using for new programmes specific business assumptions. Based on these current forecasts and projections of future pre-tax cash flows, the value in use of cash-generating units in computed by applying a pre-tax discount rate of 11.5% (2004: in the range of 12.5% to 14.0%).

EADS follows an active policy of foreign exchange risk hedging. At 31 December 2005 the total hedge portfolio with maturities up to 2011 amounts to US$47 billion (EADS at 100%) and covers a major portion of the net exposure expected over the period of the operative planning (2006 to 2010). The average US$/€ hedge rate of the total hedge portfolio until 2011 amounts to 1.12 US$/€. For the determination of the operative planning, management assumed future exchange rates of 1.30 US$/€ and 0.68 GBP/€ to convert into euros the portion of future US$ and GBP denominated revenues which are not hedged.

## 3_11 Property, plant and equipment

Property, plant and equipment are measured using the cost method. The Group has not elected to apply the option available under IFRS 1 "First-Time Adoption of IFRS" to measure items of property, plant and equipment at the IFRS transition date at their fair value.

The carrying amount of property, plant and equipment does not include any borrowing costs.

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. The ranges of useful lives applied to the main categories of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | 6 to 50 years |
| Machinery and equipment | 3 to 20 years |
| Other equipment, furniture, fixtures and fittings | 2 to 10 years |

The depreciable amount corresponds to the cost of the asset less any residual value at the end of its useful life. With the exception of the Group's headquarters building, property, plant and equipment are generally considered as having no residual value.

### *Finance leases*

All material finance leases are accounted for as purchases of assets financed by debt. Leases are classified as finance leases if they transfer to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

The leased assets are depreciated on a basis that is consistent with the policy for owned assets, over the asset's useful life or over the lease term if this is shorter.

### *Investment property*

Investment property is recorded at cost less any accumulated depreciation and any accumulated impairment losses.

## 3_12 Inventories

Inventories are stated at the lower of cost and net realisable value. The carrying amount of inventories does not include any borrowing costs.

## 3_13 Financial assets

### *Investments in non-consolidated companies*

Investments in non-consolidated companies are initially recognised at cost. Based on the criteria set out in IAS 39, all investments in non-consolidated companies are classified as available-for-sale investments.

At each year-end, shares traded on an active market or for which other sufficiently reliable price information exists are measured at fair value. Shares that do not fulfil these criteria are measured using the cost method.
When the fair value, if can be measured, exceeds its carrying amount, the gain arising from remeasurement at fair value is recognised in equity.

When there is objective evidence that an investment in a non-consolidated company is impaired, an impairment loss is recognised:
- in the income statement if the impairment is considered permanent, with any subsequent gains recognised in equity,
- in equity if the impairment is considered reversible.

When the investment is sold, the cumulative gains or losses recognised directly in equity are reclassified into profit.

### *Loans and receivables*

Loans and receivables are measured at amortised cost, calculated by the effective interest method. Any impairment losses, corresponding to the difference between the carrying amount and recoverable amount, are recognised in profit.

### *Cash and cash equivalents*

Cash and cash equivalents include:
- cash and demand deposits;
- deposits and loans with maturities of less than three months;
- marketable securities such as money market funds that are not exposed to a material risk of changes in value and are readily convertible into known amounts of cash.

Shares, bonds, deposits and loans with maturities of more than three months are excluded from cash and cash equivalents and reported in the balance sheet under "Short-term investments".

## 3_14 Financial liabilities

Financial liabilities comprise borrowings, trade payables and other liabilities. They are measured at amortised cost by the effective interest method.
Specific measurement rules apply to financial liabilities hedged by derivative instruments. These rules are described in note 3_16.

## 3_15 Put options granted to minority shareholders

In its Media activities and its business through EADS, the Group has granted put options to the minority shareholders of certain fully-consolidated subsidiaries for the sale of their investments on defined terms. For some of these options, the exercise price was not fixed at the outset, and will be determined based on independent valuations.

IAS 32 requires these put options to be recognised as debt. The International Financial Reporting Interpretations Committee (IFRIC) has been consulted concerning the accounting treatment of these liabilities, but has not yet issued any guidance. Pending issuance of the IFRIC's interpretation, Lagardère (for its Media operations) and EADS have applied different accounting treatments, and recognised these put options as described below.

***Lagardère Media***

Balance sheet – The put options have been initially recognised in debt at their estimated present value, with a corresponding adjustment to minority interests to the extent possible and to goodwill for the balance.

Income statement – Net profit for the year is presented in two separate lines: profit attributable to equity holders of the parent and profit attributable to minority interests according to the legal rights effectively held. The minority interests' share of net profit, and dividends paid to them during the year, are reported in debt.

Any subsequent change in the estimated amount of the liability is recognised as an adjustment to goodwill.

***EADS***

When Airbus SAS was formed in 2001, EADS acquired Airbus UK and its 20% holding in the Airbus EIG from BAE Systems. BAE Systems thus came to own a 20% interest in Airbus SAS and had a put option granted by EADS covering this entire investment.

In EADS' consolidated financial statements, following adoption of IAS 32 from 1 January 2005, the historical minority interests initially recorded in 2001 when BAE Systems acquired an interest in Airbus SAS have been recognised as a financial liability with the difference between the two items charged to consolidated equity.

In the income statement, Airbus' net income is fully included in profit attributable to equity holders of the parent. Prior year dividend payments to BAE Systems have been treated as partial repayments, consequently reducing the liability.

The adjustment resulting from remeasurement of the liability at fair value at 1 January and 31 December 2005 is recorded in goodwill.

***Impact of differences in method***

As no official position has been issued on the matter, Lagardère has decided to continue unchanged the method applied by EADS. Alignment of EADS' method with the Lagardère Media method would have had the following impacts on the Lagardère consolidated financial statements at 31 December 2005:

- in the balance sheet: a €131 million increase in EADS' contribution to goodwill and a corresponding adjusment to consolidated equity;
- in the income statement: a €44 million decrease in net profit attributable to equity holders of the parent, and an equivalent increase in profit attributable to minority interests. This amount represents the legal interest held by BAE Systems (20%) in the net profit recorded by Airbus for 2005.

### 3_16 Derivative financial instruments

The Group uses derivative financial instruments to hedge currency and interest rate risks. These instruments are initially recognised at cost, in "Other current assets" or "Other current liabilities", and are subsequently measured at fair value through profit.

However, certain derivative instruments are qualified as fair value hedges (mainly of currency and interest rate risks on debt) or cash flow hedges (of future sales and purchases).

These instruments qualify for hedge accounting if the following conditions are met:
• at the inception of the hedge there is formal designation and documentation of the hedging relationship,
• the hedge is expected to be highly effective and its effectiveness can be reliably measured from its inception.

Under hedge accounting:

#### *Fair value hedges*

Derivative instruments and hedged items are measured at fair value. Changes in the fair values of the derivative instrument and the hedged item are recognised in profit on a symmetrical basis. When the hedge is effective, the change in the fair value of the derivative instrument offsets an opposite change in the fair value of the hedged item.

#### *Cash flow hedges*

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.
The cumulative gains and losses recognised in equity are reclassified into profit when the hedged transaction takes place.

### 3_17 Treasury shares

Lagardère SCA shares held by the Company or by other Group entities are deducted from consolidated equity. When treasury shares are sold outside the Group, the after-tax gain or loss is also recognised directly in equity.

### 3_18 Provisions for employee benefit obligations

The Group recognises provisions to cover the present value of its obligations for benefits payable to employees at the time of their retirement and after retirement, when the plans concerned qualify as defined-benefits plans. For defined-contribution plans, the Group's obligation consists solely of payment of premiums or contributions to external organisations, and these premiums and contributions are charged to expenses as incurred.

The defined-benefit plans to which the Group subscribes are principally pension plans outside France, while in France they cover end-of-career bonuses paid to employees upon their retirement.

The present value of obligations is calculated by the projected unit credit method, which considers that each period of service gives rise to an additional unit of benefit entitlement. The method takes into account parameters such as:
• expected salary increases;
• employee turnover;
• mortality rates;
• a financial discount rate, and the expected rate of return on plan assets where applicable.

These calculations are performed in full at least every three years, and updated annually, unless a more in-depth review is required due to exceptional events such as substantial modifications in the terms of the plan, or in the types of employees covered.

Actuarial gains and losses arising from changes in the assumptions used in measuring obligations are recognised in application of the "corridor" method. Under this method, these gains and losses are recognised as income or expense over the expected average remaining working lives of the employees only to the extent that their net cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of plan assets.

### 3_19 Provisions for contingencies and losses

A provision is recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Restructuring provisions are recorded when the Group has a detailed formal plan and has announced details of the plan to the persons affected by it.

### 3_20 Special accounting principles and valuation methods applicable to EADS operations

#### 3_20_1 REVENUE RECOGNITION

Revenues from the sale of goods are recognised upon the transfer of risks and rewards of ownership to the buyer and when the amount of revenue can be measured reliably. Revenues from services rendered are recognised in proportion to the stage of completion of the transaction at the balance sheet date. For construction contracts, when the outcome can be estimated reliably, revenues are recognised by reference to the stage (percentage) of completion of the contract activity. The stage of completion of a contract may be determined by a variety of ways. Depending on the nature of the contract, revenue is recognised as contractually agreed-upon milestones are reached, as units are delivered or as the work progresses. Changes in profit rates are reflected in current earnings as identified. Contracts are reviewed regularly and in case of probable losses, provisions are recorded.

Incentives applicable to performance on contracts are considered in estimated contract profit rates and are recorded when anticipated contract performance is probable and can be reliably measured.

Sales of aircraft that include asset value guarantee commitments are accounted for as operating leases when these commitments are considered substantial compared to the fair value of the related aircraft. Revenues then comprise lease income from such operating leases.

#### 3_20_2 LEASING

The EADS group is a lessor and a lessee of assets, primarily in connection with commercial aircraft sales financing. Lease transactions where substantially all risks and rewards incident to ownership are transferred from the lessor to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

Assets held for leasing out under operating leases are included in property, plant and equipment at cost less depreciation. Rental income from operating leases (e.g. aircraft) is recorded as revenue over the term of the lease. Assets leased out under finance leases cease to be recognised in the consolidated balance sheet after the inception of the lease. Instead, a finance lease payments receivable representing the discounted future lease payments to be received from the lessee plus any discounted unguaranteed residual value is recorded as long-term financial assets. Revenues and the related charges are recognised at the inception of the finance lease.

Assets obtained under finance leases are included in property, plant and equipment at cost less depreciation, unless such assets have been further leased out to customers. In such a case, the respective asset is either qualified as an operating lease or as a finance lease with EADS being the lessor (headlease-sublease-transactions) and is recorded accordingly. When EADS is the lessee under an operating lease contract, rental payments are recorded when they fall due. Such leases often form part of commercial aircraft customer financing transactions with the related sublease being an operating lease (headlease-sublease-transactions).

EADS considers headlease-sublease-transactions which are set up for the predominant purpose of tax advantages and which are secured by bank deposits (defeased deposits) that correspond with the contractual headlease liability to be linked and accounts for such arrangements as one transaction in accordance with SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". To reflect the substance of the transaction, the group consequently offsets (head) finance lease obligations with the matching amount of defeased deposits.

### 3_20_3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development activities can be (a) contracted or (b) self-initiated.

a) Costs for contracted research and development activities, carried out in the scope of externally financed research and development contracts, are expensed when the related revenues are recorded.
b) Costs for self-initiated research and development activities are assessed whether they qualify for recognition as internally generated intangible assets. Apart from complying with the general requirements for and initial measurement of an intangible asset, qualification criteria are met only when technical as well as commercial feasibility can be demonstrated and cost can be measured reliably. It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and allocable to a specific product.

Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project related costs are treated as if they were incurred in the research phase only.

Capitalised development costs are generally amortised over the estimated number of units produced if no other procedure reflects the consumption pattern more appropriately and are reviewed for impairment annually when the asset is not yet in use and further on whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Income tax credits granted for research and development activities are deducted from corresponding expenses or capitalised amounts when earned.

### 3_20_4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is valued at acquisition or manufacturing costs less any accumulated depreciation and any accumulated impairment losses. Such costs include the estimated cost of replacing, servicing and restoring part of such property, plant and equipment. Depreciation expense is recognised generally using the straight-line method. The costs of internally produced equipment and facilities include direct material and labour costs and applicable manufacturing overheads, including depreciation charges. Borrowing costs are not capitalised. The following useful lives are assumed: buildings 6 to 50 years; site improvements 6 to 20 years; technical equipment and machinery 3 to 20 years; and other equipment, factory and office equipment 2 to 10 years. The useful lives and depreciation methods applied to property, plant and equipment are reviewed periodically and in case they change significantly depreciation charges for current and future periods are adjusted accordingly. If the carrying amount of any asset exceeds its recoverable amount an impairment loss is recognised immediately in profit or loss. At each reporting date it is assessed whether there is any indication that an item of property, plant and equipment may be impaired.

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Cost of an item of property, plant and equipment initially recognised comprises the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located at the end of the useful life of the item on a present value basis. A provision presenting the asset retirement obligation is recognised in the same amount at the same date in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Property, plant and equipment also include capitalised development costs for tangible developments of specialised tooling for production such as jigs and tools, design, construction and testing of prototypes and models. In case recognition criteria are met, these costs are capitalised and generally depreciated using the straight-line method over five years or, if more appropriate, using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method). Especially for aircraft production programmes such as the Airbus A380 with an estimated number of aircraft to be produced using such tools, the sum-of-the-units method effectively allocates the diminution of value of specialised tools to the units produced.

### 3_20_5 INVENTORIES

Inventories are measured at the lower of acquisition cost (generally the average cost) or manufacturing cost and net realisable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Borrowing costs are not capitalised.

### 3_20_6 PROVISIONS FOR FINANCIAL GUARANTEES (AIRCRAFT SALES)

Provisions for financial guarantees corresponding to aircraft sales are recorded to reflect the underlying risk to the group in respect of guarantees given when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of the obligation. The amount of these provisions is calculated to cover the difference between the group's exposure and the estimated value of the collateral.

### 3_20_7 PROVISIONS FOR CONTRACT LOSSES

Provisions for contract losses are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write-downs of work-in-process for that portion of the work which has already been completed, and as provisions for risks for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly.

### 3_20_8 REFUNDABLE ADVANCES

Refundable advances from European Governments are provided to the group to finance research and development activities for certain projects on a risk-sharing basis, i.e. they have to be repaid to the European Governments according to the success of the project. Because of their risk-sharing basis, such refundable advances are recorded as "Other Liabilities".

## NOTE 4 CHANGE OF ACCOUNTING METHOD: ADOPTION OF IAS 32 AND IAS 39 FROM 1 JANUARY 2005

Adoption of IAS 32 and IAS 39, dealing with the recognition and measurement of financial instruments, is compulsory as from the first financial year commencing on or after 1 January 2005. The Lagardère Group has not elected for early adoption of these standards from 1 January 2004.

The effect of retrospective application of these standards on balance sheet items and transactions at 1 January 2005 has been recognised in opening equity at that date. Comparative financial information for 2004 has not been restated.

The accounting policies applied following adoption of these standards are described in notes 3_13 to 3_16 above. In particular:

- Derivative financial instruments have been measured at fair value and recognised in assets or liabilities according to whether their fair value is positive or negative.
- When derivative instruments can be demonstrated as being part of a fair value hedging relationship, the hedged item is also measured at fair value. In the case of the Lagardère Group, substantially all derivative instruments qualifying as fair value hedges consist of currency and interest rate swaps acquired as hedges of debt.
- Interest expense has been recalculated by the effective interest method, which takes into account debt issuance costs and debt issue and redemption premiums.
- Investments in non-consolidated companies (available-for-sale investments) are measured at fair value, to the extent that sufficiently reliable price information is available.
- Put options granted to minority shareholders of fully consolidated subsidiaries have been recognised in debt.
- Deferred taxes have been recognised on all of the above adjustments.

The effect of these adjustments on opening and closing equity and profit for 2005 is as follows:

| *(in millions of euros)* | | Equity at 1 January 2005 | 2005 movements *Equity* | *Profit* | Equity at 31 December 2005 |
|---|---|---|---|---|---|
| **Lagardère excluding EADS** | | | | | |
| Fair value adjustments to: | | | | | |
| - Derivative instruments (fair value hedges) | | (166) | | 48 | (118) |
| - Hedged debt | | 167 | | (49) | 118 |
| - Other derivative instruments | | 13 | | (6) | 7 |
| - Available-for-sale investments | | 14 | (5) | | 9 |
| Put options granted to minority interests | | (26) | 3 | | (23) |
| Other items | | 2 | | | 2 |
| Deferred tax effect | | (7) | | 2 | (5) |
| Effect excluding EADS | *(1)* | (3) | (2) | (5) | (10) |
| **EADS** | | | | | |
| Fair value adjustments to: | | | | | |
| - Derivative instruments (mainly cash flow hedges) | | 1,309 | (856) | | 453 |
| - Available-for-sale investments | | 37 | 7 | | 44 |
| Put options granted to minority interests | | (442) | | | (442) |
| Deferred tax effect | | (465) | 305 | | (160) |
| Effect on EADS | *(2)* | 439 | (544) | | (105) |
| **Total increase (decrease) in consolidated equity** | ***(1)+(2)*** | **436** | **(546)** | **(5)** | **(115)** |
| *Of which :* | | | | | |
| *Attributable to equity holders of the parent* | | *558* | *(549)* | *(5)* | *4* |
| *Attributable to minority interests* | | *(122)* | *3* | | *(119)* |

## NOTE 5 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

### 5_1 Changes in 2005

Significant changes in consolidated companies during 2005 were as follows:

#### *Lagardère Media*

- BOOK PUBLISHING
  - Full consolidation for 12 months of the British publishing group Hodder Headline. In 2004, this group was consolidated as from 1 October.
- PRINT MEDIA
  - Proportionate consolidation for 12 months of the 49% interest in Psychologies Magazine. In 2004, this investment was consolidated as from 1 July.
- DISTRIBUTION SERVICES
  - Full consolidation as of 1 November 2005 of newly acquired businesses in the Asia-Pacific region.

- LAGARDERE ACTIVE
  - In January 2005, the Lagardère and Canal Plus groups exchanged their cross-holdings in multiThématiques and Lagardère Thématiques. Following this operation, Lagardère sold its 30% interest in multiThématiques to Canal Plus and raised its investment in Lagardère Thématiques from 51% to 100%. In 2004, the investment in multiThématiques was accounted for by the equity method, and Lagardère Thématiques was fully consolidated.
  - Full consolidation of the Polish radio station Eurozet, now 95% held. In 2004, the 49% interest was consolidated proportionately.

The above changes in consolidation scope did not have a material impact on the consolidated financial statements, except for Hodder Headline's contribution to sales (€176 million) and profit before finance costs and tax (€20 million) for the first nine months of 2005.

***EADS***

- As a result of changes in the number of shares making up EADS' share capital (principally due to the exercise by employees of their subscription options), Lagardère's interest in EADS decreased to 14.95% at 31 December 2005, from 15.10% at 31 December 2004.

## 5_2 Changes in 2004

***Acquisition of Editis***

In September 2002, Lagardère made an offer to acquire the publishing operations of Vivendi Universal Publishing (VUP) in Europe (mainly in France) and Latin America (excluding Brazil) that Vivendi Universal (VU) had just decided to put up for sale at the same time as its US publishing assets.

In accordance with VU's requirement to complete the transaction and receive payment as soon as possible, Natexis Banques Populaires became a participant in the acquisition – at Lagardère's request and under the supervision of the European Commission – by acquiring through a dedicated subsidiary the above publishing assets (the "Editis assets") from VU.

On 7 January 2004, the European Commission authorised the Lagardère Group to purchase the following editorial assets included in the Editis publishing business:

- Reference works: the Larousse publishing house, with all of its businesses and publication rights in France and worldwide;
- School and academic publishing: the Spanish group Anaya, the Dalloz publishing house, the Dunod publishing house (each with all of its businesses and publication rights) and university titles comprising the Nathan Université, Armand Colin and Sedes lists, and academic journal;
- Distribution: the distribution centre located at Ivry, near Paris.

Lagardère therefore acquired from Natexis Banques Populaires the dedicated subsidiary that held all the Editis assets and initiated the sale of the assets that it was not authorised to retain. These assets were sold to a subsidiary of the Wendel Investissement group on 30 September 2004.

In the consolidated financial statements, the assets retained by the Lagardère Group were fully consolidated as from 1 January 2004. The acquisition cost was reduced by the proceeds from the sale to Wendel Investissement.

Prior to their sale, the sold assets were recognised in the consolidated balance sheet at their sale price of €667 million, corresponding to the enterprise value fixed in the agreement (€660 million) plus cash transferred in the transaction, so that no gain or loss was recognised on the transaction.

The contribution of Editis to the 2004 consolidated financial statements was as follows: sales: €342 million; profit before finance costs and tax: €41 million; net profit: €23 million.

### *Acquisition of Hodder Headline*

At the end of September 2004, Hachette Livre acquired the entire capital of Hodder Headline, the United Kingdom's fourth largest publishing house. Hodder Headline was fully consolidated as from 1 October 2004.

The acquisition price was €269 million and the Lagardère Group also assumed Hodder Headline's net debt of €44 million. Goodwill arising on the acquisition amounted to €204 million. In the fourth quarter of 2004, Hodder Headline reported sales of €61 million and profit before finance costs and tax of €6 million.

### *Other changes in scope of consolidation*

None of the other changes in scope of consolidation in 2004 had a material impact on the consolidated financial statements.

## NOTE 6 SEGMENT INFORMATION

The Lagardère Group is organised around two operating segments, Media and High Technologies. The High Technologies segment consists of the Group's 14.95% interest in EADS which is consolidated by the proportionate method.

The Media segment comprises four separate divisions (business segments):
- Book Publishing: publication of general literature, textbooks, illustrated books and part books.
- Print Media: magazine publishing and sales of advertising space.
- Distribution Services: distribution of print media, retailing of multimedia, cultural and entertainment products.
- Lagardere Active: special interest television channels, audiovisual production and distribution, radio, sales of advertising airtime, production of mobile and interactive services.

The EADS group manufactures commercial aircraft, civil helicopters, commercial launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics, and provides the full range of services associated with these products.

In addition to the operating segments, the Group has a "corporate" reporting unit ("Other Activities") which is used to report the effect of financing obtained by the Group, the operating costs of Group holding companies and the Replacement Parts department for the former Automobile business, whose revenues are reported under "Other income from ordinary activities". In 2004, this unit also included the activities of Banque Arjil which was divested at the end of that year.

The primary format for reporting segment information is the division, or business segment, corresponding to the Group's internal organisational and management structure. The secondary format is the geographical segment.

Transactions between business segments are generally carried out on arm's length terms.

## 6_1 Information by business segment

### 2005 Income Statement

| | Book Publishing | Print Media | Distribution Services | Lagardere Active | Lagardère Media | EADS | Other Activities | Total |
|---|---|---|---|---|---|---|---|---|
| Net sales | 1,706 | 1,917 | 3,776 | 623 | **8,022** | 5,112 | – | **13,134** |
| Inter-segment sales | (62) | (54) | (3) | (2) | **(121)** | – | – | **(121)** |
| **Consolidated net sales** | **1,644** | **1,863** | **3,773** | **621** | **7,901** | **5,112** | **–** | **13,013** |
| **Recurring operating profit before associates** | **189** | **161** | **106** | **47** | **503** | **392** | **1** | **896** |
| Income from associates | 1 | 16 | – | 46 | **63** | 31 | – | **94** |
| **Recurring operating profit** | **190** | **177** | **106** | **93** | **566** | **423** | **1** | **990** |
| Disposal gains or losses | 6 | 1 | 3 | 7 | **17** | 6 | – | **23** |
| Impairment losses on goodwill and intangible assets | – | (10) | – | (49) | **(59)** | – | – | **(59)** |
| Restructuring costs | – | (21) | – | (4) | **(25)** | (9) | – | **(34)** |
| **Profit before finance costs and tax** | **196** | **147** | **109** | **47** | **499** | **420** | **1** | **920** |
| Finance costs, net | (8) | (22) | (3) | (19) | **(52)** | (23) | (1) | **(76)** |
| **Profit before tax** | **188** | **125** | **106** | **28** | **447** | **397** | **0** | **844** |
| **Items included in recurring operating profit:** | | | | | | | | |
| Depreciation and amortisation expense | (27) | (24) | (53) | (18) | **(122)** | (207) | (5) | **(334)** |
| Cost of stock option plans | (7) | (6) | (3) | (6) | **(22)** | (5) | (10) | **(37)** |

### 2004 Income Statement*

| | Book Publishing | Print Media | Distribution Services | Lagardere Active | Lagardère Media | EADS | Other Activities | Total |
|---|---|---|---|---|---|---|---|---|
| Net sales | 1,489 | 1,903 | 3,676 | 564 | **7,632** | 4,795 | – | **12,427** |
| Inter-segment sales | (69) | (55) | (1) | (6) | **(131)** | – | – | **(131)** |
| **Consolidated net sales** | **1,420** | **1,848** | **3,675** | **558** | **7,501** | **4,795** | **–** | **12,296** |
| **Recurring operating profit before associates** | 164 | 168 | 101 | 37 | **470** | 350 | 3 | **823** |
| Income from associates | 1 | 12 | – | 28 | **41** | 13 | – | **54** |
| **Recurring operating profit** | 165 | 180 | 101 | 65 | **511** | 363 | 3 | 877 |
| Disposal gains or losses | 3 | 1 | 2 | 6 | **12** | 1 | (5) | **8** |
| Impairment losses on goodwill and intangible assets | (1) | (50) | (4) | (17) | **(72)** | – | – | **(72)** |
| Reversal of impairment losses on short-term investments | – | – | – | 104 | **104** | – | – | **104** |
| Restructuring costs | – | (9) | – | – | **(9)** | (19) | – | (28) |
| **Profit before finance costs and tax** | 167 | 122 | 99 | 158 | **546** | 345 | (2) | **889** |
| Finance costs, net | (5) | (20) | (2) | (32) | **(59)** | (45) | 7 | **(97)** |
| **Profit before tax** | 162 | 102 | 97 | 126 | **487** | 300 | 5 | **792** |
| **Items included in recurring operating profit:** | | | | | | | | |
| Depreciation and amortisation expense | (30) | (28) | (50) | (21) | **(129)** | (209) | (5) | **(343)** |
| Cost of stock option plans | (3) | (3) | (2) | (2) | **(10)** | (2) | (5) | **(17)** |

* Pro forma figures for 2004 recalculated retrospectively to present the divisions' results (excluding EADS) based on the rates used in 2005 by Other Activities to reallocate corporate costs to the Media divisions.

## 2005 Cash Flow Statement

| | Book Publishing | Print Media | Distribution Services | Lagardere Active | Lagardère Media | EADS | Other Activités and eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Cash generated from operations | 229 | 143 | 163 | 129 | **664** | 799 | (10) | **1,453** |
| Interest paid and received, income tax paid | (58) | (72) | (46) | (43) | **(219)** | (29) | 10 | **(238)** |
| **Net cash from operating activities** | 171 | 71 | 117 | 86 | **445** | 770 | – | **1,215** |
| Cash used in investing activities | (29) | (46) | (91) | (57) | **(223)** | (578) | (25) | **(826)** |
| *- Purchases of intangible assets and property, plant and equipement* | *(25)* | *(41)* | *(72)* | *(23)* | *(161)* | *(427)* | *(3)* | *(591)* |
| *- Purchases of investments* | *(4)* | *(5)* | *(19)* | *(34)* | *(62)* | *(151)* | *(22)* | *(235)* |
| Proceeds from disposals of non-current assets | 23 | 7 | 7 | 28 | **65** | 176 | 13 | **254** |
| (Increase) decrease in short-term investments | – | – | 1 | 581 | **582** | (123) | – | **459** |
| **Total cash from (used in) investing activities** | (6) | (39) | (83) | 552 | **424** | (525) | (12) | **(113)** |
| **Net cash from (used in) operating and investing activities** | 165 | 32 | 34 | 638 | **869** | 245 | (12) | **1,102** |

## Balance Sheet at 31 December 2005

| | Book Publishing | Print Media | Distribution Services | Lagardere Active | Lagardère Media | EADS | Other Activités and eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Segment assets | 1,759 | 2,991 | 1,190 | 855 | **6,795** | 8,000 | 305 | **15,100** |
| Investments in associates | 10 | 318 | 0 | 987 | **1,315** | 226 | 1 | **1,542** |
| Segment liabilities | (997) | (1,153) | (1,110) | (687) | **(3,947)** | (7,120) | (251) | **(11,318)** |
| **Capital employed** | 772 | 2,156 | 80 | 1,155 | **4,163** | 1,106 | 55 | **5,324** |
| **Net cash surplus (indebtedness)** | | | | | | | | **(863)** |
| **Equity** | | | | | | | | **4,461** |

## 2004 Cash Flow Statement

| | Book Publishing | Print Media | Distribution Services | Lagardere Active | Lagardère Media | EADS | Other Activités and eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Cash generated from operations | 249 | 185 | 192 | 99 | **725** | 815 | (130) | **1,410** |
| Interest paid and received, income tax paid | (77) | (62) | (31) | (104) | **(274)** | (52) | 71 | **(255)** |
| **Cash generated from (used in) operating activities** | 172 | 123 | 161 | (5) | **451** | 763 | (59) | **1,155** |
| Cash used in investing activities | (339) | (118) | (94) | (73) | **(624)** | (681) | (16) | **(1,321)** |
| *- Purchases of intangible assets and property, plant and equipment* | *(26)* | *(90)* | *(71)* | *(17)* | *(204)* | *(554)* | *(12)* | *(770)* |
| *- Purchases of investments* | *(313)* | *(28)* | *(23)* | *(56)* | *(420)* | *(127)* | *(4)* | *(551)* |
| Proceeds from disposals of non-current assets | 681 | 14 | 20 | 11 | **726** | 112 | (3) | **835** |
| (Increase) decrease in short-term investments | – | – | (13) | – | **(13)** | (11) | 1 | **(23)** |
| **Net cash from (used in) investing activities** | 342 | (104) | (87) | (62) | **89** | (580) | (18) | **(509)** |
| **Total cash from (used in) operating and investing activities** | 514 | 19 | 74 | (67) | **540** | 183 | (77) | **646** |

## Balance Sheet at 31 December 2004

| | Book Publishing | Print Media | Distribution Services | Lagardere Active | Lagardère Media | EADS | Other Activités and eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Segment assets | 1,742 | 2,850 | 1,094 | 817 | **6,503** | 6,378 | 191 | **13,072** |
| Investments in associates | 10 | 307 | 0 | 1,041 | **1,358** | 164 | 1 | **1,523** |
| Segment liabilities | (1,163) | (1,137) | (1,062) | (706) | **(4,068)** | (5,964) | 33 | **(9,999)** |
| **Capital employed** | 589 | 2,020 | 32 | 1,152 | **3,793** | 578 | 225 | **4,596** |
| **Net cash surplus (indebtedness)** | | | | | | | | **(433)** |
| **Equity** | | | | | | | | **4,163** |

## 6_2 Information by geographical segment

### Net sales

| | 2005 Excluding EADS | 2005 EADS | 2005 Total Group | 2004 Excluding EADS | 2004 EADS | 2004 Total Group |
|---|---|---|---|---|---|---|
| France | 3,443 | 524 | 3,967 | 3,405 | 502 | 3,907 |
| European Union | 2,973 | 1,410 | 4,383 | 2,731 | 1,619 | 4,350 |
| Rest of Europe | 495 | 38 | 533 | 465 | 72 | 537 |
| USA and Canada | 628 | 1,349 | 1,977 | 610 | 1,316 | 1,926 |
| Middle East | 11 | 334 | 345 | 7 | 345 | 352 |
| Asia-Pacific | 259 | 1,156 | 1,415 | 220 | 746 | 966 |
| Other (Africa, Latin America) | 92 | 301 | 393 | 63 | 195 | 258 |
| **Total** | **7,901** | **5,112** | **13,013** | **7,501** | **4,795** | **12,296** |

### Segment assets

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| France | 3,808 | 3,686 |
| European Union | 1,905 | 1,827 |
| Rest of Europe | 198 | 182 |
| USA and Canada | 977 | 827 |
| Middle East | 0 | 0 |
| Asia-Pacific | 178 | 146 |
| Other (Africa, Latin America) | 34 | 26 |
| **Excluding EADS** | **7,100** | **6,694** |
| **EADS*** | **8,000** | **6,378** |
| **Total** | **15,100** | **13,072** |

* Substantially all EADS' assets are held in the European Union.

### Purchases of intangible assets and property, plant and equipment – excluding EADS

| | 2005 | 2004 |
|---|---|---|
| France | 84 | 142 |
| European Union | 57 | 54 |
| Rest of Europe | 6 | 6 |
| USA and Canada | 7 | 12 |
| Middle East | 0 | 0 |
| Asia-Pacific | 9 | 2 |
| Other (Africa, Latin America) | 1 | 0 |
| **Total excluding EADS** | **164** | **216** |

### Purchases of intangible assets and property, plant and equipment – EADS

| | 2005 | 2004 |
|---|---|---|
| France | 114 | 149 |
| Germany | 154 | 124 |
| United Kingdom | 120 | 104 |
| Spain | 25 | 29 |
| Other | 8 | 49 |
| **Total excluding leased assets** | **421** | **455** |
| **Leased assets** | **6** | **99** |
| **Total EADS** | **427** | **554** |

## NOTE 7 NET SALES

Total net sales including EADS increased by 5.8% in 2005. In the Media business, net sales increased by 5.3% before adjustment for changes in group structure and exchange rates, and 2.5% on a like-for-like basis.

Like-for-like net sales are calculated by adjusting:

- 2005 net sales to exclude companies consolidated for the first time during the year and 2004 net sales to exclude companies divested in 2005;
- 2004 net sales based on 2005 exchange rates.

Net sales break down as follows:

| | 2005 | 2004 |
|---|---|---|
| Sales of goods and services | 6,531 | 6,166 |
| Advertising revenue | 1,346 | 1,308 |
| Barter transactions | 24 | 27 |
| **Excluding EADS** | **7,901** | **7,501** |
| EADS* | 5,112 | 4,795 |
| **Total** | **13,013** | **12,296** |
| ** Of which:* | | |
| *- Revenue from the delivery of goods and services* | *4,282* | *3,957* |
| *- Revenue from construction contracts (including contracted research and development)* | *703* | *727* |

## NOTE 8 PAYROLL COSTS

### 8_1 Average number of employees

The average number of employees of fully and proportionately consolidated companies breaks down as follows by business segment:

| | 2005 | 2004 |
|---|---|---|
| Book Publishing | 6,433 | 6,433 |
| Print Media | 9,972 | 10,034 |
| Distribution Services | 11,881 | 12,032 |
| Lagardere Active | 2,577 | 2,287 |
| **Lagardère Media** | **30,863** | **30,786** |
| EADS | 16,921 | 16,707 |
| Other Activities | 461 | 340 |
| **Total** | **48,245** | **47,833** |

In the above table, the employees of proportionately consolidated companies are included based on the Group's percent interest in the companies concerned.

### 8_2 Payroll costs

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Wages and salaries | 1,311 | 958 | 2,269 | 1,209 | 890 | 2,099 |
| Payroll taxes | 337 | 306 | 643 | 323 | 307 | 630 |
| Cost of stock option plans | 32 | 5 | 37 | 15 | 2 | 17 |
| **Total** | **1,680** | **1,269** | **2,949** | **1,547** | **1,199** | **2,746** |

## 8_3 Share-based payments

In past years, the Managing Partners granted subscription and purchase options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans. The main features of the plans operative at January 2005 are presented in note 24_2.

In accordance with the principles described in note 3_5 "Share-based payments", options granted as from 7 November 2002 and not yet vested at 1 January 2005 were measured at fair value at grant date.

Under the plans' terms and conditions, options vest over a two-year period and lapse ten years after their date of grant.

Details of options outstanding and movements in 2005 are presented below:

| | Number of options | Weighted average exercise price (€) |
|---|---|---|
| **Options outstanding at 31 December 2004** | **3,039,970** | **51.70** |
| Options granted | 1,683,844 | 56.97 |
| Options forfeited | (56,745) | 51.62 |
| Options exercised | (70) | 51.45 |
| Options lapsed | - | - |
| **Options outstanding at 31 December 2005** | **4,666,999** | **53.60** |
| Options exercisable | 1,416,866 | 51.45 |

Options outstanding at 31 December 2005 were exercisable at prices ranging between €51.45 and €56.97 and their average term to maturity was 8.97 years.

Assumptions used to calculate the fair value of stock options using the binomial model are described below:

| | 21 November 2005 plan | 20 November 2004 plan | 18 December 2003 plan |
|---|---|---|---|
| Share market price at grant date (€) | 58.25 | 54.40 | 46.00 |
| Exercise price (€) | 56.97 | 51.92 | 51,45 |
| Expected volatility | 30% | 40% | 40% |
| Expected dividend | 2% | 2% | 2% |
| Risk-free interest rate | 3.5% | 3.7% | 4% |

Volatility assumptions used for the 2003 and 2004 plans take into account the historical volatility of Lagardère SCA's share price on a rolling ten year period.

For the 2005 plan, the volatility assumption was revised in the light of the implicit volatility calculation method negotiated for the agreement signed with a bank in November 2005 to hedge Lagardère SCA's obligation under employee stock options plans (see note 24_3).

Expenses recognised for the cost of stock option plans amounted to €32 million in 2005 and €15 million in 2004. This increase mainly resulted from the fact that the 2004 expense related exclusively to the plan introduced on 18 December 2003, while the 2005 figure also includes the expense generated by the plan introduced on 20 November 2004.

## NOTE 9 OTHER OPERATING INCOME AND EXPENSE

| | 2005 Excluding EADS | 2005 EADS | 2005 Total Group | 2004 Excluding EADS | 2004 EADS | 2004 Total Group |
|---|---|---|---|---|---|---|
| Gains and losses on disposals of assets | 17 | 6 | 23 | 7 | 1 | 8 |
| Restructuring costs | (25) | (9) | (34) | (9) | (19) | (28) |
| Impairment losses on goodwill and intangible assets | (59) | – | (59) | (72) | – | (72) |
| Write-downs of current and other non-current assets | (53) | (79) | (132) | (26) | (16) | (42) |
| Reversal of write-down on T-Online shares | – | – | – | 104 | – | 104 |
| Exchange gains and losses | 2 | 6 | 8 | (4) | (4) | (8) |
| Financial expenses other than interest | (6) | (13) | (19) | (12) | (9) | (21) |
| Other income and expenses | 1 | (65) | (64) | (55) | (56) | (111) |
| **Total** | **(123)** | **(154)** | **(277)** | **(67)** | **(103)** | **(170)** |

### *In 2005 (excluding EADS)*

Impairment losses on goodwill and intangible assets amounted to €59 million, including €43 million recognised by Lagardere Active on its publishing activities for Special interest television channels. This impairment loss was due to the increasingly competitive environment which in 2005 was marked by:

- the launch in 2005 of eight new Music channels and four new Youth channels in France;
- the maturation of emerging delivery media such as television through Broadband Internet connections, mobile phones, and digital terrestrial television;
- the consolidation of the cable operators on the market.

These new market conditions caused heightened competition among the content producers, who found themselves facing increasingly concentrated and therefore more powerful distributors, circumstances which have led to a revision of future earnings projections and the recognition of a corresponding impairment loss.

The balance of impairment losses was comprised of individually small amounts recorded in respect of TV Production operations (€6 million in the Lagardere Active division) and publication titles (€10 million in the Print Media division).

Restructuring costs of €25 million in 2005 concerned the Print Media division (€21 million), particularly as regards the stoppage of the magazine *OhLà*, the rationalisation of the photo agencies and the cost-cutting plans implemented in France and in the United States.

Write-downs of assets totalled €53 million principally relating to inventories and advances paid to writers in the Book Publishing division.

Disposal gains of €17 million arose principally on disposals of property, plant and equipment and on the sale of the investment in T-Online (€5 million).

*In 2004 (excluding EADS)*

Impairment losses on goodwill and intangible assets amounted to €72 million, including €40 million on intangible assets of the Italian press group Rusconi, €7 million on the photo portfolios of the Print Media division and €10 million on goodwill related to television production companies. The balance consists of various non-material impairment losses related to various divisions of Lagardère Media.

The Rusconi impairment loss was due to the increasingly competitive environment in the Italian market in 2004, shaped by a growing number of free gift and cut-price bundled offers as well as by the launch of competing publications in the "People" segment. Rusconi's medium-term business plan was adjusted to take into account the effects of the new environment on circulation figures. The revised projections led to the recognition of a €40 million impairment loss in 2004.

At 31 December 2003, the T-Online shares were carried in the balance sheet at an amount, net of accumulated impairment losses, of €522 million, representing a value per share of €7.50. At 31 December 2004, impairment losses of €104 million were reversed, raising the carrying amount per share to €8.99. This corresponds to the price of the spot purchase offer made by Deutsche Telekom in November 2004. As of 31 December 2004, T-Online shares were trading at €9.84.

Restructuring costs concerned the Print Media division of Lagardère Media and EADS' Defence business.

Other income and expenses were mainly comprised of:

- reversals of provisions recorded in past years in connection with the withdrawal from the auto industry (Matra Automobile) (+ €39 million), reflecting favourable future cash outflow projections;
- non-recurring expenses and provisions recorded on the occasion of the acquisition of Editis (– €37 million);
- increases in provisions for risks.

## NOTE 10 FINANCE COSTS, NET

Finance costs, net can be analysed as follows:

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Interest expense on borrowings | (77) | (94) | (171) | (97) | (79) | (176) |
| Interest income on loans | 5 | 67 | 72 | 18 | 34 | 52 |
| Investment income and gains on sales of short-term investments | 19 | 4 | 23 | 27 | – | 27 |
| Change in the fair value of derivative financial instruments acquired as hedges of net debt | – | – | – | – | – | – |
| **Total** | **(53)** | **(23)** | **(76)** | **(52)** | **(45)** | **(97)** |

## NOTE 11 INCOME TAX EXPENSE

### 11_1 Analysis of income tax expense

Income tax expense breaks down as follows:

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Current taxes | (65) | (66) | (131) | (105) | (19) | (124) |
| Deferred taxes | 49 | (60) | (11) | (27) | (89) | (116) |
| **Total** | **(16)** | **(126)** | **(142)** | **(132)** | **(108)** | **(240)** |

### 11_2 Tax proof

The following table reconciles income tax expense reported in the income statement to theoretical income tax expense for 2005 and 2004:

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Profit before tax | 447 | 397 | 844 | 492 | 300 | 792 |
| Income from associates | 63 | 31 | 94 | 41 | 13 | 54 |
| **Profit of consolidated companies before tax and income from associates** | **384** | **366** | **750** | **451** | **287** | **738** |
| Theoretical tax expense[1] | (134) | (128) | (262) | (160) | (102) | (262) |
| **Effect on theoretical tax expense of:** | | | | | | |
| Profit taxed (losses deducted) at reduced rates | (1) | – | (1) | 20 | – | 20 |
| Tax loss carry-forwards used during the year[2] | 57 | 3 | 60 | 35 | 5 | 40 |
| Tax loss carry-forwards arising during the year[2] | (20) | (2) | (22) | (23) | (4) | (27) |
| Tax differential on foreign subsidiaries earnings | 8 | 4 | 12 | 7 | (2) | 5 |
| Limitation on deferred taxes | 17 | (4) | 13 | (3) | (4) | (7) |
| Change in tax rates | – | – | – | 20 | (3) | 17 |
| Tax credits and similar | 7 | 5 | 12 | 1 | 12 | 13 |
| Impairment losses on goodwill and other intangible assets | (13) | – | (13) | (26) | – | (26) |
| Permanent differences and other | 63 | (4) | 59 | (3) | (10) | (13) |
| **Effective tax expense** | **(16)** | **(126)** | **(142)** | **(132)** | **(108)** | **(240)** |

1 At the French standard rate (34.93% in 2005).
2 The tax effect of these tax loss carry-forwards was not recorded.

In 2005, the Lagardère Group (excluding EADS) recognised non-recurring tax gains of €99 million resulting from the settlement of tax litigation previously covered by provisions, and new tax rules introduced in late 2005 by the French authorities for withdrawals of perpetual subordinated notes. In the above table, these items are included in Permanent differences and other (€69 million) and Tax loss carry-forwards used in the year (€30 million).

## 11_3 Deferred taxes recognised in the balance sheet

Deferred taxes concern the following assets and liabilities:

| | 31 December 2005 | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Intangible assets | (562) | (21) | (583) | (502) | (14) | (516) |
| Property, plant and equipment | (44) | (136) | (180) | (49) | (119) | (168) |
| Non-current financial assets | (51) | (27) | (78) | (41) | (18) | (59) |
| Inventories | 10 | 4 | 14 | 1 | 25 | 26 |
| Provisions for employee benefit obligations | 30 | 101 | 131 | 51 | 106 | 157 |
| Other provisions | 55 | 135 | 190 | 30 | 76 | 106 |
| Other working capital requirements | 317 | (80) | 237 | 235 | 108 | 343 |
| **Temporary differences (gross amount)** | **(245)** | **(24)** | **(269)** | **(275)** | **164** | **(111)** |
| Provision for write-down of deferred tax assets | (131) | (34) | (165) | (148) | (86) | (234) |
| **Temporary differences (net amount)** | **(376)** | **(58)** | **(434)** | **(423)** | **78** | **(345)** |
| Tax loss carry-forwards | 56 | 90 | 146 | 82 | 163 | 245 |
| Tax credits | – | 32 | 32 | – | 28 | 28 |
| **Net deferred tax (liability) asset** | **(320)** | **64** | **(256)** | **(341)** | **269** | **(72)** |
| Deferred tax assets | 123 | 382 | 505 | 74 | 383 | 457 |
| Deferred tax liabilities | (443) | (318) | (761) | (415) | (114) | (529) |

## 11_4 Changes in deferred taxes

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Net deferred tax (liability) asset at 1 January | (341) | 269 | (72) | (335) | 328 | (7) |
| Effect of introduction of IAS 32 and 39 at 1 January 2005 | (7) | (465) | (472) | – | – | – |
| Income tax benefit (expense) recognised in the income statement | 49 | (60) | (11) | (27) | (89) | (116) |
| Deferred taxes recognised directly in equity | 2 | 305 | 307 | – | – | – |
| Effect of changes in consolidation scope and exchange rates | (23) | 15 | (8) | 21 | 30 | 51 |
| **Net deferred tax (liability) asset at 31 December** | **(320)** | **64** | **(256)** | **(341)** | **269** | **(72)** |

Deferred taxes recognised directly in equity can be analysed as follows:

| | 31 December 2005 | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Available-for-sale investments | 3 | – | 3 | 5 | – | 5 |
| Cash flow hedges | – | 160 | 160 | – | 465 | 465 |
| **Total** | **3** | **160** | **163** | **5** | **465** | **470** |

## NOTE 12 EARNINGS PER SHARE

### *Basic earnings per share*

Earnings per share are calculated by dividing net profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year, excluding treasury shares. Changes in the number of shares as a result of employees exercising their stock options (shares issued throughout the year) are included using the average of opening and closing balances for the year.

| | 2005 | 2004 |
|---|---|---|
| Profit attributable to equity holders of the parent (in millions of €) | 670 | 495 |
| Weighted average number of shares outstanding | 137,350,790 | 135,656,894 |
| **Basic earnings per share (in €)** | **4.88** | **3.65** |

### *Diluted earnings per share*

The only category of dilutive potential ordinary shares relates to unexercised employee stock options with exercise prices lower than the listed price of Lagardère SCA share at year-end.

Diluted earnings per share are calculated by adding to the average number of shares outstanding the weighted average number of additional ordinary shares that would have been outstanding assuming the exercise of all outstanding uncovered stock options.

Net profit attributable to equity holders of the parent used in the calculation is also adjusted for the after-tax amount of financial income that would result from the exercise of share subscription options.

| | 2005 | 2004 |
|---|---|---|
| Adjusted profit attributable to equity holders of the parent (in millions of €) | 671 | 496 |
| Weighted average number of shares outstanding | 137,350,790 | 135,656,894 |
| Number of dilutive potential ordinary shares | 4,238,732 | 8,595,284 |
| Diluted weighted average number of shares | 141,589,522 | 144,252,178 |
| **Diluted earnings per share (in €)** | **4.74** | **3.44** |

## NOTE 13 GOODWILL

| | 2005 Excluding EADS | 2005 EADS | 2005 Total Group | 2004 Excluding EADS | 2004 EADS | 2004 Total Group |
|---|---|---|---|---|---|---|
| **At 1 January** | **1,755** | **713** | **2,468** | **1,156** | **696** | **1,852** |
| *Cost* | *1,777* | *713* | *2,490* | *1,156* | *696* | *1,852* |
| *Accumulated impairment losses* | *(22)* | *–* | *(22)* | *–* | *–* | *–* |
| Acquisitions | 63 | 16 | 79 | 620 | 13 | 633 |
| Adjustment arising from recognition of put options granted to minority interests | 54 | 81 | 135 | – | – | – |
| Goodwill written off on disposals or reclassified as assets held for sale | (13) | – | (13) | – | – | – |
| Impairment losses for the year *(note 9)* | (35) | – | (35) | (22) | – | (22) |
| Translation adjustments | 15 | 1 | 16 | – | – | – |
| Other movements | (1) | – | (1) | 1 | 4 | 5 |
| **At 31 December** | **1,838** | **811** | **2,649** | **1,755** | **713** | **2,468** |
| *Cost* | *1,889* | *811* | *2,700* | *1,777* | *713* | *2,490* |
| *Accumulated impairment losses* | *(51)* | *–* | *(51)* | *(22)* | *–* | *(22)* |

Net goodwill in the balance sheet concerns the following companies:

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Hachette Filipacchi Médias | 596 | 596 |
| Editis group | 352 | 369 |
| Hodder Headline group | 216 | 204 |
| Lagardere Active Broadcast group | 172 | 157 |
| Hatier group | 84 | 84 |
| Octopus group | 52 | 50 |
| Payot Naville Distribution group | 40 | 40 |
| Salvat group | 40 | 40 |
| Lagardère[1] | 35 | 35 |
| Virgin | 34 | 34 |
| Orion group | 32 | 31 |
| Newslink | 26 | 24 |
| Nice Matin | 22 | 20 |
| Lapker group | 17 | 17 |
| Adjustment arising from recognition of put options granted to minority interests | 54 | - |
| Other | 66 | 54 |
| **Excluding EADS** | **1,838** | **1,755** |
| EADS[2] | 811 | 713 |
| **Total** | **2,649** | **2,468** |

1 Goodwill on Matra Hachette shares purchased prior to the business combination.
2 Goodwill related to EADS subsidiaries.

## NOTE 14 INTANGIBLE ASSETS

| | Publication titles | Other | Total excluding EADS | EADS | Total |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| **At 1 January 2004** | **1,374** | **466** | **1,840** | **103** | **1,943** |
| Acquisitions | – | 34 | **34** | 55 | **89** |
| Changes in scope of consolidation | 19 | 162 | **181** | 1 | **182** |
| Disposals | – | (18) | **(18)** | (3) | **(21)** |
| Translation adjustments | (54) | (3) | **(57)** | – | **(57)** |
| Reclassifications | – | (13) | **(13)** | 1 | **(12)** |
| **At 31 December 2004** | **1,339** | **628** | **1,967** | **157** | **2,124** |
| Acquisitions | 1 | 32 | **33** | 75 | **108** |
| Changes in scope of consolidation | – | 2 | **2** | (2) | **–** |
| Disposals | – | (11) | **(11)** | (10) | **(21)** |
| Translation adjustments | 106 | 7 | **113** | 1 | **114** |
| Reclassifications | 1 | (92) | **(91)** | 6 | **(85)** |
| **At 31 December 2005** | **1,447** | **566** | **2,013** | **227** | **2,240** |
| ***Amortisation and impairment losses*** | | | | | |
| **At 1 January 2004** | | **(266)** | **(266)** | **(54)** | **(320)** |
| Amortisation for the year | – | (36) | **(36)** | (21) | **(57)** |
| Impairment losses for the year *(note 9)* | (43) | (7) | **(50)** | – | **(50)** |
| Changes in scope of consolidation | – | (113) | **(113)** | – | **(113)** |
| Disposals | – | 12 | **12** | 2 | **14** |
| Translation adjustments | – | 2 | **2** | – | **2** |
| Reclassifications | – | 12 | **12** | (1) | **11** |
| **At 31 December 2004** | **(43)** | **(396)** | **(439)** | **(74)** | **(513)** |
| Amortisation for the year | – | (25) | **(25)** | (28) | **(53)** |
| Impairment losses for the year *(note 9)* | (8) | (16) | **(24)** | – | **(24)** |
| Changes in scope of consolidation | – | (1) | **(1)** | – | **(1)** |
| Disposals | – | 11 | **11** | 9 | **20** |
| Translation adjustments | – | (4) | **(4)** | – | **(4)** |
| Reclassifications | (1) | 83 | **82** | (2) | **80** |
| **At 31 December 2005** | **(52)** | **(348)** | **(400)** | **(95)** | **(495)** |
| ***Carrying amounts*** | | | | | |
| **At 31 December 2004** | **1,296** | **232** | **1,528** | **83** | **1,611** |
| **At 31 December 2005** | **1,395** | **218** | **1,613** | **132** | **1,745** |

### *EADS*

- research and development costs recognised as an expense amounted to €310 million in 2005 and €321 million in 2004;
- research and development costs recognised as internally generated intangible assets amounted to €69 million in 2005 and €26 million in 2004 and were principally incurred under the Airbus A380 programme.

### *Lagardère Media*

The main publication titles are owned by the following companies:

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| ***Net carrying amounts*** | | |
| Hachette Filipacchi Magazines Inc.* | 760 | 658 |
| Rusconi group | 164 | 164 |
| Hachette Filipacchi UK | 110 | 111 |
| Nice Matin | 80 | 76 |
| Hachette Fujin Gaho | 60 | 60 |
| Hachette Filipacchi Médias | 32 | 32 |
| Quillet group | 25 | 29 |
| Hachette Filipacchi SA (Spain) | 27 | 27 |

* Increase due to the rise in the US dollar exchange rate.

## NOTE 15 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows by category:

### 2005 – Cost

| | At 1 January 2005 | Additions | Changes in scope of consolidation | Disposals | Translation adjustment | Reclassifi-cations | At 31 December 2005 |
|---|---|---|---|---|---|---|---|
| Land | 151 | - | - | (1) | - | 3 | 153 |
| Buildings | 530 | 17 | 2 | (6) | 1 | 4 | 548 |
| Machinery and equipment | 373 | 41 | 3 | (21) | 2 | 16 | 414 |
| Other | 465 | 47 | 1 | (29) | 13 | (13) | 484 |
| Assets under construction | 11 | 31 | - | - | - | (14) | 28 |
| **Excluding EADS** | **1,530** | **136** | **6** | **(57)** | **16** | **(4)** | **1,627** |
| Land and buildings | 878 | 28 | (9) | (12) | 3 | 21 | 909 |
| Machinery and equipment | 1,501 | 123 | (19) | (27) | 32 | 124 | 1,734 |
| Other | 658 | 7 | (6) | (62) | 54 | (47) | 604 |
| Assets under construction | 486 | 198 | (5) | - | 4 | (165) | 518 |
| EADS | 3,523 | 356 | (39) | (101) | 93 | (67) | 3,765 |
| **Total** | **5,053** | **492** | **(33)** | **(158)** | **109** | **(71)** | **5,392** |

### 2005 – Depreciation and impairment losses

| | At 1 January 2005 | Depreciation | Impairment losses | Changes in scope of consolidation | Disposals | Translation adjustment | Reclassifi-cations | At 31 December 2005 |
|---|---|---|---|---|---|---|---|---|
| Land | – | – | – | – | – | – | (3) | (3) |
| Buildings | (253) | (23) | – | (1) | 4 | (1) | – | (274) |
| Machinery and equipment | (286) | (35) | – | (2) | 21 | | (9) | (311) |
| Other | (324) | (44) | – | (1) | 25 | (9) | 11 | (342) |
| Assets under construction | – | – | – | – | – | – | – | – |
| **Excluding EADS** | **(863)** | **(102)** | – | **(4)** | **50** | **(10)** | **(1)** | **(930)** |
| Land and buildings | (449) | (31) | – | 6 | 10 | (1) | 27 | (438) |
| Machinery and equipment | (981) | (123) | – | 13 | 23 | (14) | – | (1,082) |
| Other | (244) | (25) | – | 2 | 31 | (22) | 10 | (248) |
| Assets under construction | (4) | – | – | – | – | (1) | – | (5) |
| EADS | (1,678) | (179) | – | 21 | 64 | (38) | 37 | (1,773) |
| **Total** | **(2,541)** | **(281)** | – | **17** | **114** | **(48)** | **36** | **(2,703)** |
| **Carrying amounts** | **2,512** | **211** | – | **(16)** | **(44)** | **61** | **(35)** | **2,689** |

## 2004 – Cost

| | At 1 January 2004 | Additions | Changes in scope of consolidation | Disposals | Translation adjustment | Reclassifi-cations | At 31 December 2004 |
|---|---|---|---|---|---|---|---|
| Land | 101 | 31 | 17 | (1) | – | 3 | 151 |
| Buildings | 425 | 59 | 38 | (24) | 1 | 31 | 530 |
| Machinery and equipment | 372 | 31 | 20 | (26) | – | (24) | 373 |
| Other | 390 | 49 | 54 | (27) | (1) | – | 465 |
| Assets under construction | 12 | 10 | 1 | (1) | – | (11) | 11 |
| **Excluding EADS** | **1,300** | **180** | **130** | **(79)** | **–** | **(1)** | **1,530** |
| Land and buildings | 786 | 38 | 6 | (13) | (1) | 62 | 878 |
| Machinery and equipment | 1,387 | 109 | 7 | (40) | (12) | 50 | 1,501 |
| Other | 675 | 99 | 3 | (87) | (31) | (1) | 658 |
| Assets under construction | 346 | 254 | 1 | (2) | (2) | (111) | 486 |
| EADS | 3,194 | 500 | 17 | (142) | (46) | – | 3,523 |
| **Total** | **4,494** | **680** | **147** | **(221)** | **(46)** | **(1)** | **5,053** |

## 2004 – Depreciation and impairment losses

| | At 1 January 2004 | Depreciation | Impairment losses | Changes in scope of consolidation | Disposals | Translation adjustment | Reclassifi-cations | At 31 December 2004 |
|---|---|---|---|---|---|---|---|---|
| Land | – | – | – | – | – | – | – | – |
| Buildings | (237) | (21) | – | (3) | 14 | – | (6) | (253) |
| Machinery and equipment | (266) | (35) | – | (12) | 23 | – | 4 | (286) |
| Other | (266) | (45) | – | (37) | 24 | 2 | (2) | (324) |
| Assets under construction | – | – | – | – | – | – | – | – |
| **Excluding EADS** | **(769)** | **(101)** | **–** | **(52)** | **61** | **2** | **(4)** | **(863)** |
| Land and buildings | (432) | (12) | – | (2) | – | – | (3) | (449) |
| Machinery and equipment | (901) | (81) | – | (6) | – | 5 | 2 | (981) |
| Other | (259) | (4) | – | (1) | – | 12 | 8 | (244) |
| Assets under construction | (4) | – | – | – | – | – | – | (4) |
| EADS | (1,596) | (97) | – | (9) | – | 17 | 7 | (1,678) |
| **Total** | **(2,365)** | **(198)** | **–** | **(61)** | **61** | **19** | **3** | **(2,541)** |
| **Carrying amount** | **2,129** | **482** | **–** | **86** | **(160)** | **(27)** | **2** | **2,512** |

### Investment property

#### *Excluding EADS*

For Group companies other than EADS, balance sheet assets include real estate carried at net value of €80 million at 31 December 2005 and €83 million at 31 December 2004. This property is subject to an operating lease agreement with NMPP and its market value is estimated at €93 million at 31 December 2005 (€85 million at 31 December 2004). Related rental income in 2005 and 2004 totalled €9 million.

#### *EADS*

The EADS group owns investment property leased to third parties and accounted for under property, plant and equipment.

At 31 December 2005, the carrying amount of these properties (based on Lagardère's percentage interest) was equal to their fair value of €20 million (€24 million in 2004). Related rental income in 2005 amounted to €2 million.

### *Finance leases*

Finance leases are included mainly in land and buildings and also in machinery and equipment for EADS, for the following amounts:

| | 2005 Excluding EADS | 2005 EADS | 2005 Total Group | 2004 Excluding EADS | 2004 EADS | 2004 Total Group |
|---|---|---|---|---|---|---|
| Cost | 130 | 65 | 195 | 130 | 66 | 196 |
| Carrying amount | 81 | 12 | 93 | 84 | 15 | 99 |

### *Aircraft operating leases (EADS)*

In the case of EADS, machinery and equipment includes aircraft leased under operating leases which include:

(i) Sales finance activity in the form of aircraft which have been leased out to customers and are classified as operating leases. They are reported net of the accumulated impairments. These sales financing transactions are generally secured by the underlying aircraft used as collateral.

The corresponding non-cancellable future operating lease payments (not discounted) due from customers to be included in revenues, at 31 December 2005 are as follows:

| | |
|---|---|
| Not later than 2006 | 26 |
| later than 2006 and not later than 2010 | 64 |
| later than 2010 | 37 |
| **Total** | **127** |

(ii) Aircraft which have been accounted as "operating leases" because they were sold under terms that include asset value guarantee commitments with the present value of the guarantee being more than 10% of the aircraft's sales price (assumed to be the fair value). Upon the initial sale of these aircraft to the customer, their total cost previously recognised in inventory is transferred to machinery and equipment and depreciated over their estimated useful economic life, with the proceeds received from the customer being recorded as deferred income.

The total net book values of aircraft under operating leases is as follows:

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| (i) Net book value of aircraft under operating leases before impairment charge | 223 | 299 |
| Accumulated provision for impairment losses | (47) | (80) |
| Net book value of aircraft under operating leases | 176 | 219 |
| (ii) Aircraft under operating leases with the present value of the guarantee being more than 10% | 180 | 195 |
| **Total net book value of aircraft under operating leases** | **356** | **414** |

## NOTE 16 INVESTMENTS IN ASSOCIATES

The amounts recognised in the consolidated financial statements for the main associates are as follows:

| | % interest | | Balance sheet | | | Income statement | |
|---|---|---|---|---|---|---|---|
| | 31 December 2005 | 31 December 2004 | 31 December 2005 | 1 January 2005[2] | 31 December 2004 | 2005 | 2004 |
| CanalSatellite | 34% | 34% | 985 | 967 | 967 | 45 | 39 |
| Marie-Claire | 42% | 42% | 234 | 228 | 228 | 8 | 6 |
| MultiThématiques | - | 30% | - | 71 | 71 | - | (12) |
| Amaury group | 25% | 25% | 60 | 54 | 54 | 8 | 6 |
| S.E.T.C. | 39% | 39% | 13 | 12 | 12 | 1 | 1 |
| Editions J'ai lu | 35% | 35% | 10 | 10 | 10 | 1 | 1 |
| Other | | | 14 | 17 | 17 | - | - |
| **Excluding EADS** | | | **1,316** | **1,359** | **1,359** | **63** | **41** |
| EADS[1] | | | 226 | 203 | 164 | 31 | 13 |
| **Total** | | | **1,542** | **1,562** | **1,523** | **94** | **54** |
| 1 Including Dassault Aviation. | 46% | 46% | 220 | 201 | 162 | 31 | 12 |

2 Following adoption of IAS 32 and 39 (including the effect of remeasuring at fair value of available-for-sale investments held by Dassault Aviation).

In 2004, an impairment loss of €13 million was recorded in respect of multiThématiques. This investment was sold in 2005 (see note 5_1 above).

### Condensed financial information for CanalSatellite is presented below :

| *On a 100% basis* | 31 December 2005 | 31 December 2004 |
|---|---|---|
| ***Balance sheet information*** | | |
| Total assets | 593 | 496 |
| Total liabilities | 384 | 340 |
| ***Income statement information*** | | |
| Net sales | 1,030 | 963 |
| Net profit | 134 | 115 |

## NOTE 17 JOINT VENTURES

The contribution to the consolidated financial statements of joint ventures consolidated by the proportionate method is presented below:

### 31 December 2005

| | EADS | Other | Total |
|---|---|---|---|
| ***Balance sheet information*** | | | |
| Non-current assets | 4,654 | 33 | 4,687 |
| Current assets | 5,070 | 68 | 5,138 |
| **Total assets** | **9,724** | **101** | **9,825** |
| Non-current liabilities | 3,671 | 10 | 3,681 |
| Current liabilities | 4,735 | 56 | 4,791 |
| **Total liabilities** | **8,406** | **66** | **8,472** |
| ***Income statement information*** | | | |
| Revenue | 5,141 | 234 | 5,375 |
| Expenses | (4,870) | (230) | (5,100) |
| **Net profit** | **271** | **4** | **275** |

### 31 December 2004

| | EADS | Other | Total |
|---|---|---|---|
| *Balance sheet information* | | | |
| Non-current assets | 3,618 | 35 | 3,653 |
| Current assets | 4,337 | 67 | 4,404 |
| **Total assets** | **7,955** | **102** | **8,057** |
| Non-current liabilities | 3,126 | 9 | 3,135 |
| Current liabilities | 3,611 | 58 | 3,669 |
| **Total liabilities** | **6,737** | **67** | **6,804** |
| *Income statement information* | | | |
| Revenue | 4,846 | 220 | 5,066 |
| Expenses | (4,654) | (211) | (4,865) |
| **Net profit** | **192** | **9** | **201** |

## NOTE 18 OTHER NON-CURRENT ASSETS

Other non-current assets break down as follows:

### Carrying amounts

| | 31 December 2005 | | | 1 January 2005* | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Available-for-sale investments | 124 | 80 | 204 | 102 | 68 | 170 | 88 | 70 | 158 |
| Loans and receivables | 91 | 486 | 577 | 102 | 360 | 462 | 102 | 360 | 462 |
| Derivative financial instruments | - | 413 | 413 | - | 932 | 932 | - | - | - |
| **Total** | **215** | **979** | **1,194** | **204** | **1,360** | **1,564** | **190** | **430** | **620** |

* Following adoption of IAS 32 and 39.

Available-for-sale investments include:

### Carrying amounts

| | 31 December 2005 | | 1 January 2005[2] | 31 December 2004 | |
|---|---|---|---|---|---|
| | Carrying amount | % interest | Carrying amount | Carrying amount | % interest |
| Le Monde SA | 36 | 17% | - | - | - |
| Viel | 31 | 13% | 32 | 18 | 13% |
| La Dépêche du Midi | 12 | 15% | 12 | 12 | 15% |
| Midi Libre | - | - | 10 | 10 | 10% |
| Autofin | 6 | 10% | 6 | 6 | 10% |
| Other | 39 | | 42 | 42 | |
| **Excluding EADS** | **124** | | **102** | **88** | |
| EADS[1] | 80 | | 68 | 70 | |
| **Total** | **204** | | **170** | **158** | |

1 Investments not consolidated at the level of the EADS group.
2 Following adoption of IAS 32 and 39.

Gains and losses from remeasurement at fair value of available-for-sale investments represented a net gain of €6 million in 2005 (EADS: gain of €7 million; Lagardère excluding EADS: loss of €1 million), recognised directly in equity.

Loans and receivables can be analysed as follows:

**Loans and receivables**

| | 31 December 2005 | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Gross amount | 191 | 546 | 737 | 242 | 437 | 679 |
| Accumulated write-downs | (100) | (60) | (160) | (140) | (77) | (217) |
| **Carrying amount** | **91** | **486** | **577** | **102** | **360** | **462** |

**Analysis of write-downs**

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| At 1 January | (140) | (77) | (217) | (146) | (72) | (218) |
| Write-downs (recognised) reversed in the year | - | 7 | 7 | (1) | (6) | (7) |
| Other movements and translation adjustments | 40 | 10 | 50 | 7 | 1 | 8 |
| **At 31 December** | **(100)** | **(60)** | **(160)** | **(140)** | **(77)** | **(217)** |

Loans and receivables included in non-current assets are principally comprised of:

***Excluding EADS***

- Deposits, loans and receivables with an estimated maturity of over one year.

***EADS***

- Amounts receivable under finance leases and loans granted in connection with aircraft sales financing. These loans normally have a maturity which is linked to the use by the customer.

## NOTE 19 INVENTORIES

Inventories break down as follows:

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Book Publishing | 371 | 348 |
| Print Media | 53 | 52 |
| Distribution Services | 296 | 283 |
| Lagardere Active | 46 | 59 |
| EADS | 2,487 | 2,006 |
| Other Activities[1] | 25 | 25 |
| **Cost** | **3,278** | **2,773** |
| Accumulated write-downs[2] | (404) | (353) |
| **Carrying amount** | **2,874** | **2,420** |

1 Matra Manufacturing & Services (formerly Matra Automobile) replacement parts inventories.
2 Of which EADS (181) (144)

## Analysis of write-downs

| | 2005 Excluding EADS | 2005 EADS | 2005 Total Group | 2004 Excluding EADS | 2004 EADS | 2004 Total Group |
|---|---|---|---|---|---|---|
| At 1 January | (209) | (144) | (353) | (164) | (148) | (312) |
| Write-downs (recognised) reversed in the year | (4) | (38) | (42) | (8) | 4 | (4) |
| Other movements and translation adjustments | (10) | 1 | (9) | (37) | - | (37) |
| **At 31 December** | **(223)** | **(181)** | **(404)** | **(209)** | **(144)** | **(353)** |

## NOTE 20 – TRADE RECEIVABLES

Trade receivables can be analysed as follows:

| | 31 December 2005 Excluding EADS | 31 December 2005 EADS | 31 December 2005 Total Group | 31 December 2004 Excluding EADS | 31 December 2004 EADS | 31 December 2004 Total Group |
|---|---|---|---|---|---|---|
| Trade receivables | 1,433 | 778 | 2,211 | 1,376 | 722 | 2,098 |
| Accumulated write-downs | (111) | (61) | (172) | (106) | (57) | (163) |
| **Carrying amount** | **1,322** | **717** | **2,039** | **1,270** | **665** | **1,935** |
| *Of which:* | | | | | | |
| *Due within one year* | *1,322* | *682* | *2,004* | *1,251* | *653* | *1,904* |
| *Due beyond one year* | *–* | *35* | *35* | *19* | *12* | *31* |

## Analysis of write-downs

| | 2005 Excluding EADS | 2005 EADS | 2005 Total Group | 2004 Excluding EADS | 2004 EADS | 2004 Total Group |
|---|---|---|---|---|---|---|
| At 1 January | (106) | (57) | (163) | (101) | (56) | (157) |
| Write-downs (recognised) reversed in the year | (3) | (4) | (7) | 4 | (3) | 1 |
| Other movements and translation adjustments | (2) | - | (2) | (9) | 2 | (7) |
| **At 31 December** | **(111)** | **(61)** | **(172)** | **(106)** | **(57)** | **(163)** |

### *Securitisations of trade receivables*

Certain subsidiaries in the Book Publishing and Print Media divisions have entered into securitisation contracts with special purpose vehicles. The main characteristics of the programmes are as follows:

- Receivables are sold on a no-recourse basis.
- The asset-backed securities issued by the special purpose vehicle are overcollateralised, with the difference between the carrying amount of the sold receivables and the sale proceeds received from the special purpose vehicle being held in a deposit account.
- In the case of any bad debts, the loss is deducted from the deposit and is therefore incurred by the seller of the receivables.
- In certain cases, the seller has the option of buying back the sold receivables, particularly those that are qualified as doubtful, and recovering the corresponding deposit.

In the consolidated financial statements, the sold receivables continue to be carried in the balance sheet, the deposit paid to the special purpose vehicle is cancelled and a debt is recognised in liabilities.

The amounts involved at 31 December 2005 and 2004 are as follows:

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| **Assets** | | |
| Trade receivables | 351 | 321 |
| Other receivables* | (124) | (99) |
| **Liabilities** | | |
| Debt | 227 | 222 |

(*) Guarantee deposits.

## NOTE 21 OTHER CURRENT ASSETS

Other current assets break down as follows:

| | 31 December 2005 | | | 1 January 2005* | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Advances paid | 24 | - | 24 | 22 | - | 22 | 22 | - | 22 |
| Recoverable taxes and payroll taxes | 324 | 35 | 359 | 255 | 115 | 370 | 255 | 115 | 370 |
| Derivative financial instruments | 16 | 178 | 194 | 18 | 404 | 422 | - | - | - |
| Receivable from writers | 198 | - | 198 | 103 | - | 103 | 103 | - | 103 |
| Receivable from suppliers | 156 | - | 156 | 174 | - | 174 | 174 | - | 174 |
| Loans | 41 | 40 | 81 | 38 | 37 | 75 | 38 | 37 | 75 |
| Prepaid expenses | 66 | 50 | 116 | 58 | 74 | 132 | 58 | 74 | 132 |
| Other | 3 | 263 | 266 | 85 | 177 | 262 | 85 | 177 | 262 |
| **Total** | **828** | **566** | **1,394** | **753** | **807** | **1,560** | **735** | **403** | **1,138** |
| Accumulated write-downs | (104) | (17) | (121) | (82) | (7) | (89) | (82) | (7) | (89) |
| **Carrying amount** | **724** | **549** | **1,273** | **671** | **800** | **1,471** | **653** | **396** | **1,049** |

* Following adoption of IAS 32 and 39.

### Analysis of write-downs

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| At 1 January | (82) | (7) | (89) | (63) | - | (63) |
| Write-downs (recognised) reversed in the year | (16) | (5) | (21) | (12) | (7) | (9) |
| Other movements and translation adjustments | (6) | (5) | (11) | (7) | - | (7) |
| **At 31 December** | **(104)** | **(17)** | **(121)** | **(82)** | **(7)** | **(89)** |

## NOTE 22 SHORT-TERM INVESTMENTS

Short-term investments are solely comprised of available-for-sale investments measured at fair value. They break down as follows:

| | 31 December 2005 | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Shares | 45 | 67 | 45 | 626 | 27 | 653 |
| Bonds | 136 | | 136 | 120 | - | 120 |
| Other | - | 5 | 5 | - | 71 | 71 |
| **Total** | **181** | **72** | **253** | **746** | **98** | **844** |

The decrease in "Shares" in 2005 results from the sale of T-Online shares. At 31 December 2005, the Group retained 5.5 million shares compared to the 69.6 million held at 31 December 2004, valued at €45 million at 31 December 2005 corresponding to their listed price at that date. At 31 December 2004, the carrying value of T-Online securities was €626 million, corresponding to a net amount of €8.99 per share, the amount of the spot purchase offer initiated by Deutsche Telekom in November 2004. A disposal gain of €5 million was recognised in 2005.

Concerning EADS, "Shares" correspond exclusively to treasury shares held by EADS. In EADS' financial statements, these shares are deducted from equity, and for the purposes of the Lagardère consolidation they are reclassified as short-term investments.

## NOTE 23 NET CASH AND CASH EQUIVALENTS

Net cash and cash equivalents reported in the cash flow statement can be analysed as follows:

| | 31 December 2005 | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Cash and cash equivalents | 668 | 1,426 | 2,094 | 1,211 | 1,316 | 2,527 |
| Short-term bank loans and overdrafts | (196) | - | (196) | (204) | - | (204) |
| **Net cash and cash equivalents** | **472** | **1,426** | **1,898** | **1,007** | **1,316** | **2,323** |

## NOTE 24 EQUITY

### 24_1 Share capital

At 31 December 2005, the share capital of Lagardère SCA amounted to €866,456,932, represented by 142,042,120 shares with a par value of €6.10, all ranking *pari passu* and fully paid.

Changes in capital over the last two years were as follows:

| | 2005 | 2004 |
|---|---|---|
| Number of shares at 1 January | 140,818,685 | 139,617,199 |
| Shares issued on exercise of subscription options | 1,223,435 | 1,201,486 |
| **Number of shares at 31 December** | **142,042,120** | **140,818,685** |

### 24_2 Employee stock options

In prior years, the Managing Partners granted options on Lagardère SCA shares to certain members of management and employees of the Group under shareholder-approved plans.

| Date of Plan/Date of Meeting | Number of options granted at origin | Exercise price before re-pricing of 6 July 2005 | Exercise price after re-pricing of 6 July 2005 | Number of beneficiaries |
|---|---|---|---|---|
| **Subscription options** | | | | |
| 30 Oct. 1998 / 30 May 1997 | 1,671,750 | 27.44 € | 27.14 € | 558 |
| 10 Dec. 1999 / 30 May 1997 | 1,300,800 | 44.00 € | 43.52 € | 696 |
| 18 Dec. 2000 / 23 May 2000 | 1,254,500 | 63.00 € | 62.31 € | 458 |
| **Purchase options** | | | | |
| 19 Dec. 2001 / 23 May 2000 | 1,258,000 | 47.00 € | 46.48 € | 421 |
| 19 Dec. 2002 / 23 May 2000 | 1,299,000 | 52.02 € | 51.45 € | 416 |
| 18 Dec. 2003 / 23 May 2000 | 1,437,250 | 52.02 € | 51.45 € | 445 |
| 20 Nov. 2004 / 11 May 2004 | 1,568,750 | 52.50 € | 51.92 € | 481 |
| 21 Nov. 2005 / 11 May 2004 | 1,683,844 | none | 56.97 € | 495 |

Details of the plans outstanding as of 1 January 2005 are presented above. The exercise price and quantities of unexercised options were adjusted on 6 July 2005 to reflect the fact that an exceptional dividend was partly paid out of reserves in 2005.

Options on Hachette Filipacchi Médias (HFM) shares were granted to employees of the HFM group when it was still listed on the stock exchange. Following Lagardère SCA's public exchange offer for HFM in 2000 and the subsequent offer to purchase all of the remaining minority interests, Lagardère SCA offered to exchange the HFM shares acquired by option holders for Lagardère SCA shares based on the same ratio as for the public exchange offer (11 Lagardère SCA shares for 10 HFM shares).

Details of HFM's plans are presented below:

| Date of Meeting Date of grant | Exercise price in euros | Date of exercise | Number of options granted | Number of beneficiaries | Number of options forfeited | Number of options | Period of repurchase |
|---|---|---|---|---|---|---|---|
| 18 June 1997<br>18 June 1997 | 37.44 | 18 June 1997 to 17 June 2007 | 1,577[1] | 11 | - | 745[3] | 19 June 2002 to 19 June 2007 |
| 18 June 1997<br>22 July 1999 | 46.20 | 22 July 1999 to 21 July 2009 | 1,525[2] | 63 | - | 1,095[4] | 21 July 2004 to 23 July 2009 |

1 Each option gives right to subscribe to 300 shares.
2 Each option gives right to subscribe to 500 shares.
3 227 options were exercised in 2005.
4 383 options were exercised in 2005.

## 24_3 Treasury shares

Changes in the number of shares held in treasury over the last two years were as follows:

| | 2005 | 2004 |
|---|---|---|
| Number of shares held at 1 January | 4,733,103 | 4,400,494 |
| Purchases of treasury shares | 963,071 | 562,609 |
| Treasury shares allocated on exercise of stock purchase options | (429,714) | (230,000) |
| Sales of treasury shares | (1,840,337) | - |
| **Number of shares held at 31 December** | **3,426,123** | **4,733,103** |

| Options exercised in 2005 before re-pricing | Options outstanding before re-pricing | Options outstanding after re-pricing | Options exercised in 2005 after re-pricing | Options forfeited | Options outstanding at end 2005 | Date of exercise |
|---|---|---|---|---|---|---|
| | | | | | | |
| 499,364 | 476,755 | 482,141 | 355,723 | 126,418 | – | 30 Oct. 2000 to 29 Oct. 2005 |
| 250,470 | 973,710 | 984,786 | 104,733 | 243,968 | 636,085 | 10 Dec. 2001 to 9 Dec. 2006 |
| 0 | 1,254,500 | 1,268,688 | 13,145 | 184,840 | 1,070,703 | 18 Dec. 2002 to 17 Dec. 2007 |
| | | | | | | |
| 36,900 | 1,211,100 | 1,224,840 | 98,201 | 113,080 | 1,013,559 | 19 Dec. 2003 to 19 Dec. 2008 |
| 1,600 | 1,297,400 | 1,312,039 | 7,383 | 86,169 | 1,218,487 | 19 Dec. 2004 to 19 Dec. 2009 |
| 0 | 1,437,250 | 1,453,451 | 70 | 36,515 | 1,416,866 | 18 Dec. 2005 to 18 Dec. 2013 |
| 0 | 1,568,750 | 1,586,519 | 0 | 20,230 | 1,566,289 | 20 Nov. 2006 to 20 Nov. 2014 |
| none | none | 1,683,844 | 0 | 0 | 1,683,844 | 21 Nov. 2007 to 21 Nov. 2015 |

Since 2001, stock purchase options have been granted to Group employees at annual intervals. In light of the options outstanding under these plans at 3 November 2005, which were exercisable for a maximum of 5,333,483 shares, Lagardère SCA carried out two transactions on that date:

- Sale of 1,840,337 treasury shares to Barclays Capital Securities Limited with a repurchase option, at a weighted average price of €40.83.
- Purchase of call options on 3,493,146 Lagardère SCA shares from Barclays Bank PLC, for a price equal to the sale price of the treasury shares, so that the transaction was cash neutral.

Following the two transactions, Lagardère SCA's obligation to deliver shares under the option plans set up in the period 2001-2004 was fully covered.

The sale with a repurchase option was concluded for a total price of €75 million and generated a loss of €21 million. The price paid for the call options was €81 million. In accordance with IAS 32 all amounts involved in these transactions were recognised in equity.

Also in 2005, the Group purchased 963,071 treasury shares at a total cost of €55 million and sold 429,714 treasury shares on exercise of stock options for total proceeds of €24 million, generating a disposal gain that was not significant.

In 2004, the Group purchased 562,609 treasury shares at a total cost of €27 million and sold 230,000 treasury shares on exercise of stock options for total proceeds of €11 million, generating a disposal gain of €3 million recorded in equity. At 31 December 2004, 4,733,103 shares were held in treasury.

## 24_4 Reserves

### *Translation reserve*

The translation reserve corresponds to cumulative exchange differences arising on translation of the financial statements of foreign subsidiaries whose functional currency is not the euro.

### *Valuation reserve*

The valuation reserve comprises:

- Cumulative gains and losses on cash flow hedges taken to equity,
- Cumulative valuation gains and losses on available-for-sale investments taken to equity.

## 24_5 Minority interests

Minority interests in the net assets and profits of consolidated companies break down as follows:

| | Balance sheet | | | Income statement | |
|---|---|---|---|---|---|
| | 31 December 2005 | 1 January 2005* | 31 December 2004 | 2005 | 2004 |
| Book Publishing | 16 | 17 | 17 | 4 | 3 |
| Print Media | 54 | 42 | 42 | 9 | 10 |
| Distribution Services | 42 | 42 | 44 | 12 | 12 |
| Lagardere Active | 4 | 26 | 50 | 2 | - |
| **Excluding EADS** | **116** | **127** | **153** | **27** | **25** |
| EADS | 26 | 23 | 119 | 5 | 32 |
| **Total** | **142** | **150** | **272** | **32** | **57** |

* Following adoption of IAS 32 and 39.

# NOTE 25 PROVISIONS

## 25_1 Provisions for employee benefit obligations

In application of the principles set out in note 3_18, "Provisions for employee benefit obligations", provisions are recognised to cover the Group's obligations under defined-benefit plans.

The tables below give details of the assumptions used in valuation, and the changes in the benefit obligations and the provisions established:

### *Lagardère excluding EADS*

### Change in benefit obligation

| | 2005 | 2004 |
|---|---|---|
| Benefit obligation at beginning of the year | 306 | 208 |
| Service cost | 17 | 12 |
| Interest cost | 13 | 9 |
| Benefits paid | (19) | (12) |
| Actuarial loss (gain) | 16 | 13 |
| Change in scope of consolidation | - | 77 |
| Translation adjustments and other | 7 | (1) |
| **Benefit obligation at end of the year** | **340** | **306** |
| Benefit obligation at end of the year for funded plans | 252 | 221 |
| Benefit obligation at end of the year for unfunded plans | 88 | 85 |

### Change in fair value of plan assets

| | 2005 | 2004 |
|---|---|---|
| Fair value of plan assets at beginning of the year | (157) | (98) |
| Actual return on plan assets | (15) | (9) |
| Employer contributions | (13) | (10) |
| Benefits paid | 10 | 7 |
| Changes in scope of consolidation | - | (46) |
| Translation adjustments and other | (6) | (1) |
| **Fair value of plan assets at end of the year** | **(181)** | **(157)** |

### Calculation of net amount recognised as provision

| | 2005 | 2004 |
|---|---|---|
| Benefit obligation less plan assets | 159 | 149 |
| Unrecognised actuarial losses | (17) | (7) |
| **Net amount recognised as provision** | **142** | **142** |

### Asset allocation at 31 December

| | 2005 | 2004 |
|---|---|---|
| Shares | 46% | 49% |
| Bonds | 36% | 42% |
| Real property | 3% | 0% |
| Money market instruments | 3% | 3% |
| Other | 12% | 6% |

### Assumptions used to determine benefit obligation and expense for the year

| | 2005 | 2004 |
|---|---|---|
| Discount rate | 4.18% | 4.60% |
| Average expected rate of salary increase | 3.36% | 3.43% |
| Expected rate of healthcare inflation: | | |
| - Initial | 5.00% | 5.00% |
| - Ultimate | 2.00% | 2.00% |
| Expected rate of return on assets | 4.84% | 5.83% |

The expected rate of return on assets is determined for each plan based on the individual expected long-term return for each class of assets in the plan financing portfolio, and their actual allocation at valuation date.

### Components of net benefit cost for the year

| | 2005 | 2004 |
|---|---|---|
| Service cost | 17 | 12 |
| Interest cost | 13 | 9 |
| Expected return on assets | (8) | (5) |
| Amortisation of actuarial losses | 1 | 1 |
| Effect of limit on assets | - | (1) |
| Effect of curtailments | (2) | (1) |
| **Net benefit expense** | **21** | **15** |

***EADS*** *(based on Lagardère's percentage interest)*

### Change in benefit obligation

| | 2005 | 2004 |
|---|---|---|
| Benefit obligation at beginning of the year | 785 | 715 |
| Service cost | 23 | 19 |
| Interest cost | 38 | 37 |
| Actuarial losses | 77 | 42 |
| Other | (6) | - |
| Benefits paid | (31) | (28) |
| **Benefit obligation at end of the year** | **886** | **785** |

### Change in fair value of plan assets

| | 2005 | 2004 |
|---|---|---|
| Fair value of plan assets at beginning of the year | (99) | (93) |
| Actual return on plan assets | (12) | (8) |
| Contributions | (17) | (7) |
| Benefits paid | 9 | 9 |
| **Fair value of plan assets at end of the year** | **(119)** | **(99)** |

### Calculation of net amount recognised as provision

| | 2005 | 2004 |
|---|---|---|
| Benefit obligation less plan assets | 767 | 686 |
| Unrecognised actuarial losses | (167) | (100) |
| Unrecognised past service costs | (1) | (1) |
| **Net amount recognised as provision** | **599** | **585** |
| *Of which:* | | |
| *Non current provisions* | *583* | *566* |
| *Current provisions* | *16* | *19* |

### Assumptions used to determine benefit obligation and expense for the year

| | 2005 | 2004 |
|---|---|---|
| Discount rate | 4.0% | 4.75 - 5.0% |
| Expected rate of salary increase | 3.0% | 3.0% |
| Expected rate of inflation | 1.75 - 2.0% | 1.5 - 2.0% |
| Expected rate of return on assets | 6.5% | 6.5% |

The 6.5% expected rate of return on assets is based on past experience.

### Components of net benefit cost for the year

| | 2005 | 2004 |
|---|---|---|
| Service cost | 23 | 19 |
| Interest cost | 38 | 37 |
| Expected return on assets | (6) | (6) |
| Amortisation of actuarial losses | 2 | - |
| **Net benefit expense** | **57** | **50** |

## 25_2 Provisions for contingencies and losses

Non current and current provisions cover the following main contingencies and losses:

| | 31 December 2005 | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Losses on long-term contracts and other contracts | 16 | 358 | 374 | 18 | 327 | 345 |
| Restructuring and withdrawal costs | 84 | 9 | 93 | 95 | 20 | 115 |
| Claims and litigation | 191 | 37 | 228 | 154 | 35 | 189 |
| Warranty costs | - | 26 | 26 | - | 24 | 24 |
| Other provisions | 291 | 285 | 576 | 321 | 268 | 589 |
| **Total** | **582** | **715** | **1,297** | **588** | **674** | **1,262** |
| *Of which:* | | | | | | |
| *Non current provisions* | *249* | *375* | *624* | *249* | *326* | *575* |
| *Curent provisions* | *333* | *340* | *673* | *339* | *348* | *687* |
| | *582* | *715* | *1,297* | *588* | *674* | *1,262* |

### Excluding EADS

| | At 1 January 2005 | Translation adjustment | Change in scope of consolidation | Charges | Utilisations | Releases of surplus provisions | Reclassifi-cations | At 31 December 2005 |
|---|---|---|---|---|---|---|---|---|
| Losses on long-term contracts and other contracts | 18 | - | - | - | (2) | - | - | 16 |
| Restructuring and withdrawal costs | 95 | - | 1 | 12 | (24) | - | - | 84 |
| Claims and litigation | 154 | - | - | 61 | (20) | (24) | 20 | 191 |
| Other provisions | 321 | 1 | (1) | 95 | (80) | (24) | (21) | 291 |
| **Total** | **588** | **1** | **-** | **168** | **(126)** | **(48)** | **(1)** | **582** |

### EADS

| | At 1 January 2005 | Translation adjustment | Change in scope of consolidation | Charges | Utilisations | Releases of surplus provisions | Reclassifi-cations | At 31 December 2005 |
|---|---|---|---|---|---|---|---|---|
| Losses on long-term contracts and other contracts | 327 | 27 | - | 104 | (71) | (22) | (7) | 358 |
| Restructuring and withdrawal costs | 20 | - | - | 3 | (7) | (1) | (6) | 9 |
| Claims and litigation | 35 | - | - | 7 | (4) | – | (1) | 37 |
| Warranty costs | 24 | - | - | 13 | (7) | (3) | (1) | 26 |
| Other provisions | 268 | 1 | - | 92 | (71) | (12) | 7 | 285 |
| **Total** | **674** | **28** | **-** | **219** | **(160)** | **(38)** | **(8)** | **715** |

## NOTE 26 DEBT

### 26_1 Breakdown of debt

Debt breaks down as follows:

| | 31 December 2005 | | | 1 January 2005* | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Bonds | 589 | 248 | 837 | 721 | 249 | 970 | 842 | 249 | 1,091 |
| Bank loans | 558 | 203 | 761 | 834 | 246 | 1,080 | 834 | 246 | 1,080 |
| Finance lease liabilities | 68 | 36 | 104 | 80 | 33 | 113 | 80 | 33 | 113 |
| Debt related to put options granted to minority interests | 44 | - | 44 | 61 | - | 61 | - | - | - |
| Other debt | 21 | 140 | 161 | 63 | 137 | 200 | 63 | 137 | 200 |
| **Non-current debt** | **1,280** | **627** | **1,907** | **1,759** | **665** | **2,424** | **1,819** | **665** | **2,484** |
| Bonds | 106 | - | 106 | 693 | 3 | 696 | 738 | 3 | 741 |
| Bank loans | 25 | 22 | 47 | 22 | 22 | 44 | 22 | 22 | 44 |
| Finance lease liabilities | 11 | 13 | 24 | 10 | 8 | 18 | 10 | 8 | 18 |
| Debt related to put options granted to minority interests | 32 | 523 | 555 | 32 | 523 | 555 | - | - | - |
| Other debt | 470 | 101 | 571 | 438 | 76 | 514 | 441 | 76 | 517 |
| **Current debt** | **644** | **659** | **1,303** | **1,195** | **632** | **1,827** | **1,211** | **109** | **1,320** |
| **Total debt** | **1,924** | **1,286** | **3,210** | **2,954** | **1,297** | **4,251** | **3,030** | **774** | **3,804** |

* Following adoption of IAS 32 and 39.

## 26_2 Analysis of debt by maturity

Debt can be analysed as follows by maturity:

### By maturity – Total debt including EADS

| | Under 1 year* | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Bonds | 106 | 152 | 685 | **943** |
| Bank loans | 47 | 424 | 337 | **808** |
| Finance lease liabilities | 24 | 87 | 17 | **128** |
| Debt related to put options granted to minority interests | 555 | 44 | - | **599** |
| Other debt | 571 | 69 | 92 | **732** |
| **At 31 December 2005** | **1,303** | **776** | **1,131** | **3,210** |
| Of which: EADS | 659 | 163 | 464 | 1,286 |
| **At 31 December 2004** | **1,320** | **1,410** | **1,074** | **3,804** |
| Of which: EADS | 109 | 122 | 543 | 774 |

* Debts due within one year are reported in the balance sheet under "Current debt".

Excluding EADS, maturities of debt are as follows:

### By maturity – Excluding EADS

| | Under 1 year* | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Bonds | 106 | 131 | 458 | **695** |
| Banks loans | 25 | 367 | 191 | **583** |
| Finance lease liabilities | 11 | 63 | 5 | **79** |
| Debt related to put options granted to minority interests | 32 | 44 | - | **76** |
| Other debt | 470 | 8 | 13 | **491** |
| **At 31 December 2005** | **669** | **613** | **667** | **1,924** |
| **At 31 December 2004** | **1,211** | **1,288** | **531** | **3,030** |

* Debts due within one year are reported in the balance sheet under "Current debt".

### 26_3 Characteristics of bonds and main bank loans excluding EADS

The following tables provide details of bonds and bank loans excluding EADS:

**31 December 2005 – Excluding EADS**

| | Carrying amount | Value of hedging instruments* | Total | Currency after hedging | Original interest rate | Interest rate after hedging |
|---|---|---|---|---|---|---|
| *24 January 2001 US Private Placement Notes:* | | | | | | |
| - 5-year notes, for US$ 125 million | 106 | 35 | **141** | EUR | 7.06% | EURIBOR + 0.969% |
| - 7-year notes, for US$ 150 million | 130 | 39 | **169** | EUR | 7.25% | EURIBOR + 1.099% |
| - 10-year notes, for US$ 225 million | 203 | 51 | **254** | EUR | 7.49% | EURIBOR + 1.288% |
| *24 July 2003 US Private Placement Notes:* | | | | | | |
| - 10-year notes, for US$ 38 million | 31 | 2 | **33** | EUR | 5.18% | 6-month EURIBOR + 0.87% |
| - 10-year notes, for €116 million | 122 | (6) | **116** | EUR | 4.965% | 6-month EURIBOR + 0.88% |
| *10 July 2003 10-year bond issue underwritten by LCL, for €100 million* | 103 | (3) | **100** | EUR | 4.75% | 3-month EURIBOR +1.035% |
| **Bonds** | **695** | **118** | **813** | | | |
| *22 June 2005 5-year syndicated loan, for €2,200 million; €250 million drawn at 31 December 2005* | 250 | - | **250** | EUR | 1-month EURIBOR + 0.92% | |
| 21 December 2005 6-year structured loan, for €151 million: | | | | | | |
| *- Tranche A, for €116 million* | 116 | - | **116** | EUR | 3-month EURIBOR + 0.575%; limit 4.375% | 3-month EURIBOR + 0.40% |
| *- Tranche B, for €35 million* | 35 | - | **35** | EUR | 3.85% | 3-month EURIBOR + 0.40% |
| *Crédit Agricole / Indosuez 5-year loan obtained on 30 September 2003, for €70 million:* | | | | | | |
| *- Tranche A, for €50 million* | 50 | - | **50** | EUR | 3-month EURIBOR + 0.92%; limit 5.92% | 3-month EURIBOR + 0.85% |
| *- Tranche B, for €20 million* | 20 | - | **20** | EUR | 4.13% | 3-month EURIBOR + 0.85% |
| Other loans | 112 | - | **112** | | | |
| **Bank loans** | **583** | **–** | **583** | | | |
| **Total** | **1,278** | **118** | **1,396** | | | |

* Fair value of derivative instruments designated as hedges of debt.

### 1 January 2005 – Excluding EADS

| | Carrying value | Value of hedging instruments* | Total | Currency after hedging | Original interest rate | Interest rate after hedging |
|---|---|---|---|---|---|---|
| *24 January 2001 US Private Placement Notes:* | | | | | | |
| - 5-year notes, for US$ 125 million | 95 | 46 | **141** | EUR | 7.06% | EURIBOR + 0.969% |
| - 7-year notes, for US$ 150 million | 119 | 50 | **169** | EUR | 7.25% | EURIBOR + 1.099% |
| - 10-year notes, for US$ 225 million | 185 | 69 | **254** | EUR | 7.49% | EURIBOR + 1.288% |
| *24 July 2003 US Private Placement Notes:* | | | | | | |
| - 10-year notes, for US$ 38 million | 28 | 6 | **34** | EUR | 5.18% | 6-month EURIBOR + 0.87% |
| - 10-year notes, for € 116 million | 119 | (4) | **115** | EUR | 4.965% | 6-month EURIBOR + 0.88% |
| *10 July 2003 10-year bond issue underwritten by LCL, for €100 million* | 101 | (1) | **100** | EUR | 4.75% | 3-month EURIBOR + 1.035% |
| *1 July 2002 3-year bond issue exchangeable for T-Online shares* | 767 | - | **767** | | | |
| **Bonds** | **1,414** | **166** | **1,580** | | | |
| *31 July 2003 5-year syndicated loan, for €700 million* | 700 | - | **700** | EUR | EURIBOR + 0.475% | |
| *Crédit Agricole / Indosuez 5-year loan obtained on 30 September 2003, for €70 million:* | | | | | | |
| *- Tranche A, for €50 million* | 50 | - | **50** | EUR | 3-month EURIBOR + 0.92%; limit 5.92% | 3-month EURIBOR + 0.85% |
| *- Tranche B, for €20 million* | 20 | - | **20** | EUR | 4.13% | 3-month EURIBOR + 0.85% |
| Other loans | 86 | | **86** | | | |
| **Bank loans** | **856** | **–** | **856** | | | |
| **Total** | **2,270** | **166** | **2,436** | | | |

* Fair value of derivative instruments designated as hedges of debt.

### 26_4 Characteristics of EADS bonds and main bank loans

*(unless otherwise indicated, the figures in the paragraph below are 100% EADS figures)*

In 2004, the EIB (European Investment Bank) granted a long-term loan to EADS in the amount of US$421 million, bearing a fixed interest rate of 5.1%. EADS also issued two euro-denominated bonds (both issued in 2003) under its EMTN Programme (Euro Medium Term Note Programme). The first issue of €1 billion with expected final maturity in 2010 carries a coupon of 4.625% which was swapped into variable rate of 3-month Euribor +1.02%. The second issue of €0.5 billion maturing in 2018 carries a coupon of 5.5% which was swapped during 2005 into variable rate of 3-month Euribor +1.81%.

Debt includes liabilities connected with sales financing transactions. Based on the percentage interest, Lagardère's share amounts to €310 million, including €85 million at a fixed interest rate of 9.88% and the remaining amount mainly at variable interest rates.

### 26_5 Analysis of debt by currency

The following table shows the breakdown of current and non-current debt by currency before and after hedging:

| | Before hedging | | | | After hedging | | | |
|---|---|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | % | Excluding EADS | EADS | Total Group | % |
| Euro | 1,784 | 901 | 2,685 | 81 | 1,793 | 901 | 2,694 | 84 |
| US $ | 177 | 375 | 552 | 17 | 50 | 375 | 425 | 13 |
| Yen | 29 | - | 29 | 7 | 29 | - | 29 | 1 |
| Swiss franc | 3 | - | 3 | - | 3 | - | 3 | - |
| Pound sterling | 6 | 8 | 14 | - | 6 | 8 | 14 | - |
| Other | 43 | 2 | 45 | 1 | 43 | 2 | 45 | 2 |
| **Total debt** | **2,042** | **1,286** | **3,328** | **100** | **1,924** | **1,286** | **3,210** | **100** |

## NOTE 27 FINANCIAL INSTRUMENTS AND EXPOSURE TO MARKET RISKS

### 27_1 Lagardère excluding EADS

#### 27_1_1 MANAGEMENT OF EXPOSURE TO MARKET RISKS

The Lagardère Group makes use of specific risk analysis tools to quantify its exposure to market risks using the value at risk (VAR) method.

Market risks are monitored at Group level by the Cash Management and Financing Division in cooperation with the Risks Division, under the responsibility of the Group's Chief Financial Executive. Periodic reports are submitted to General Management. The Group has implemented a specific policy to reduce risks, introducing authorisations procedures and internal controls and utilising risk management tools to identify and quantify these risks. Derivatives are used exclusively in non-speculative hedging transactions.

*Credit risk*

At the end of 2005, bond borrowings accounted for only 36% of the Group's total borrowings following the redemption during the year of bonds exchangeable for T-Online shares, for a total of €767 million.

The credit risk is minimal since debt maturing within two years amounts to €693 million, cash and cash equivalents total €668 million and unused credit facilities €2,106 million.

*Risks arising from early redemption clauses included in certain contracts*

Bond borrowing or bank loan agreements may include financial ratio requirements. Most financial ratios establish limits in the form of minimum equity, or maximum indebtedness calculated as a proportion of equity or recurring operating profit before associates. Failure to meet these ratio requirements enables the lenders to request immediate reimbursement of their loans.

Lagardère SCA is subject to such clauses in respect of:

- bonds issued in January 2001 for US$500 million and in July 2003 for €150 million;
- structured loans obtained in July 2003 for €70 million and in December 2005 for €150 million.

The ratios are calculated every six months on the basis of the consolidated financial statements as restated to include EADS by the equity method instead of the proportionate method of consolidation.

At 31 December 2005, equity, gross indebtedness and net indebtedness calculated as defined in these contracts were below contractual limits, thus enabling the Group to raise new funds, if necessary, without the prior agreement of its lenders.

*Interest rate risk*

The Group's bank loans and bond borrowings bear interest at variable rates, either because they were originally issued at variable rates, or due to conversion from fixed rates to variable rates.

Cash and cash equivalents total €668 million. This cash surplus earns interest at variable rates thus providing natural coverage for the Group's €1,848 million variable rate borrowings (excluding debt related to repurchases of minority interests). Most of the risk deriving from a potential rise in the cost of borrowings therefore only concerns that portion of variable rate gross indebtedness not currently covered by the net cash surplus, i.e. €1,180 million. An increase interest rates of 1 point would result in an additional charge of some €12 million each year.

*Exchange rate risk*

The Group's exposure to foreign exchange rate risks arising from commercial transactions is very limited owing to the nature of its business activities in France and in foreign countries.

In general, normal operating activities are financed through borrowings denominated in the local currency.

The principal financial transactions carried out in foreign currencies in France (servicing of the US dollar notes issued in 2001 and 2003) are covered by forward currency purchase agreements.

At 31 December 2005, foreign currency operational hedging transactions only include forward currency sales agreements amounting to €26 million, and forward currency purchases agreements amounting to €20 million.

*Equity risk*

The Group's principal direct or indirect investments in listed companies are:

**Companies**

| | Number of securities | Market price on 31 December 2005 (in €) | Market value at 31 December 2005 (in €) |
|---|---|---|---|
| Lagardère SCA | 3,426,123 | 65 | 222,697,995 |
| EADS | 122,223,852 | 31.9 | 3,898,940,879 |
| T-Online | 5,455,453 | 8.11 | 44,243,723 |
| Viel et Cie | 8,917,677 | 3.46 | 30,855,162 |

Changes in the value of treasury shares are taken directly to equity.

As a listed company, EADS is subject to stock market changes. However, in view of the consolidation method used (proportionate method; 14.95% interest), the value of this investment in Lagardère's consolidated financial statements is not affected by market changes.

T-Online securities are included in "Short-term investments" at the amount of €45 million, or €8.21 per share, their average trading price in December 2005.

The investment in Viel et Cie is included in "Other non-current assets" at the amount of €31 million, corresponding to their trading price at 31 December 2005.

27_1_2 CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value consist of the following derivative instruments:

***Excluding EADS***

| | 31 December 2005 | 1 January 2005* |
|---|---|---|
| Financial instruments acquired as hedges of debt, with positive fair values (current assets) | 9 | 5 |
| Financial instruments acquired as hedges of debt, with negative fair values (current liabilities) | (127) | (171) |
| Other derivative instruments wih positive fair values (current assets) | 7 | 13 |
| **Total (net)** | **(111)** | **(153)** |

* Following adoption of IAS 32 and 39

27_1_3 NOTIONAL AMOUNTS OF HEDGING CONTRACTS BY MATURITY

***31 December 2005 – Excluding EADS***

| | 2006 | 2007 | 2008 | 2009 | 2010 | Over 5 years | Total | Fair value* |
|---|---|---|---|---|---|---|---|---|
| Fair value hedges of debt | 141 | | 239 | | | 654 | 1,034 | (118) |

* Of derivative financial instruments.

27_1_4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

***Excluding EADS***

| | 31 December 2005 | | 1 January 2005* | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Assets** | | | | |
| Other non-current assets | 215 | 215 | 204 | 204 |
| Trade receivables | 1,322 | 1,322 | 1,270 | 1,270 |
| Other current assets | 724 | 724 | 671 | 671 |
| Short-term investments | 181 | 181 | 746 | 746 |
| Cash and cash equivalents | 668 | 668 | 1,211 | 1,211 |
| **Liabilities** | | | | |
| Non-current debt | 1,280 | 1,280 | 1,759 | 1,759 |
| Other non-current liabilities | 56 | 56 | 70 | 70 |
| Current debt | 644 | 644 | 1,195 | 1,195 |
| Trade payables | 1,715 | 1,715 | 1,639 | 1,639 |
| Other current liabilities | 1,260 | 1,260 | 1,353 | 1,353 |

* Following adoption of IAS 32 and 39.

## 27_2 EADS

### 27_2_1 FINANCIAL RISK MANAGEMENT

By the nature of the activities carried out, EADS is exposed to a variety of financial risks, especially foreign currency exchange rate risks and interest rate risks, as explained below. The management and limitation of the foreign exchange currency risks at EADS is generally carried out by a central treasury department at EADS Headquarters under policies approved by the Board of Directors. The identification, evaluation and hedging of the financial risks is in the responsibility of established treasury committees and the group's Divisions and Business Units.

*Currency risk*

EADS manages a long-term hedge portfolio with a maturity of several years covering its net exposure to US dollar sales, mainly from the activities of Airbus. This hedge portfolio covers the majority of the group's highly probable transactions.

Significant parts of EADS' revenues are denominated in US dollars, whereas a major portion of its costs is incurred in euros and to a smaller extent in pounds sterling. Consequently, to the extent that EADS does not use financial instruments to cover its net current and future foreign currency exchange rate exposure, its profits are affected by changes in the euro-US dollar exchange rate. As the group intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, EADS uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

For financial reporting purposes, EADS designates a portion of the total firm future cash flows as the hedged position to cover its net foreign currency exposure, as described in the following paragraph. As hedging instruments, EADS primarily uses foreign currency forwards and option contracts.

EADS endeavours to hedge the majority of its exposure based on firm commitments and forecasted transactions. For products such as aircraft, EADS typically hedges forecasted sales in US dollars for the following year up to 2011. The hedged items are defined as first forecasted highly probable future cash inflows for a given month based upon final payments at delivery. The amount of the flows to be hedged is decided by a treasury committee and can cover up to 100% of the equivalent of the net US dollar exposure. For EADS, a forecasted transaction is regarded as highly probable if the future delivery is included in the internally audited order book or is very likely to materialise in view of contractual evidence. The coverage ratio is adjusted to take into account macroeconomic movements affecting the spot rates and interest rates, as applicable.

EADS also has foreign currency derivative instruments which are embedded in certain purchase and lease contracts denominated in a currency other than the functional currency of the significant parties to the contract, principally US dollars and pounds sterling. Gains or losses relating to such embedded foreign currency derivatives are taken to profit.

*Interest rate risk*

The EADS group uses an asset and liability management approach with the objective to limit its interest rate risk. The group undertakes to match the risk profile of its assets with a corresponding liability structure. The remaining net interest rate exposure is managed through several types of interest rate derivatives in order to minimise risks and financial impacts.

Hedging instruments that are specifically designated to debt instruments have at the maximum the same nominal amounts as well as the same maturity dates compared to the hedged item. Regarding cash, EADS is mainly investing in short-term instruments and/or instruments that are related to a floating interest index in order to further minimise any interest risk in its cash and securities portfolio.

*Price risk*

The cash and cash equivalents and securities portfolio of the group is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposit, overnight deposits, commercial paper and other money market instruments which generally are short term and subject to only an insignificant price risk. Therefore, EADS assesses its exposure to price risk as minor.

*Liquidity risk*

The EADS group's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments. This is safeguarded by the reported total amount of the group's cash and cash equivalents, which is further supported by a substantial amount of unused committed credit facility (€3.0 billion at 31 December 2005). On a daily basis, EADS invests any surplus cash mainly in non-speculative highly liquid financial instruments, such as certificates of deposit, overnight deposits, commercial paper and other money market instruments which are generally short term.

*Credit risk*

EADS is exposed to credit risk to the extent of non-performance by either its customers (e.g. airlines) or its counterparties with regards to financial instruments. However, the group has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

Cash transactions and derivatives counterparties are limited to high credit quality financial institutions. For such financial transactions EADS has set up a credit limit system to actively manage and limit its credit risk exposure. This limit system assigns maximum exposure lines to counterparties to financial transactions, based at a minimum on their credit ratings as published by Standard & Poors, Moody's and Fitch IBCA. The respective limits are regularly monitored and updated.

Sales of products and services are made to customers after having conducted an appropriate internal credit risk assessment. In order to support product sales, primarily at Airbus and ATR, EADS may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus and ATR take into account the airline's credit rating as well as risk factors specific to the intended operating environment of the aircraft and its expected future value. Market yields and current banking practices also serve to benchmark the financing terms offered to customers, including price.

### 27_2_2 CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

Fair values of derivative financial instruments are analysed as follows based on Lagardère's percentage interest:

***EADS***

| | 31 December 2005 | 1 January 2005 |
|---|---|---|
| Currency contracts with positive fair values | 585 | 1,334 |
| Currency contracts with negative fair values | (112) | (14) |
| Interest rate contracts with positive fair values | 6 | 2 |
| Interest rate contracts with negative fair values | (23) | (13) |
| Embedded foreign currency derivatives with (negative) positive fair values | (3) | - |
| **Total** | **453** | **1,309** |

Derivative financial instruments are carried in the balance sheet as follows:

***EADS***

| | 31 December 2005 | 1 January 2005 |
|---|---|---|
| Non-current assets | 413 | 932 |
| Current assets | 178 | 404 |
| Non-current liabilities | (71) | (20) |
| Current liabilities | (67) | (7) |
| **Total** | **453** | **1,309** |

### 27_2_3 NOTIONAL AMOUNTS OF CONTRACTS BY MATURITY

The contract or notional amounts of derivative financial instruments shown below do not necessarily represent amounts exchanged by the parties and, thus, are not necessarily a measure for the exposure of the group through its use of derivatives.

The notional amounts of foreign exchange derivative financial instruments at 31 December 2005 are as follows, specified by year of expected maturity:

***EADS***

| | Remaining period | | | |
|---|---|---|---|---|
| | Under 1 year | 1 to 5 years | Over 5 years | Total |
| **Foreign exchange contracts** | | | | |
| Net forward sales contracts | 1,443 | 4,048 | 55 | **5,546** |
| Structured US$ sales contracts: | | | | |
| Purchased US$ call options | 18 | 85 | - | **103** |
| Purchased US$ put options | 223 | 178 | - | **401** |
| Written US$ call options | 223 | 178 | - | **401** |
| Foreign exchange swap contracts | 93 | - | 18 | **111** |
| Interest rate contracts | 15 | 225 | 437 | **677** |
| Caps | - | 150 | - | **150** |

### 27_2_4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of financial assets and liabilities are as follows:

**Fair value of financial assets and liabilities**

| | 31 December 2005 | | 1 January 2005* | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Assets** | | | | |
| Other non-current assets | 979 | 979 | 1,370 | 1,370 |
| Trade receivables | 717 | 717 | 665 | 665 |
| Other current assets | 549 | 549 | 804 | 804 |
| Short-term investments | 72 | 72 | 98 | 98 |
| Cash and cash equivalents | 1,426 | 1,426 | 1,316 | 1,316 |
| **Liabilities** | | | | |
| Current and non-current debt | 1,286 | 1,315 | 1,297 | 1,340 |
| Other non-current liabilities | 1,768 | 1,768 | 1,475 | 1,475 |
| Trade payables | 992 | 992 | 884 | 884 |
| Other current liabilities | 2,744 | 2,744 | 2,276 | 2,276 |

* Following adoption of IAS 32 and 39.

## NOTE 28 OTHER LIABILITIES

Other liabilities can be analysed as follows:

| | 31 December 2005 | | | 1 January 2005* | | | 31 December 2004 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group | Excluding EADS | EADS | Total Group |
| Due to suppliers of fixed assets | 2 | - | 2 | 13 | - | 13 | 13 | - | 13 |
| Repayable advances | - | 740 | 740 | - | 722 | 722 | - | 722 | 722 |
| Other advances and prepayments | - | 734 | 734 | - | 506 | 506 | - | 506 | 506 |
| Derivative financial instruments | - | 71 | 71 | - | 20 | 20 | - | - | - |
| Other liabilities | 54 | 214 | 268 | 57 | 227 | 284 | 57 | 227 | 284 |
| **Other non-current liabilities** | **56** | **1,759** | **1,815** | **70** | **1,475** | **1,545** | **70** | **1,455** | **1,525** |
| Derivative financial instruments | 127 | 67 | 194 | 171 | 7 | 178 | - | - | - |
| Accrued taxes and employee benefits expense | 589 | 182 | 771 | 620 | 168 | 788 | 620 | 168 | 788 |
| Advances and prepayments | 26 | 2,104 | 2,130 | 32 | 1,739 | 1,771 | 32 | 1,739 | 1,771 |
| Due to writers | 109 | - | 109 | 107 | - | 107 | 107 | - | 107 |
| Due to customers | 146 | 235 | 381 | 170 | 220 | 390 | 170 | 220 | 390 |
| Other liabilities | 133 | 70 | 203 | 121 | 67 | 188 | 121 | 67 | 188 |
| Deferred income | 130 | 86 | 216 | 132 | 76 | 208 | 132 | 76 | 208 |
| **Other current liabilities** | **1,260** | **2,744** | **4,004** | **1,353** | **2,277** | **3,630** | **1,182** | **2,270** | **3,452** |

* Following adoption of IAS 32 and 39.

## NOTE 29 OPERATING LEASES

### 29_1 Lagardère excluding EADS

Recurring operating profit includes rental expense of €149 million in 2005.

Minimum future lease payments under non-cancellable operating leases, including minimum rentals provided for in retail shops concession agreements, amount to €655 million at 31 December 2005, and can be analysed as follows by due date:

| | 31 December 2005 |
|---|---|
| 2006 | 157 |
| 2007 | 139 |
| 2008 | 110 |
| 2009 | 84 |
| 2010 | 69 |
| 2011 and beyond | 96 |
| **TOTAL** | **655** |

### 29_2 EADS

At 31 December 2005, future nominal operating lease payments due by EADS as a lessee under rental and lease agreements (unrelated to aircraft sales financing) amount to €155 million based on Lagardère's percentage interest, and relate mainly to overheads (e.g. facility leases, car rentals). Maturities are as follows:

| | |
|---|---|
| Not later than 2006 | 16 |
| Later than 2006 and not later than 2010 | 51 |
| Later than 2010 | 88 |
| **TOTAL** | **155** |

## NOTE 30 COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

### 30_1 Lagardère and subsidiaries (excluding EADS)

#### 30_1_1 OFF-BALANCE SHEET COMMITMENTS

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| *Commitments given in the normal course of business* | | |
| – Guarantees and performance bonds | 47 | 57 |
| – Guarantees given to third parties and non-consolidated companies | 59 | 61 |
| *Commitments on assets* | *3* | *4* |
| *Commitments to repurchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)* | 17 | 17 |
| *Commitments received* | | |
| – Counter-guarantees of commitments given | 1 | 1 |
| – Other commitments received | 19 | 19 |
| *Confirmed, unused lines of credit* | 2,106 | 1,549 |

*Commitments to sell shares*

The Group has granted promises to sell concerning certain investments, the principal investments concerned being held indirectly in EADS (14.95%) or CanalSatellite (34%). These options can be exercised at market value, but solely subject to certain events, namely non-execution of obligations stipulated in the shareholder agreement, or changes in control over Lagardère or over certain business divisions.

30_1_2 LITIGATION

*Construction of the Taipei VAL*

Within the framework of the VAL construction project in Taipei, the civil engineering works, for which DORTS (Department of Rapid Transit Systems) was responsible, were handed over to Matra Transport almost three years late.

This significant delay caused cost overruns which led Matra Transport to file a claim with a Taiwanese arbitration tribunal. The tribunal decided, on 6 October 1993, to award an amount in excess of FRF200 million (€30.49 million), about 60% of the cost overruns claimed, and to postpone the contractual start-up date, initially planned for 12 January 1992.

On 12 September 1994, the District Court of Taipei, acting at the request of DORTS, cancelled the arbitration tribunal's decision of 6 October 1993 on procedural grounds. Matra Transport, which had suffered significant damages and had a right to compensation, facts which were not denied, took appropriate action seeking reversal of the cancellation.

Following two unfavourable decisions rendered by the High Court of Taipei on 2 April 1996 and 26 November 1997, both of which were subsequently cancelled by the Supreme Court of Taiwan in two decisions rendered on 25 April 1997 and 11 September 1998, the same High Court, acting at the request of Matra Transport, rendered a decision on 28 July 1999 by which it reversed the District Court's decision of 12 September 1994 on the grounds that there was no cause for cancelling the arbitration tribunal's decision of 6 October 1993.

In a ruling of 24 November 2000, the Supreme Court rejected the appeal lodged by DORTS against the decision of 28 July 1999.

Matra Transport immediately began proceedings before the District Court for implementation of the arbitration tribunal's decision of 6 October 1993. However, DORTS applied to the same District Court for non-execution of the decision, mainly on the grounds that Matra Transport's rights had expired.

Contrary to all expectations, the District Court found in favour of DORTS on 17 May 2001. This ruling was confirmed on 22 November 2001 by the High Court, which decided that the term of limitation applicable in this case was five years from the announcement of the decision of 6 October 1993. It also criticised Matra Transport for not attempting to implement that decision, notwithstanding its cancellation on 12 September 1994.

Matra Transport lodged an appeal against this decision, and on 14 August 2003, the Supreme Court overturned the High Court ruling of 22 November 2001, sending the litigation between Matra Transport and DORTS back to the High Court for a new hearing. This amounted to severe criticism of the 22 November 2001 ruling, and the Supreme Court firmly suggested the High Court should pay particular attention to the legal nature of Matra Transport's rights under the arbitration tribunal's decision of 6 October 1993 and the statute of limitations corresponding to the nature of the contract. Following this Supreme Court decision, the dispute was again brought before the High Court.

On 7 April 2004, the High Court ruled in favour of Matra Transport, concluding that the company's rights under the arbitration tribunal's decision of 6 October 1993 were barred by limitation not after 2 years, as DORTS claimed, but after 15 years.

DORTS lodged an appeal against this decision before the Supreme Court.

In a ruling issued on 22 July 2005, the Supreme Court rejected this appeal and once again found in favour of Matra Transport.

As a result of this decision, Matra Transport began action before the District Court in August 2005 to end suspension of execution of the arbitration tribunal's decision of 1993 against DORTS, which had been stopped in 2001 (see above). DORTS opposed the action, claiming that Matra Transport was not legally able to start such proceedings. In a decision of 6 December 2005, the District Court decided that Matra Transport did indeed have the right to take the action, and rejected the objection advanced by DORTS, which then appealed to the High Court. This litigation is currently to come once again before the High Court.

Execution of the decision of 6 October 1993 will continue to remain suspended until a final legal settlement is reached between Matra Transport and DORTS.

Meanwhile, the District Court case concerning the claim submitted by Matra Transport for amounts wrongly withheld by DORTS on the price payable for construction of the VAL, and amounts due for delays attributable to DORTS (independent of the delays that led to the decision of 6 October 1993), is still in process.

*Acquisition of LV&Co by Lagardere Active Broadcast ("LAB")*

Under the agreements entered into by LAB with a view to taking control of LV&Co and its radio network MFM (which never took place due to the French television regulatory authority's refusal to approve the transaction), a series of legal proceedings were started by a minority shareholder of LV&Co who was disappointed at not having been able to purchase the Paris radio station Voltage (also belonging to LV&Co) as expected, because of higher bids. Some of this legal action was directly against LAB, and to date, this minority shareholder has consistently lost all cases.

*Tax matters – Lagardère*

Tax audits were carried out by the French tax authorities concerning several companies and fiscal years. The tax audits resulted in additional tax assessments, all or part of which were contested. Provision has been made to take account of the additional assessments notified by the tax authorities and agreed by the companies, and also for the amount estimated as the risk corresponding to the disputes still pending.

*Other matters*

In the normal course of its business, the Group is involved in a number of disputes principally related to contract execution. Adequate provisions are made, where considered necessary, to cover any risks that may arise from general or special disputes.

To the best of the Group's knowledge, there are no other cases of litigation or arbitration in existence which may have a significant negative effect on its financial position.

## 30_2 EADS

With the exception of a rental guarantee for €20 million given to a subsidiary of EADS (this amount is included in commitments summarised in note 30_1_1), Lagardère has given no guarantees in favour of EADS which have not been counter-guaranteed by EADS N.V. or by another entity of the EADS group.
Below is a description of the commitments of EADS. Amounts indicated are Lagardère's proportionate share.

### 30_2_1 OFF-BALANCE SHEET COMMITMENTS

*Sales financing*

In relation to its Airbus and ATR activities, EADS is committing itself in sales financing transactions with selected customers. Sales financing transactions are generally collateralised by the underlying aircraft. Additionally, Airbus and ATR benefit from protective covenants and from security packages tailored according to the perceived risk and the legal environment. EADS believes that the estimated fair value of the aircraft securing such commitments will substantially offset any potential losses from the commitments. Any remaining difference between the amount of financing commitments given and the collateral value of the aircraft financed is provided for as an impairment to the relating asset, if assignable, or as a provision for aircraft financial risk. The basis for this write-down is a risk-pricing model, which is applied at every closing to closely monitor the remaining value of the aircraft.

Depending on which party assumes the risks and rewards of ownership of a financed aircraft, the assets relating to sales financing are accounted for on the balance sheet either as (i) an operating lease or (ii) a loan from aircraft financing or (iii) a finance lease receivable or (iv) non-current assets classified as held for sale. At 31 December 2005, related accumulated impairment amounts to €48 million (2004: €80 million) for operating leases, €59 million (2004: €70 million) for loans and finance leases and €29 million for non-current assets classified as held for sale. In 2005, €5 million (2004: €5 million) were recorded as provisions for aircraft financial risks.

Certain sales financing transactions include the sale and lease back of the aircraft with a third party lessor under an operating lease. Unless the EADS group has sold down the relating operating lease commitments to third parties, which assume liability for the payments, it is exposed to future lease payments. Future nominal operating lease payments that result from aircraft sales financing transactions are recorded off balance sheet and are scheduled to be paid as follows:

*(in million of euros)*

| | |
|---|---|
| Not later than 2006 | 31 |
| Later than 2006 and not later than 2010 | 148 |
| Later than 2010 | 108 |
| **Total** | **287** |
| Of which commitments where the transaction has been sold to third parties | (163) |
| **Total aircraft lease commitments where EADS bears the risk (not discounted)** | **124** |

Total aircraft lease commitments of €287 million at 31 December 2005 arise from aircraft head-leases and are typically backed by corresponding sublease income from customers in an amount of €204 million. A large part of these lease commitments (€163 million at 31 December 2005) arises from transactions that were sold down to third parties which assume liability for the payments. EADS determines its gross exposure to such operating leases as the present value of the related payment streams. The difference between gross exposure and the estimated value of underlying aircraft used as collateral, the net exposure, is provided for in full with an amount of €73 million at 31 December 2005, as part of the provision for aircraft financial risk.

At 31 December 2005 and 2004, consolidated – on and off balance sheet – commercial aviation sales financing exposure is as follows:

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Total gross exposure | 533 | 556 |
| Estimated fair value of collateral (aircraft) | (319) | (335) |
| **Net exposure (fully provided for)** | **214** | **221** |

*Asset value guarantees*

Certain sales contracts may include the obligation of an asset value guarantee whereby Airbus or ATR guarantee a portion of the value of an aircraft at a specific date after its delivery. EADS' management considers the financial risks associated with such guarantees to be manageable. Three factors contribute to this assessment: (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft (ii) the asset value guarantee related exposure is diversified over a large number of aircraft and customers (iii) the exercise dates of outstanding asset value guarantees are distributed through 2019. If the present value of the guarantee given exceeds 10% of the sales price of the aircraft, the sale of the underlying aircraft is accounted for as an operating lease. In addition, EADS is contingently liable in case asset value guarantees of less than 10% are provided to customers as part of aircraft sales. Counter-guarantees are negotiated with third parties and reduce the risk to which the group is exposed. At 31 December 2005 the nominal value of asset value guarantees provided to airlines that do not exceed the 10% criteria amount to €158 million, excluding €76 million where the risk is considered to be remote. In many cases the risk is limited to a specific portion of the residual value of the aircraft. The present value of the risk inherent to the given asset value guarantees where a settlement is being considered as probable is fully provided for and included in the total amount of provisions for asset value risks of €97 million. This provision covers a potential expected shortfall between the estimated value of the aircraft of the date upon which the guarantee can be exercised and the value guaranteed on a transaction basis taking counter-guarantees into account.

Because exercise dates for asset value guarantees are on average in the 10th year following aircraft delivery, asset value guarantees issued in 2005 will generally not be exercisable prior to 2015, and, therefore, an increase in near-term exposure is not expected.

Despite the underlying collateral, if Airbus should be unable to honour its obligations under sales financing transactions and asset value guarantees, certain companies in the EADS and BAE Systems (BAES) groups retain joint and several liability for sales financing exposure incurred by Airbus prior to 1 January 2001. EADS' exposure to liabilities incurred by Airbus after 1 January 2001 is limited by its status as a shareholder in Airbus S.A.S. With respect to ATR, each shareholder is jointly and severally liable to third parties without limitation. Amongst the shareholders, the liability is limited to each partner's proportionate share.

While backstop commitments to provide financing related to orders on Airbus' and ATR's backlog are also given, such commitments are not considered to be part of gross exposure until the financing is in place, which occurs when the aircraft is delivered. This is due to the fact that (i) past experience suggests it is unlikely that all such proposed financings actually will be implemented (although it is possible that customers not benefiting from such commitments may nevertheless request financing assistance ahead of aircraft delivery) (ii) until the aircraft is delivered, Airbus or ATR retains the asset and does not incur an unusual risk in relation thereto (iii) third parties may participate in the financing. In order to mitigate Airbus and ATR credit risks, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

*Pension commitments*

EADS has several common investments with BAE Systems (BAES), of which the most significant in terms of employees are Airbus and MBDA. In respect of each investment, for so long as BAES remains a shareholder, UK employees may stay in the BAES pensions schemes, which currently qualify as multi-employer defined benefit plans. BAES is applying IFRS as of 1 January 2005. In accordance with IAS 19, BAES has disclosed for its UK defined pension schemes a net (pre tax) pension liability at 31 December 2005 in a total amount of £4,659 million. As participants in the BAES schemes, EADS investments are potentially affected by any shortfall of BAES schemes. However, the agreements between EADS and BAES have the effect of capping the contributions that the investment has to make to the pension scheme for a certain period of time (until July 2011 for Airbus and December 2007 for MBDA). Any additional contribution would be paid by BAES. EADS is therefore not exposed to increased contribution payments resulting from the pension underfunding during the period of the contribution caps. In the course of 2005, EADS has requested detailed information about these pension schemes. Based on limited information made available, EADS has judged this information not to be sufficient to properly allocate the pension plans' deficit and is therefore not able to reliably determine its participation in any potential future deficit once the period of contribution caps will have expired. Consequently, EADS continues to expense the contributions made to the pension schemes as if the plans were defined contribution plans.

*Other commitments*

Other commitments comprise contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures.

### 30_2_2 LITIGATION

At the end of 2002, a request for arbitration was filed against a subsidiary of EADS involved in the supply of equipment under a commercial contract that was completed several years ago. EADS believes it has strong defences, both procedural and of substance, to oppose this claim. At this stage of the proceedings, the financial risk cannot be assessed since, in June 2003, EADS was notified that the arbitration procedure had been suspended at the request of the claimant. At the date of this document, this arbitration request is still suspended.

EADS is not aware of any exceptional items or pending or threatened legal or arbitration proceedings that may have, or may have had in a recent period, a material adverse effect on the financial position, the activities or the results of its group taken as a whole, except as stated below.

EADS recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against the group (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made.

## NOTE 31 RELATED PARTY TRANSACTIONS

### 31_1 Management remuneration

The total gross remuneration received by the members of Lagardère SCA's Executive Committee in 2005 (excluding remuneration paid by EADS) amounted to €10.1 million (€14.3 million including social security charges).

Attendance fees received by the persons concerned as members of other Group companies' Boards of Directors (excluding EADS) amounted to €0.1 million in 2005.

They were also attributed 230,000 options to purchase Lagardère shares in 2005

### 31_2 Related party transactions

*Transactions with Lagardère Capital & Management (LC&M)*

Lagardère Capital & Management, controlled and chaired by Mr. Arnaud Lagardère, who is also a general and Managing Partner of Lagardère SCA, is the material embodiment of the Group. LC&M provides an array of management resources and skills to both the Group and each of its component parts.

To accomplish its mission, LC&M employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee, in collaboration with the Managing Partners, is to develop and ensure the application of Group strategy, to lead the Group's development, to take the resultant necessary management decisions and implement them globally at Parent Company level and in the Group's different business activities. LC&M is responsible for paying the entire pay package and related working expenses of its managers, and the fees of any outside French or international consultants they employ.

LC&M's mission is carried out within the framework of its agreement with Lagardère Ressources, which is responsible for managing all of the Group's corporate resources. This agreement is described each year in the Auditors' Special Report on regulated agrements.

Since 2004, the remuneration of LC&M is equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, with an absolute upper limit set at €1 million. Expenses charged are examined for each fiscal year by the Audit Committee, which pronounces an opinion on the way they are changing. After examination by the Audit Committee, this procedure was approved by the Supervisory Board on 12 March 2004.

As a result, in 2005, LC&M received €15 million from the Group, compared to €12.9 million in 2004. After deducting payroll costs of €7.5 million, or €11.7 million including social security charges, and other support and outside resources costs borne by LC&M, this left operating profit after tax from the above agreements of €0.7 million.

*Transactions with Nouvelles Messageries de la Presse Parisienne (NMPP)*

To distribute magazines and other publications in France, Lagardère uses the services of the press distribution company NMPP, of which it owns 49%. In 2005, distribution commission invoiced to the Lagardère Group by NMPP amounted to €132 million.

Lagardère also invoiced NMPP a total of €25 million for services in 2005, including property rental.

*Other transactions*

The other transactions with related parties in 2005 undertaken in the normal course of business are not considered significant for the Group. They took place under normal market conditions.

## NOTE 32 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

*Draft agreement between Lagardère, Vivendi Universal and Canal+ Group*

Lagardère, Vivendi Universal and Canal+ Group announced a draft agreement on 17 February 2006. Under the terms of this agreement, Lagardère, which is already a partner of Canal+ Group through CanalSat, is to join Canal+ Group, TF1 and M6 as a shareholder in Canal+ France, a new company combining all the French pay TV assets of Canal+ Group and TPS. Canal+ France would essentially comprise all the following assets: CanalSat, Canal+, Canal+ Distribution, TPS, multiThématiques, MediaOverseas, Sport+ and Kiosque. StudioCanal, Cyfra+, the advertising company, PSG and i>TELE would not be part of Canal+ France and would continue to be held by Canal+ Group.

By becoming the second-largest shareholder of Canal+ France, Lagardère would significantly strengthen its pay TV operations in France.

The new company would be owned:
- 65% by Canal+ Group,
- 20% by Lagardère,
- 9.9% by TF1,
- 5.1% by M6.

Vivendi Universal would have exclusive control of the new company through Canal+ Group

This draft agreement will be subject to consultation with the labour relations and employee representative committees concerned, and the French television regulatory authority (Conseil Supérieur de l'Audiovisuel). It also requires the approval of the competent anti-trust authorities.

The draft agreement stipulates that:
- Lagardère is to acquire a 20% interest by transferring its 34% shareholding in CanalSat and paying an amount of €525 million in cash. At the time these transactions are completed, €150 million of CanalSat's accumulated undistributed profits are to be transferred to Lagardère.
- Lagardère will also benefit from a call option covering a further 14% of the new company, exercisable three years after completion of the transaction. The exercise price of this option will be equal to market value, with a floor of €1.05 billion corresponding to a valuation of €7.5 billion for 100% of Canal+ France.
- Lagardère will hold rights to veto certain operations (stock exchange listing of Canal+ France, external investments in major Canal+ France subsidiaries), and governance rights (two members of the Supervisory Board would be appointed upon Lagardère's proposal). In the event control of Canal+ France is transferred, Lagardère would hold a right guaranteeing the power to acquire Canal+ France if Lagardère is the highest bidder.

- Lagardère will also have a liquidity clause (as long as it holds only 20% of Canal+ France) to expire eight years after completion of the operation, allowing it to proceed to a stock exchange listing for Canal+ France. If Lagardère wishes to exercise this option, Vivendi Universal would have a pre-emptive right over the shares held by Lagardère.

*Acquisition of Time Warner Book Group*

On 6 February 2006, Time Warner Inc., Hachette SA, Hachette Livre SA and Hachette Livre UK Limited signed an agreement for a takeover by the Lagardère Group of 100% of the shares of Time Warner Book Group Inc and Time Life Entertainment Group Limited.

Completion of the transaction is subject to the approval of the competent anti-trust authorities.

The acquisition price of US$537.5 million is based on the business value (excluding debts and cash), and will be adjusted according to certain balance sheet items.

Time Warner Book Group is a major trade publisher with many bestselling authors, and also publishes illustrated, religious, children's and audio books.

It is also a major distributor for other publishers such as Disney or Microsoft. Time Warner Book Group also operates in the UK, Australia and New Zealand.

The agreement sets the sale completion date as the last business day of March 2006 at the earliest.

## NOTE 33 LIST OF CONSOLIDATED COMPANIES

### FULLY CONSOLIDATED COMPANIES AT 31 DECEMBER 2005

### Book Publishing

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| HACHETTE LIVRE | 43, quai de Grenelle - 75015 PARIS, FRANCE | 602 060 147 | 100.00 | 100.00 |
| AIQUE GRUPO EDITOR SA ARGENTINA | MADRID, SPAIN | | 100.00 | 100.00 |
| ARMAND COLIN SAS | 21, rue du Montparnasse - 75006 PARIS, FRANCE | 415 344 162 | 99.94 | 99.94 |
| BIBLIO PARTICIPATIONS | 43, quai de Grenelle - 75015 PARIS, FRANCE | 377 627 583 | 100.00 | 100.00 |
| BSSL (formerly SYLEMMA ANDRIEU) | place du Moulin-Wette - 60120 BONNEUIL-LES-EAUX, FRANCE | 711 720 458 | 100.00 | 100.00 |
| CALMANN LEVY | 3, rue Auber - 75009 PARIS, FRANCE | 572 082 279 | 69.57 | 69.57 |
| CHAMBERS HARRAPS PUBLISHER | Edinburgh, SCOTLAND | | 100.00 | 100.00 |
| DIFFULIVRE | SAINT SULPICE, SWITZERLAND | | 100.00 | 100.00 |
| DILIBEL | ALLEUR, BELGIUM | | 100.00 | 100.00 |
| DISTRIBUCION AIQUE SA | BUENOS AIRES, ARGENTINA | | 100.00 | 100.00 |
| DUNOD EDITEUR SA | 5, rue Laromiguière - 75005 PARIS, FRANCE | 316 053 628 | 99.99 | 99.99 |
| EDDL | 5, rue du Pont de Lodi - 75006 PARIS, FRANCE | 403 202 252 | 99.88 | 99.88 |
| EDITION N°1 | 43, quai de Grenelle - 75015 PARIS, FRANCE | 312 285 745 | 100.00 | 100.00 |
| EDITIONS DALLOZ SA | 31-35 rue Froidevaux - 75014 PARIS, FRANCE | 572 195 550 | 90.00 | 90.00 |
| EDITIONS GRASSET ET FASQUELLE | 61, rue des Saints Pères - 75006 PARIS, FRANCE | 562 023 705 | 95.00 | 95.30 |
| EDITIONS JEAN-CLAUDE LATTES | 17, rue Jacob - 75006 PARIS, FRANCE | 682 028 659 | 100.00 | 100.00 |
| EDITIONS LAROUSSE | 21, rue du Montparnasse - 75006 PARIS, FRANCE | 451 344 170 | 99.94 | 99.95 |
| EDITIONS LAROUSSE MEXIQUE | MEXICO CITY, MEXICO | | 100.00 | 100.00 |
| EDITIONS STOCK | 27, rue Cassette - 75006 PARIS, FRANCE | 612 035 659 | 99.89 | 100.00 |
| EDUCATION MANAGEMENT SA | 58, rue Jean Bleuzen - 92170 VANVES, FRANCE | 582 057 816 | 100.00 | 100.00 |
| FERNAND HAZAN EDITEUR | 64, quai Marcel Cachin - 94290 VILLENEUVE LE ROI, FRANCE | 562 030 221 | 99.94 | 100.00 |
| GIE NORMA | 103, avenue des Champs-Elysées - 75008 PARIS, FRANCE | 389 487 562 | 99.80 | 100.00 |
| GROUPE HATIER INTERNATIONAL | 31, rue de Fleurus - 75006 PARIS, FRANCE | 572 079 093 | 100.00 | 100.00 |
| H.L. 93 | 43, quai de Grenelle - 75015 PARIS, FRANCE | 390 674 133 | 99.99 | 99.99 |
| H.L. FINANCES | 58, rue Jean Bleuzen - 92170 VANVES, FRANCE | 384 562 070 | 99.90 | 100.00 |
| HACHETTE COLLECTIONS | 43, quai de Grenelle - 75015 PARIS, FRANCE | 395 291 644 | 100.00 | 100.00 |
| HACHETTE COLLECTIONS JAPON | TOKYO, JAPAN | | 100.00 | 100.00 |
| HACHETTE FASCICOLI | MILAN, ITALY | | 100.00 | 100.00 |
| HACHETTE JD | 43, quai de Grenelle - 75015 PARIS, FRANCE | 384 094 769 | 100.00 | 100.00 |
| HACHETTE LIVRE UK | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| HACHETTE PARTWORKS Ltd | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| HATIER DEVELOPPEMENT | 1, Avenue Gutemberg - 78310 MAUREPAS, FRANCE | 302 655 089 | 100.00 | 100.00 |
| JURIS ASSOCIATIONS | 12, quai André Lassagne - 69001 LYON, FRANCE | 325 909 380 | 90.00 | 99.99 |
| LAROUSSE SA | 21, rue du Montparnasse - 75006 PARIS, FRANCE | 401 457 213 | 100.00 | 100.00 |
| LE LIVRE DE PARIS | 58, rue Jean Bleuzen - 92170 VANVES, FRANCE | 542 042 114 | 100.00 | 100.00 |
| LIBRAIRIE ARTHEME FAYARD | 75, rue des Saints Pères - 75006 PARIS, FRANCE | 562 136 895 | 99.89 | 99.89 |
| LIBRAIRIE GENERALE FRANCAISE (L.G.F.) | 43, quai de Grenelle - 75015 PARIS, FRANCE | 542 086 749 | 59.99 | 59.99 |
| SAMAS SA | 58, rue Jean Bleuzen - 92170 VANVES, FRANCE | 775 663 321 | 99.80 | 99.80 |
| SPES EDITORIAL SL | BARCELONA, SPAIN | | 100.00 | 100.00 |
| THE WATTS PUBLISHING GROUP LTD | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| **HATIER GROUP** | | | | |
| CENTRE DE TRAITEMENT DES RETOURS | 137, route de Corbeil - Lieudit Balizy - 91160 LONGJUMEAU, FRANCE | 381 737 519 | 100.00 | 100.00 |
| EDELSA | MADRID, SPAIN | | 100.00 | 100.00 |

## Book Publishing (continued)

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| LES EDITIONS DIDIER | 13, rue de l'Odéon - 75006 PARIS, FRANCE | 313 042 541 | 100.00 | 100.00 |
| LES EDITIONS FOUCHER | 31, rue de Fleurus - 75006 PARIS, FRANCE | 352 559 066 | 100.00 | 100.00 |
| LES EDITIONS HATIER | 8, rue d'Assas - 75006 PARIS, FRANCE | 352 585 624 | 100.00 | 100.00 |
| LIBRAIRIE PAPETERIE NATIONALE | CASABLANCA, MOROCCO | | 99.99 | 99.99 |
| RAGEOT EDITEUR | 6, rue d'Assas - 75006 PARIS, FRANCE | 572 022 978 | 100.00 | 100.00 |
| S.C.I. ASSAS RASPAIL | 8, rue d'Assas - 75006 PARIS, FRANCE | 315 844 431 | 100.00 | 100.00 |
| S.C.I. DU 63 BOULEVARD RASPAIL | 63, boulevard Raspail - 75006 PARIS, FRANCE | 315 830 034 | 100.00 | 100.00 |
| S.C.I. DU 8/8bis RUE D'ASSAS | 8, rue d'Assas - 75006 PARIS, FRANCE | 315 844 423 | 100.00 | 100.00 |
| **SALVAT GROUP** | | | | |
| SALVAT EDITORES SA | BARCELONA, SPAIN | | 100.00 | 100.00 |
| EDITORIAL SALVAT SL | BARCELONA, SPAIN | | 100.00 | 100.00 |
| FOMENTO DE EDICION Y CULTURA SA | MADRID, SPAIN | | 100.00 | 100.00 |
| GRUPO EDITORIAL BRUNO SL | MADRID, SPAIN | | 100.00 | 100.00 |
| HACHETTE LATINOAMERICA | MEXICO CITY, MEXICO | | 100.00 | 100.00 |
| PAG SL | BARCELONA, SPAIN | | 100.00 | 100.00 |
| SALVAT EDITORES PORTUGAL | LISBON, PORTUGAL | | 100.00 | 100.00 |
| **ORION GROUP** | | | | |
| ORION PUBLISHING GROUP LTD | LONDON, UNITED-KINGDOM | | 98.75 | 98.75 |
| LITTLE HAMPTON BOOK SERVICE LTD | LONDON, UNITED-KINGDOM | | 98.75 | 100.00 |
| **OCTOPUS GROUP** | | | | |
| OCTOPUS PUBLISHING LTD | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| CONRAN OCTOPUS LTD | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| **HODDER HEADLINE GROUP** | | | | |
| HODDER HEADLINE LTD | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| ALLIANCE DISTRIBUTION SERVICES PTY LTD | TUGGERA, AUSTRALIA | | 50.00 | 50.00 |
| BOOKPOINT LTD | ABINGDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| HEADLINE BOOK PUBLISHING LTD | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| HODDER & STOUGHTON LTD | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| HODDER & STOUGHTON HOLDINGS LTD | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| HODDER HEADLINE AUSTRALIA PTY LTD | SYDNEY, AUSTRALIA | | 100.00 | 100.00 |
| HODDER MOA BECKETT PUBLISHER LTD | AUCKLAND, NEW-ZEALAND | | 100.00 | 100.00 |
| JOHN MURRAY (PUBLISHER) LTD | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| **ANAYA GROUP** | | | | |
| GRUPO ANAYA SA | MADRID, SPAIN | | 100.00 | 100.00 |
| ALGAIDA EDITORES SA | SEVILLE, SPAIN | | 100.00 | 100.00 |
| ALIANZA EDITORIAL SA | MADRID, SPAIN | | 98.20 | 98.20 |
| ALIANZA EDITORIAL MEXICANA | MEXICO CITY, MEXICO | | 98.20 | 100.00 |
| COMERCIAL GRUPO ANAYA SA | MADRID, SPAIN | | 100.00 | 100.00 |
| EDITORIAL BARCANOVA SA | BARCELONA, SPAIN | | 100.00 | 100.00 |
| EDICIONES TORMES SA | MADRID, SPAIN | | 100.00 | 100.00 |
| EDICIONES XERAIS DE GALICIA SA | VIGO, SPAIN | | 100.00 | 100.00 |

## Print Media

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| HACHETTE FILIPACCHI MEDIAS | 151, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 642 015 440 | 100.00 | 100.00 |
| HACHETTE FILIPACCHI PRESSE | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 582 101 424 | 99.97 | 99.97 |
| BEIJING HACHETTE ADVERTISING | HONG KONG, CHINA | | 99.97 | 100.00 |
| COLOMBIER 58 | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 351 183 611 | 99.94 | 99.98 |
| COMPAGNIE IMMOBILIERE EUROPA | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 407 662 329 | 99.98 | 100.00 |
| COMPAGNIE INTERNATIONALE DE PRESSE ET DE PUBLICITE (C.I.P.P.) | MONTE-CARLO, MONACO | | 50.98 | 51.00 |
| COMUNICACION Y PUBLICACIONES | BARCELONA, SPAIN | | 73.37 | 74.00 |
| CORSE PRESSE | 214, route de Grenoble - 06200 NICE, FRANCE | 423 375 922 | 89.13 | 99.99 |
| DIVERSIFED MEDIA COMPANY LTD | NICOSIA, CYPRUS | | 50.98 | 100.00 |
| E.C.E.P. | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 300 938 826 | 99.97 | 100.00 |
| EDITORAS DE REVISTAS Y SUPLEMENTOS SL | MADRID, SPAIN | | 99.97 | 100.00 |
| EDIZIONI ITALO FRANCESI (EDIF) | MILAN, ITALY | | 99.97 | 100.00 |
| EUROSUD PUBLICITE | 248, avenue Roger Salengro - 13015 MARSEILLES, FRANCE | 071 800 098 | 86.91 | 99.89 |
| F.E.P. U.K. LTD | LONDON, UNITED-KINGDOM | | 99.97 | 100.00 |
| FENGISTONE HOLDING LTD | NICOSIA, CYPRUS | | 50.98 | 100.00 |
| FINANCIERE COMBOUL | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 423 101 971 | 99.96 | 100.00 |
| FRANCE-CANADA EDITIONS ET PUBLICATION | MONTREAL, CANADA | | 99.97 | 100.00 |
| GROUPE HACHETTE FILIPACCHI PHOTOS | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 431 716 513 | 99.85 | 99.88 |
| H.F. PRESSE UKRAINE | KIEV, UKRAINE | | 50.98 | 100.00 |
| HACHETTE EDITION VENTURES | BRUSSELS, BELGIUM | | 50.98 | 51.00 |
| HACHETTE FILIPACCHI 2000 SPOL | PRAGUE, CZECH REPUBLIC | | 50.98 | 51.00 |
| HACHETTE FILIPACCHI ASSOCIES | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 324 286 319 | 99.97 | 100.00 |
| HACHETTE FILIPACCHI EXPANSION | MEXICO CITY, MEXICO | | 51.00 | 51.00 |
| HACHETTE FILIPACCHI FILM | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 572 028 959 | 99.97 | 100.00 |
| HACHETTE FILIPACCHI HOLDINGS US | NEW YORK, USA | | 99.97 | 100.00 |
| HACHETTE FILIPACCHI HONG KONG Ltd | HONG KONG, CHINA | | 99.97 | 100.00 |
| HACHETTE FILIPACCHI INTERDECO | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 321 376 600 | 99.97 | 100.00 |
| HACHETTE FILIPACCHI INVESTISSEMENTS | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 339 257 172 | 99.98 | 99.99 |
| HACHETTE FILIPACCHI NORGE AS | OSLO, NORWAY | | 99.97 | 100.00 |
| HACHETTE FILIPACCHI POLSKA | WARSAW, POLAND | | 99.97 | 100.00 |
| HACHETTE FILIPACCHI PRESSE FINANCES | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 410 208 136 | 99.97 | 100.00 |
| HACHETTE FILIPACCHI PUBLICACOES LDA | LISBON, PORTUGAL | | 99.11 | 100.00 |
| HACHETTE FILIPACCHI S.A. | MADRID, SPAIN | | 99.11 | 99.14 |
| HACHETTE FILIPACCHI SVERIGE AB | STOCKHOLM, SWEDEN | | 99.97 | 100.00 |
| HACHETTE FILIPACCHI TAIWAN | TAIPEH, TAIWAN | | 99.97 | 100.00 |
| HACHETTE FILIPACCHI UK LTD | LONDON, UNITED-KINGDOM | | 99.97 | 100.00 |
| HACHETTE FUJIN GAHO | TOKYO, JAPAN | | 99.97 | 100.00 |
| HACHETTE INTERDECO S.A. | MADRID, SPAIN | | 99.32 | 100.00 |
| HACHETTE MAGAZINE VDB | AMSTERDAM, The NETHERLANDS | | 50.98 | 51.00 |
| HACHETTE PHOTOS PRESSE | 13, rue d'Enghien - 75010 PARIS, FRANCE | 379 412 000 | 99.85 | 100.00 |
| H F DUTCH TRADEMARK HOLDING BV | AMSTERDAM, The NETHERLANDS | | 99.97 | 100.00 |
| HACHETTE PHOTOS ILLUSTRATION | 13, rue d'Enghien - 75010 PARIS, FRANCE | 582 053 393 | 99.85 | 100.00 |
| HACHETTE RUSCONI EDITORE | MILAN, ITALY | | 100.00 | 100.00 |
| HACHETTE RUSCONI PUBBLICITA | MILAN, ITALY | | 100.00 | 100.00 |

## Print Media (continued)

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| INTERDECO | 23, rue Baudin - 92300 LEVALLOIS-PERRET, FRANCE | 345 404 040 | 99.97 | 100.00 |
| INTERDECO GLOBAL ADVERTISING | 23, rue Baudin - 92300 LEVALLOIS-PERRET, FRANCE | 350 277 059 | 99.72 | 99.88 |
| INTERDECO HACHETTE ADVERTISING POLSKA | WARSAW, POLAND | | 99.97 | 100.00 |
| INTERDECO SCANDINAVIA | STOCKHOLM, SWEDEN | | 99.97 | 100.00 |
| INTERMAG | 23, rue Baudin - 92300 LEVALLOIS-PERRET, FRANCE | 382 841 930 | 99.97 | 100.00 |
| INTERNATIONAL MEDIA HOLDING BV (IMH) | AMSTERDAM, The NETHERLANDS | | 99.97 | 100.00 |
| INTERNATIONAL PUBLICATIONS HOLDING (IPH) | AMSTERDAM, The NETHERLANDS | | 99.97 | 100.00 |
| KATZ PICTURES | LONDON, UNITED-KINGDOM | | 99.95 | 100.00 |
| LA PROVENCE | 248, avenue Roger Salengro - 13015 MARSEILLES, FRANCE | 056 806 813 | 99.79 | 99,84 |
| LES EDITIONS FILIPACCHI | 151, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 712 003 516 | 99.97 | 100.00 |
| MAISON D'EDITION HFS | MOSCOW, RUSSIA | | 50.98 | 100.00 |
| MARSEILLE PRESSE | 248, avenue Roger Salengro - 13015 MARSEILLES, FRANCE | 440 993 871 | 99.79 | 99.00 |
| METROPOLE MEDIA PRESSE | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 424 798 577 | 73.35 | 73.38 |
| MONTREUX PUBLICATIONS | MONTREUX, SWITZERLAND | | 50.09 | 50.10 |
| MULTIEDICIONES UNIVERSALES | MADRID, SPAIN | | 99.97 | 100.00 |
| NICE MATIN | 214, route de Grenoble - 06200 NICE, FRANCE | 955 801 204 | 78.48 | 98.15 |
| NOU. MAG. SRL | MILAN, ITALY | | 100.00 | 100.00 |
| PRESSINTER | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 407 679 026 | 99.96 | 100.00 |
| PUBLICACIONES HACHETTE FILIPACCHI | MADRID, SPAIN | | 99.97 | 100.00 |
| PUBLICATIONS FRANCE MONDE | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 562 113 787 | 99.94 | 99.97 |
| PUBLICATIONS GROUPE LOISIRS (P.G.L.) | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 338 195 720 | 99.97 | 100.00 |
| QUILLET S.A. | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 542 043 971 | 99.96 | 99.99 |
| REVISTAS HISPANO AMERICANAS | MADRID, SPAIN | | 99.11 | 100.00 |
| SOCIETE DE CONCEPTION DE PRESSE ET D'EDITION (S.C.P.E.) | 149-151, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 431 876 499 | 79.98 | 80.00 |
| SOCIETE DE PRESSE H&H | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 452 134 307 | 99.97 | 100.00 |
| SOCIETE DE TRAITEMENT DES PRODUITS DE PRESSE (S.T.P.P.) | 10, rue Thierry Le Luron - 92300 LEVALLOIS-PERRET, FRANCE | 732 053 491 | 99.97 | 100.00 |
| SOCIETE D'EXPLOITATION DES AGENCES DE PRESSE | 7/9, rue de la Bourse - 75002 PARIS, FRANCE | 391 817 467 | 99.97 | 100.00 |
| SOCIETE D'INFORMATION ET DE PUBLICATION | 151, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 324 864 172 | 99.92 | 99.93 |
| SODIPHO | 13, rue d'Enghien - 75010 PARIS, FRANCE | 382 799 245 | 99.85 | 100.00 |
| SOGIDE | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 311 845 226 | 59.98 | 60.00 |
| **TELEPHONE PUBLISHING GROUP** | | | | |
| TELEPHONE PUBLISHING | MADRID, SPAIN | | 71.75 | 72.40 |
| GABINETE ASTROLOGICO | MADRID, SPAIN | | 71.75 | 100.00 |
| SISTEMAS TELEFONICOS AUXILIARES | MADRID, SPAIN | | 71.75 | 100.00 |
| TELEFONIA DE FUTURO | MADRID, SPAIN | | 71.75 | 100.00 |
| VALOR ANADIDO TELEFONICO | MADRID, SPAIN | | 71.75 | 100.00 |
| **IMG GROUP** | | | | |
| JOHEMA LTD | MOSCOW, RUSSIA | | 50.98 | 100.00 |
| I.M.G | MOSCOW, RUSSIA | | 43.35 | 85.00 |
| AGENTSTVO V KAZHDY DOM N | NIZHNIY NOVGOROD, RUSSIA | | 39.00 | 90.00 |
| ANTENNA (MINSK) | MINSK, RUSSIA | | 23.83 | 55.00 |
| EDITORIAL OFFICE OF NEWSPAPER | MOSCOW, RUSSIA | | 47.16 | 100.00 |
| EDITORIAL OFFICE TELESEM | ASTRAKHAN, RUSSIA | | 22.10 | 51.00 |

## Print Media (continued)

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| **IMG GROUP** (continued) | | | | |
| EXPRESS-SOTCHI | SOTCHI, RUSSIA | | 24.70 | 57.00 |
| GAZETA NIZHEGORODSKI RABOCHI | NIZHNIY NOVGOROD, RUSSIA | | 22.33 | 51.54 |
| GAZETA PRIZYV | VLADIMIR, RUSSIA | | 20.80 | 48.00 |
| GAZETA TELENEDELYA | YEKATERINBURG, RUSSIA | | 43.33 | 100.00 |
| GAZETA TELENEDELYA | PERM, RUSSIA | | 23.40 | 54.00 |
| GAZETA TELESEM | MAGNITOGORSK, RUSSIA | | 22.10 | 51.00 |
| GAZETA V KAZHDY DOM | YEKATERINBURG, RUSSIA | | 43.33 | 100.00 |
| GAZETA VA-BANK | YEKATERINBURG, RUSSIA | | 43.33 | 100.00 |
| MEDIA RESERVE (CHISINAU) | CHISINAU, RUSSIA | | 22.10 | 51.00 |
| MEDIA RESERVE (KAZAN) | KAZAN, RUSSIA | | 21.67 | 50.00 |
| MEDIA RESERVE (KURSK) | KURSK, RUSSIA | | 43.33 | 100.00 |
| MEDIA RESERVE (RYAZAN) | RYAZAN, RUSSIA | | 29.90 | 69.00 |
| MEDIA RESERVE (SAMARA) | SAMARA, RUSSIA | | 43.33 | 100.00 |
| MEDIA RESERVE (SOTCHI) | SOTCHI, RUSSIA | | 43.33 | 100.00 |
| MEDIA RESERVE (VLADIMIR) | VLADIMIR, RUSSIA | | 43.33 | 100.00 |
| MEDIA RESERVE (VOLGOGRAD) | VOLGOGRAD, RUSSIA | | 43.33 | 100.00 |
| MIG | MOSCOW, RUSSIA | | 43.33 | 100.00 |
| RG PRESS-SERVICE | YEKATERINBURG, RUSSIA | | 43.33 | 100.00 |
| TELESEM-ASTRAKHANI | ASTRAKHAN, RUSSIA | | 43.33 | 100.00 |
| TELESEM-BARNAUL | BARNAUL, RUSSIA | | 28.60 | 100.00 |
| TELESEM-CHEBOKSARAKH | CHEBOKSARY, RUSSIA | | 26.96 | 90.00 |
| TELESEM-CHELIABINSK | CHELYABINSK, RUSSIA | | 35.97 | 83.00 |
| TELESEM-IRKUTSK | IRKUTSK, RUSSIA | | 22.10 | 51.00 |
| TELESEM-KAZANI | KAZAN, RUSSIA | | 22.10 | 51.00 |
| TELESEM-KEMEROVO | KEMEROVO, RUSSIA | | 14.59 | 51.00 |
| TELESEM-KIROVE | KIROV, RUSSIA | | 18.34 | 51.00 |
| TELESEM-KRASNODAR | KRASNODAR, RUSSIA | | 43.33 | 100.00 |
| TELESEM-KRASNOYARSK | KRASNOYARSK, RUSSIA | | 43.33 | 100.00 |
| TELESEM-LIPETSK | LIPETSK, RUSSIA | | 22.10 | 51.00 |
| TELESEM-NOVGORODE | NIZHNIY NOVGOROD, RUSSIA | | 35.97 | 83,00 |
| TELESEM-NOVOSIBIRSK | NOVOSIBIRSK, RUSSIA | | 28.60 | 66.00 |
| TELESEM-OMSK | OMSK, RUSSIA | | 28.60 | 100.00 |
| TELESEM-ORENBURG | ORENBURG, RUSSIA | | 39.00 | 90.00 |
| TELESEM-PENZA | PENZA, RUSSIA | | 18.34 | 51.00 |
| TELESEM-ROSTOVE | ROSTOV-ON-DON, RUSSIA | | 43.33 | 100.00 |
| TELESEM-RYAZAN | RYAZAN, RUSSIA | | 22.10 | 51.00 |
| TELESEM-SAMARA | SAMARA, RUSSIA | | 21.67 | 50.00 |
| TELESEM-SARANSKE | SARANSK, RUSSIA | | 35.97 | 83.00 |
| TELESEM-SARATOV | SARATOV, RUSSIA | | 39.00 | 90.00 |
| TELESEM-STAVROPOL | STAVROPOL, RUSSIA | | 43.33 | 100.00 |
| TELESEM-SURGUT | SURGUT, RUSSIA | | 22.10 | 51.00 |
| TELESEM-TOMSK | TOMSK, RUSSIA | | 17.16 | 60.00 |
| TELESEM-TVERI | TVER, RUSSIA | | 22.10 | 51.00 |
| TELESEM-TYUMEN | TYUMEN, RUSSIA | | 22.10 | 51.00 |
| TELESEM-UFE | UFA, RUSSIA | | 22.10 | 51.00 |

## Print Media (continued)

| Company | Head office | Registration number | % holding | % de control |
|---|---|---|---|---|
| **IMG GROUP** (continued) | | | | |
| TELESEM-ULIANOVSKE | ULIANOVSK, RUSSIA | | 28.17 | 65.00 |
| TELESEM-VLADIMIR | VLADIMIR, RUSSIA | | 32.50 | 75.00 |
| TELESEM-VLADIVOSTOKE | VLADIVOSTOK, RUSSIA | | 14.59 | 51.00 |
| TELESEM-VOLGOGRADE | VOLGOGRAD, RUSSIA | | 42.90 | 99.00 |
| TELESEM-YAROSLAVI | YAROSLAVL, RUSSIA | | 43.33 | 100.00 |
| VA-BANK-KAZAN | KAZAN, RUSSIA | | 22.10 | 51.00 |
| VA-BANK-NOVOSIBIRSKE | NOVOSIBIRSK, RUSSIA | | 43.33 | 100.00 |
| VA-BANK-PERM | PERM, RUSSIA | | 33.37 | 77.00 |

## Distribution Services

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| HACHETTE DISTRIBUTION SERVICES | 2, rue Lord Byron - 75008 PARIS, FRANCE | 330 814 732 | 100.00 | 100.00 |
| AELIA | 114, avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE | 380 253 518 | 84.49 | 84.49 |
| AELIA UK | LONDON, UNITED-KINGDOM | | 84.49 | 100.00 |
| AEROBOUTIQUE FRANCE | 114, avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE | 380 193 938 | 84.49 | 100.00 |
| AEROBOUTIQUE INFLIGHT RETAIL | ZAC du Parc 12 rue St Exupéry - 77290 COMPANS, FRANCE | 408 053 809 | 55.56 | 65.76 |
| AEROBOUTIQUE INFLIGHT RETAIL UK | LONDON, UNITED-KINGDOM | | 55.56 | 100.00 |
| AEROBOUTIQUE RETAIL GROUPE | LONDON, UNITED-KINGDOM | | 41.67 | 75.00 |
| AEROBOUTIQUE SALES GROUPE | CASABLANCA, MOROCCO | | 44.45 | 80.00 |
| AMP | BRUSSELS, BELGIUM | | 92.60 | 92.60 |
| ALVADIS | BRUSSELS, BELGIUM | | 92.59 | 100.00 |
| CHAUSSEM | BRUSSELS, BELGIUM | | 92.59 | 99.99 |
| CURTIS CIRCULATION COMPANY | PENNSAUKEN, USA | | 90.00 | 90.00 |
| DIPRENSA | MADRID, SPAIN | | 66.86 | 66.86 |
| DISTRIDIJLE | MALINES, BELGIUM | | 92.60 | 100.00 |
| DISTRILIM | HASSELT, BELGIUM | | 92.60 | 100.00 |
| DISTRISUD | LIEGE, BELGIUM | | 92.52 | 99.92 |
| DISTRIVESDRE | VERVIERS, BELGIUM | | 78.71 | 85.00 |
| DISTRIWEST NV | REKKEM, BELGIUM | | 92.60 | 100.00 |
| DUTY FREE ASSOCIATES | 114, avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE | 423 402 312 | 84.49 | 100.00 |
| DYNAPRESSE | CAROUGE, SWITZERLAND | | 62.28 | 100.00 |
| EURODIS | 114, avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE | 428 705 982 | 84.49 | 100.00 |
| HACHETTE DISTRIBUTION & SERVICES | BRUSSELS, BELGIUM | | 92.42 | 100.00 |
| HACHETTE DISTRIBUTION SERVICES FRANCE | 2, rue Lord Byron - 75008 PARIS, FRANCE | 389 540 378 | 100.00 | 100.00 |
| HACHETTE DISTRIBUTION INC. | PENNSAUKEN, USA | | 100.00 | 100.00 |
| H.D.S. AUSTRALIA PTY | SYDNEY, AUSTRALIA | | 100.00 | 100.00 |
| H.D.S. CANADA | MONTREAL, CANADA | | 100.00 | 100.00 |
| H.D.S. DEUTSCHLAND | HUERTH HERMUELHEIM, GERMANY | | 100.00 | 100.00 |
| H.D.S. EINZELHANDEL | DIETZENBACH, GERMANY | | 100.00 | 100.00 |
| H.D.S. HONG KONG | HONG KONG, CHINA | | 100.00 | 100.00 |
| H.D.S. POLSKA | WARSAW, POLAND | | 100.00 | 100.00 |
| H.D.S. RETAIL NORTH AMERICA | NEW YORK, USA | | 100.00 | 100.00 |
| INMEDIO | GDANSK, POLAND | | 100.00 | 100.00 |

## Distribution Services (continued)

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| INTERNATIONALE PRESSE | DIETZENBACH, GERMANY | | 75.10 | 100.00 |
| I.B.D. | OSTENDE, BELGIUM | | 92.60 | 100.00 |
| LE FURET DU NORD | 37, rue Jules Guesde - 59160 LOMME, PARIS, FRANCE | 459 500 864 | 99.85 | 99.85 |
| MARKEDIS | MADRID, SPAIN | | 100.00 | 100.00 |
| MEDICOM SANTE | 126, rue Jules Guesde - 92300 LEVALLOIS-PERRET, FRANCE | 451 199 947 | 51.00 | 51.00 |
| MUSIC RAILWAY | 52, avenue des Champs-Elysées - 75008 PARIS, FRANCE | 414 434 431 | 99.99 | 100.00 |
| NAVILLE | CAROUGE, SWITZERLAND | | 62.34 | 100.00 |
| NEWSLINK | SYDNEY, AUSTRALIA | | 100.00 | 100.00 |
| O.L.F. | FRIBOURG, SWITZERLAND | | 62.34 | 100.00 |
| PAYOT NAVILLE DISTRIBUTION | FRIBOURG, SWITZERLAND | | 62.34 | 65.00 |
| PAYOT S.A. | LAUSANNE, SWITZERLAND | | 62.32 | 99.97 |
| PRESSE IMPORT SA | CORMINBOEUF, SWITZERLAND | | 62.34 | 100.00 |
| PRESS RELAY LOGAN | NEW YORK, USA | | 87.00 | 87.00 |
| PRESS RELAY/RMD - DELTA | NEW YORK, USA | | 83.00 | 83.00 |
| PRESS RELAY WASHINGTON NATIONAL | NEW YORK, USA | | 90.00 | 90.00 |
| PRESS-SHOP ALG | BRUSSELS, BELGIUM | | 75.69 | 81.75 |
| RELAIS H | 126, rue Jules Guesde - 92300 LEVALLOIS-PERRET, FRANCE | 542 095 336 | 100.00 | 100.00 |
| RELAY SP ZOO | WARSAW, POLAND | | 100.00 | 100.00 |
| SAARBACH | HUERTH HERMUELHEIM, GERMANY | | 75.10 | 75.10 |
| SARESCHRI | 114, avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE | 418 459 566 | 42.25 | 50.00 |
| SCHULZE GMBH | DIETZENBACH, GERMANY | | 100.00 | 100.00 |
| SCSC | 126, rue Jules Guesde - 92300 LEVALLOIS-PERRET, FRANCE | 431 960 004 | 100.00 | 100.00 |
| SECJ | 126, rue Jules Guesde - 92300 LEVALLOIS-PERRET, FRANCE | 447 707 571 | 60.00 | 60.00 |
| SIGMA | MADRID, SPAIN | | 100.00 | 100.00 |
| SOCIEDAD GENERAL ESPANOLA DE LIBRERIA (SGEL) | MADRID, SPAIN | | 100.00 | 100.00 |
| SPECIAL INTEREST | DIETZENBACH, GERMANY | | 75.01 | 100.00 |
| TIZZIT SA | BRUSSELS, BELGIUM | | 92.60 | 100.00 |
| VIRGIN CAFE | 15 boulevard du Général Leclerc - 92110 CLICHY, FRANCE | 309 481 158 | 100.00 | 100.00 |
| VIRGIN IMMOBILIER PLACEMENT | 16 boulevard du Général Leclerc - 92110 CLICHY, FRANCE | 377 977 269 | 100.00 | 100.00 |
| VIRGIN STORES | 17 boulevard du Général Leclerc - 92110 CLICHY, FRANCE | 344 260 286 | 100.00 | 100.00 |
| ZENDIS ESPAGNE | MADRID, SPAIN | | 100.00 | 100.00 |
| **LAPKER GROUP** | | | | |
| LAPKER | BUDAPEST, HUNGARY | | 80.01 | 80.01 |
| BAKONYHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| BUVIHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| DELHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| ESZAKHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| HIRKER | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| KISKER | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| KOROSHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| PANNONHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| PELSOHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| RABAHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |
| RONAHIR | BUDAPEST, HUNGARY | | 80.01 | 100.00 |

## Lagardere Active

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| **LAGARDERE ACTIVE BROADCAST** | | | | |
| LAGARDERE ACTIVE BROADCAST | 57, rue Grimaldi - 98000 MONACO, MONACO | 775 751 779 | 99.18 | 99.32 |
| 13 PRODUCTION | 6 A, rue Crinas Prolongée - 13007 MARSEILLES, FRANCE | 332 148 303 | 66.20 | 100.00 |
| AKA FILMS | 64, rue du Château - 92100 BOULOGNE, FRANCE | 434 096 293 | 34.08 | 51.49 |
| AMAYA-TECHNISONOR | 1, rond-point Victor Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE | 542 088 604 | 66.20 | 100.00 |
| ANGEL PRODUCTIONS | 1, rond-point Victor Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE | 384 015 491 | 66.20 | 100.00 |
| ATLANTIQUE PRODUCTIONS | 27, rue Marbeuf - 75008 PARIS, FRANCE | 324 873 421 | 66.21 | 100.00 |
| AUBES PRODUCTIONS | 27, rue Marbeuf - 75008 PARIS, FRANCE | 429 138 019 | 30.04 | 45.00 |
| BR COM | 28, rue François 1er - 75008 PARIS, FRANCE | 421 379 108 | 99.18 | 100.00 |
| C.E.R.T. | SAARBRUCK, GERMANY | | 98.89 | 99.81 |
| CANAL J | 12, rue d'Oradour sur Glane - 75015 PARIS, FRANCE | 343 509 048 | 81.48 | 100.00 |
| CANAL J INTERNATIONAL | 12, rue d'Oradour sur Glane - 75015 PARIS, FRANCE | 342 059 466 | 81.48 | 100.00 |
| COMPAGNIE DES CHAINES THEMATIQUES | 78, rue Olivier de Serres - 75015 PARIS, FRANCE | 392 810 263 | 64.46 | 99.99 |
| D.M.L.S. J | 20, rue Pergolèse - 75016 PARIS, FRANCE, FRANCE | 431 280 460 | 33.10 | 50.00 |
| D.M.L.S. TV | 20, rue Pergolèse - 75116 PARIS, FRANCE, FRANCE | 413 155 524 | 66.20 | 100.00 |
| DEMD PRODUCTIONS (formerly PATHE TELEVISION) | 27, rue Marbeuf - 75008 PARIS, FRANCE | 377 608 377 | 66.20 | 100.00 |
| EDI POLOGNE | 28, rue François 1er - 75008 PARIS, FRANCE | 420 304 180 | 99.18 | 100.00 |
| EDI ROMANIA | BUCHAREST, ROMANIA | | 79.34 | 80.00 |
| EUROPA MEDIA GROUPE | MOSCOW, RUSSIA | | 97.19 | 100.00 |
| EDITIONS MUSICALES FRANCOIS 1er | 14, rue Pergolèse - 75116 PARIS, FRANCE, FRANCE | 381 649 771 | 66.27 | 100.00 |
| EUROPA PLUS FRANCE | 26 bis, rue François 1er - 75008 PARIS, FRANCE | 354 076 176 | 97.19 | 97.97 |
| EUROPA PLUS NIJNI NOVGOROD | NIZHNIY NOVGOROD, RUSSIA | | 97.19 | 100.00 |
| EUROPA PLUS SAINT-PETERSBOURG ZAO | SAINT-PETERSBOURG, RUSSIA | | 97.19 | 100.00 |
| EUROPA PLUS VYBORG | SAINT-PETERSBOURG, RUSSIA | | 83.30 | 85.00 |
| EUROPA PLUS ZAO | MOSCOW, RUSSIA | | 97.19 | 100.00 |
| EUROPE 1 IMMOBILIER | 26 bis, rue François 1er - 75008 PARIS, FRANCE | 622 009 959 | 89.19 | 90.00 |
| EUROPE 1 TELECOMPAGNIE | 26 bis, rue François 1er - 75008 PARIS, FRANCE | 542 168 463 | 99.08 | 100.00 |
| EUROPE 2 COMMUNICATION | 26 bis, rue François 1er - 75008 PARIS, FRANCE | 339 696 072 | 99.18 | 100.00 |
| EUROPE 2 ENTREPRISES | 28, rue François 1er - 75008 PARIS, FRANCE | 352 819 577 | 99.18 | 100.00 |
| EUROPE 2 NORMANDIE | 10, rue Sadi Carnot - 14000 CAEN, FRANCE | 347 736 597 | 99.18 | 100.00 |
| EUROPE 2 PARIS | 28, rue François 1er - 75008 PARIS, FRANCE | 331 100 446 | 99.18 | 100.00 |
| EUROPE 2 PRAGUE | PRAGUE, CZECH REPUBLIC | | 99.18 | 100.00 |
| EUROPE AUDIOVISUEL | 26 bis, rue François 1er - 75008 PARIS, FRANCE | 309 001 477 | 66.20 | 100.00 |
| EUROPE AUDIOVISUEL DEVELOPPEMENT | 57, rue Grimaldi - 98000 MONACO, MONACO | | 66.09 | 99.83 |
| EUROPE DEVELOPPEMENT CZECH REPUBLIC | PRAGUE, CZECH REPUBLIC | | 99.18 | 100.00 |
| RFM ENTREPRISE (formerly EUROPE FM) | 28, rue François 1er - 75008 PARIS, FRANCE | 405 188 871 | 99.18 | 100.00 |
| EUROPE IMAGES INTERNATIONAL | 1, rond-point Victor Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE | 339 412 611 | 66.20 | 100.00 |
| EUROPE NEWS | 26 bis, rue François 1er - 75008 PARIS, FRANCE | 343 508 750 | 99.08 | 100.00 |
| EUROZET | WARSAW, POLAND | | 99.18 | 100.00 |
| FRANKFURT BUSINESS RADIO GmbH & Co KG | FRANKFURT AM MAIN, GERMANY | | 66.61 | 67.29 |
| GMT PRODUCTIONS | 64, rue du Château - 92100 BOULOGNE, FRANCE | 342 171 667 | 66.20 | 100.00 |
| HACHETTE PREMIERE & CIE | 25, rue François 1er - 75008 PARIS, FRANCE | 334 805 686 | 66.20 | 100.00 |
| IMAGE & COMPAGNIE | 14, rue Pergolèse - 75116 PARIS, FRANCE | 334 027 620 | 66.20 | 100.00 |
| IMAGES ET SON CONSEIL | 57, rue Grimaldi - 98000 MONACO, MONACO | | 99.18 | 100.00– |

## Lagardere Active (continued)

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| INFINITIV | PRAGUE, CZECH REPUBLIC | | 99.18 | 100.00 |
| INTEGRATED NETWORKS | MOSCOW, RUSSIA | | 49.57 | 51.00 |
| IRS FRANCE | 28, rue François 1er - 75008 PARIS, FRANCE | 378 394 258 | 99.18 | 100.00 |
| KANOKO BV | AMSTERDAM, The NETHERLANDS | | 99.18 | 100.00 |
| LA CHAINE METEO | 78, rue Olivier de Serres - 75015 PARIS, FRANCE | 393 326 285 | 64.46 | 100.00 |
| LAGARDERE ACTIVE FM | 28, rue François 1er - 75008 PARIS, FRANCE | 441 942 760 | 99.18 | 100.00 |
| LAGARDERE ACTIVE MANAGEMENT | 28, rue François 1er - 75008 PARIS, FRANCE | 353 057 854 | 99.18 | 100.00 |
| LAGARDERE ACTIVE PUBLICITE | 28, rue François 1er - 75008 PARIS, FRANCE | 383 085 883 | 99.18 | 100.00 |
| LAGARDERE ACTIVE PUBLICITE INTERNET | 28, rue François 1er - 75008 PARIS, FRANCE | 407 529 320 | 99.18 | 100.00 |
| LAGARDERE ACTIVE PUBLICITE REGIONS | 28, rue François 1er - 75008 PARIS, FRANCE | 329 209 993 | 99.18 | 100.00 |
| LAGARDERE ACTIVE PUBLICITE SERVICES | 31, rue du Colisée - 75008 PARIS, FRANCE | 443 001 805 | 99.18 | 100.00 |
| LAGARDERE ACTIVE RADIO INTERNATIONAL | 28, rue François 1er - 75008 PARIS, FRANCE | 388 404 717 | 99.18 | 100.00 |
| LAGARDERE IMAGES | 28, rue François 1er - 75008 PARIS, FRANCE | 334 595 881 | 64.46 | 65.00 |
| LAGARDERE IMAGES INTERNATIONAL | 1, rond-point Victor Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE | 612 039 164 | 66.20 | 100.00 |
| LAGARDERE NETWORKS INTERNATIONAL | 1, rond-point Victor Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE | 381 651 744 | 66.27 | 100.00 |
| LAGARDERE THEMATIQUES | 32, Rue François 1er - 75008 PARIS, FRANCE | 350 787 594 | 81.48 | 100.00 |
| LARI DEUTSCHLAND GMBH | SAARBRUCK, GERMANY | | 99.18 | 100.00 |
| LAROCCO GROUP | MOSCOW, RUSSIA | | 97.19 | 100.00 |
| LEO VISION | 27, rue Jean Bleuzen - 92170 VANVES, FRANCE | 383 160 942 | 66.20 | 100.00 |
| LES FILMS D'ICI | 12, rue Clavel - 75019 PARIS, FRANCE | 329 460 448 | 33.75 | 50.99 |
| LES PRODUCTIONS 22 | 50, rue Marcel Dassault - 92100 BOULOGNE, FRANCE | 423 324 862 | 66.20 | 100.00 |
| M5 (formerly SOLOVEICIK & Cie) | 1, rond-point Victor Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE | 424 230 225 | 66.20 | 100.00 |
| MANOCO | MOSCOW, RUSSIA | | 99.18 | 100.00 |
| MATCH TV | 28, rue François 1er - 75008 PARIS, FRANCE | 438 604 738 | 64.46 | 99.97 |
| MAXIMAL NEWS TELEVISION | 28, rue François 1er - 75008 PARIS, FRANCE | 384 316 907 | 66.20 | 100.00 |
| MAXIMAL PRODUCTIONS | 28, rue François 1er - 75008 PARIS, FRANCE | 432 608 313 | 66.20 | 100.00 |
| MCM | 28, rue François 1er - 75008 PARIS, FRANCE | 384 939 484 | 81.48 | 100.00 |
| MCM BELGIQUE | BRUSSELS, BELGIUM | | 81.46 | 100.00 |
| MEDIA PLUS REGION (SAMRA & TOGLIATTI) | MOSCOW, RUSSIA | | 49.57 | 51.00 |
| RADIOFM | MOSCOW, RUSSIA | | 97.19 | 100.00 |
| RADIO FM SAINT-PETERSBURG | SAINT-PETERSBURG, RUSSIA | | 97.19 | 100.00 |
| MEDIA PLUS ZAO | MOSCOW, RUSSIA | | 97.19 | 100.00 |
| MEZZO | 28, rue François 1er - 75008 PARIS, FRANCE | 418 141 685 | 48.89 | 60.00 |
| MMT | MOSCOW, RUSSIA | | 49.57 | 51.00 |
| NATURE TV | 28, rue François 1er - 75008 PARIS, FRANCE | 441 273 059 | 99.18 | 100.00 |
| OMEGA | MOSCOW, RUSSIA | | 97.19 | 100.00 |
| PALETTE PRODUCTION | 140, rue de Rivoli - 75001 PARIS, FRANCE | 398 762 955 | 66.20 | 74.80 |
| PARIS NEWS | 1, rond-point Victor Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE | 417 778 727 | 66.20 | 100.00 |
| PERFORMANCES | 28, rue François 1er - 75008 PARIS, FRANCE | 327 655 551 | 99.18 | 100.00 |
| PROMOTION ET SPECTACLES D'EUROPE 1 | 26 bis, rue François 1er - 75008 PARIS, FRANCE | 632 042 495 | 99.08 | 100.00 |
| RADIO 4 IN 1 | FRANKFURT AM MAIN, GERMANY | | 66.61 | 100.00 |
| RADIO BONTON | MOSCOW, RUSSIA | | 99.18 | 100.00 |
| RADIO MERCHANDISING COMPANY | PRAGUE, CZECH REPUBLIC | | 99.18 | 100.00 |
| RADIO RETRO ZAO | MOSCOW, RUSSIA | | 97.19 | 100.00 |

## Lagardere Active (continued)

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| RADIO STACJA | WARSAW, POLAND | | 66.45 | 67.00 |
| RADIO VOLNA | YEKATERINBOURG, RUSSIA | | 49.57 | 51.00 |
| RADIOZET | WARSAW, POLAND | | 99.18 | 100.00 |
| REGIE 1 | 28, rue François 1er - 75008 PARIS, FRANCE | 383 154 663 | 50.38 | 51.00 |
| REGIE RADIO MUSIC | 26 bis, rue François 1er - 75008 PARIS, FRANCE | 341 949 923 | 99.18 | 100.00 |
| RETRO NOVOSIBIRSK | NOVOSIBIRSK, RUSSIA | | 49.57 | 51.00 |
| RFM ENTREPRISES | 28, rue François 1er - 75008 PARIS, FRANCE | 400 283 768 | 99.18 | 100.00 |
| RG FREKVENCE 1 | PRAGUE , CZECH REPUBLIC | | 99.18 | 100.00 |
| RRM BUCAREST | BUCHAREST, ROMANIA | | 99.18 | 100.00 |
| RRM PRAGUE | PRAGUE, CZECH REPUBLIC | | 99.18 | 100.00 |
| SATEL J | 78, rue Olivier de Serres - 75015 PARIS, FRANCE | 380 200 485 | 66.20 | 100.00 |
| SOFINEUROPE | 25, rue François 1er - 75008 PARIS, FRANCE | 404 213 126 | 66.20 | 99.75 |
| SOLANGE | MOSCOW, RUSSIA | | 97.19 | 100.00 |
| STUDIO ZET | WARSAW, POLAND | | 99.18 | 100.00 |
| TIMOON ANIMATION | 4, place de Brazzavile - 75015 PARIS, FRANCE | 448 829 275 | 43.69 | 66.00 |
| TOP 50 | 25, rue François 1er - 75008 PARIS, FRANCE | 307 718 320 | 66.20 | 100.00 |
| **LAGARDERE ACTIVE BROADBAND** | | | | |
| LAGARDERE ACTIVE | 121, avenue de Malakoff - 75216 PARIS, FRANCE | 428 705 537 | 100.00 | 100.00 |
| CYBERTERRE | 43, quai de Grenelle - 75015 PARIS, FRANCE | 434 661 419 | 100.00 | 100.00 |
| EUROPE 1 INTERACTIVE | 11, rue de Cambrai - 75019 PARIS, FRANCE | 415 096 502 | 100.00 | 100.00 |
| HACHETTE BOOK GROUP Inc. | NEW YORK, USA | | 100.00 | 100.00 |
| HACHETTE PRODUCTIONS Inc. | NEW YORK, USA | | 100.00 | 100.00 |
| HACHETTE MULTIMEDIA | 11, rue de Cambrai - 75019 PARIS, FRANCE | 390 287 407 | 100.00 | 100.00 |
| LAGARDERE ACTIVE BROADBAND | 11, rue de Cambrai - 75019 PARIS, FRANCE | 343 611 208 | 100.00 | 100.00 |
| LAGARDERE ACTIVE BROADBAND MANAGEMENT | 11, rue de Cambrai - 75019 PARIS, FRANCE | 420 442 428 | 100.00 | 100.00 |
| L.A.N.A. | NEW YORK, USA | | 100.00 | 100.00 |
| MEDIACAST | 11, rue de Cambrai - 75019 PARIS, FRANCE | 428 706 170 | 100.00 | 99.76 |
| PLURIMEDIA | 11, rue de Cambrai - 75019 PARIS, FRANCE | 420 919 904 | 99.80 | 99.80 |
| PLURIMEDIA SPECTACLES | 11, rue de Cambrai - 75019 PARIS, FRANCE | 334 937 563 | 99.80 | 100.00 |
| TELEVISION HOLDINGS | 121, avenue de Malakoff - 75216 PARIS, FRANCE | 401 570 502 | 100.00 | 100.00 |
| **LEGION GROUP** | | | | |
| LEGION GROUP SA | 121, avenue de Malakoff - 75216 PARIS, FRANCE | 388 581 555 | 100.00 | 100.00 |
| FABIAN HOLDINGS BV | AMSTERDAM, The NETHERLANDS | | 100.00 | 100.00 |
| GREENLAND INTERACTIVE Ltd | LONDON, UNITED-KINGDOM | | 50.00 | 50.00 |
| LEGION UK Ltd | LONDON, UNITED-KINGDOM | | 100.00 | 100.00 |
| LEGION TELEKOMMUNIKATION GmbH | DUSSELDORF, GERMANY | | 100.00 | 100.00 |
| WAP TOO | 8, rue de Hanovre - 75002 PARIS, FRANCE | 431 411 016 | 100.00 | 100.00 |

## Other Activities

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| HACHETTE LIVRE | 43, quai de Grenelle - 75015 PARIS, FRANCE | 602 060 147 | 100.00 | 100.00 |
| LAGARDERE SCA | 4, rue de Presbourg - 75116 PARIS, FRANCE, FRANCE | 320 366 446 | | |
| ARJIL ET ASSOCIES | 43, rue Vineuse - 75116 PARIS, FRANCE, FRANCE | 418 883 203 | 100.00 | 100.00 |
| ARJIL ET CIE | 43, rue Vineuse - 75116 PARIS, FRANCE, FRANCE | 320 366 453 | 100.00 | 99.92 |
| ARLIS | 6 rue Laurent Pichat 75016 PARIS, FRANCE | 400 231 056 | 100.00 | 100.00 |
| AXELIS | 11 rue Pierre Rigaud - 94200 IVRY-SUR-SEINE, FRANCE | 451 344 238 | 100.00 | 100.00 |
| DARIADE | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 400 231 072 | 100.00 | 100.00 |
| DESIRADE | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 402 345 268 | 100.00 | 100.00 |
| ECRINVEST 4 | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 434 211 793 | 100.00 | 100.00 |
| ECRINVEST 7 | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 451 291 371 | 100.00 | 100.00 |
| EDIFINANCE PARTICIPATION | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 440 143 741 | 100.00 | 100.00 |
| H.B.G. Inc | NEW YORK, USA | | 100.00 | 100.00 |
| HACHETTE S.A. | 4, rue de Presbourg - 75116 PARIS, FRANCE, FRANCE | 402 345 128 | 100.00 | 100.00 |
| HELIOS | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 433 436 870 | 100.00 | 100.00 |
| HOLPA | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 572 011 526 | 100.00 | 100.00 |
| LAGARDERE NORTH AMERICA, Inc | NEW YORK, USA | | 100.00 | 100.00 |
| LAGARDERE RESSOURCES | 121, avenue de Malakoff - 75016 PARIS, FRANCE, FRANCE | 348 991 167 | 100.00 | 100.00 |
| M N C | 121, avenue de Malakoff - 75016 PARIS, FRANCE, FRANCE | 345 078 927 | 100.00 | 100.00 |
| M.P. 55 | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 344 646 021 | 100.00 | 100.00 |
| M.P. 65 | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 348 971 854 | 99.42 | 99.42 |
| M.P. 98 | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 387 941 636 | 99.42 | 100.00 |
| MATRA MANUFACTURING & SERVICES - DEP | 8, avenue Jean d'Alembert - 78190 TRAPPES, FRANCE | | 100.00 | 100.00 |
| MATRA PARTICIPATIONS | 4, rue de Presbourg - 75116 PARIS, FRANCE, FRANCE | 303 600 902 | 100.00 | 100.00 |
| MATRAVISION INC | NEW YORK, USA | | 100.00 | 100.00 |
| PROMOTEC 5000 SL | MADRID, SPAIN | | 100.00 | 100.00 |
| SOFRIMO | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 569 803 687 | 100.00 | 100.00 |
| SOPREDIS | 5 place des Marseillais - 94220 CHARENTON-LE-PONT, FRANCE | 602 020 455 | 100.00 | 100.00 |
| TEAM LAGARDERE | 121, avenue de Malakoff - 75016 PARIS, FRANCE | 482 741 725 | 100.00 | 100.00 |
| **TRANSPORT GROUP** | | | | |
| MATRA TRANSPORT | 4, rue de Presbourg - 75116 PARIS, FRANCE | 662 000 447 | 100.00 | 100.00 |
| MATRA TRANSFINEX | 4, rue de Presbourg - 75116 PARIS, FRANCE, FRANCE | 343 607 255 | 100.00 | 100.00 |
| SOFIMATRANS | 4, rue de Presbourg - 75116 PARIS, FRANCE, FRANCE | 325 646 388 | 100.00 | 100.00 |

## COMPANIES CONSOLIDATED USING THE PROPORTIONATE METHOD AT 31 DECEMBER 2005

### Book Publishing

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| HARLEQUIN S.A. | 83/85, boulevard Vincent Auriol - 75013 PARIS, FRANCE | 318 671 591 | 50.00 | 50.00 |

### Print Media

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| DECOREVISTAS | MADRID, SPAIN | - | 49.99 | 50.00 |
| DISNEY HACHETTE PRESSE | 10, rue Thierry Le Luron - 92300 LEVALLOIS-PERRET, FRANCE | 380 254 763 | 49.99 | 50.00 |
| ELLE VERLAG | MUNICH, GERMANY | | 49.99 | 50.00 |
| GRIMOCO | CYPRUS | | 24,98 | 49.00 |
| HACHETTE FILIPACCHI MAG. SP. ZOO | WARSAW, POLAND | | 49.00 | 49.00 |
| HACHETTE MARIE-CLAIRE ITALIA | MILAN, ITALY | | 49.00 | 49.00 |
| HACHETTE MARIE-CLAIRE RUSSIE | MOSCOW, RUSSIA | | 49.00 | 49.00 |
| HACHETTE NEXT MEDIA | SEOUL, SOUTH KOREA | | 49.99 | 50.00 |
| INTERQUOT SNC | 23, rue Baudin - 92300 LEVALLOIS-PERRET, FRANCE | 439 758 509 | 49.99 | 50.00 |
| SOCIETE DE PRESSE FEMININE | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 441 174 554 | 49.98 | 50.00 |
| **PSYCHOLOGIES MAGAZINE GROUP** | | | | |
| PSYCHOLOGIES MAGAZINE (FINEV) | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 326 929 528 | 48.99 | 49.00 |
| INTERPSYCHO | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | 448 976 530 | 48.99 | 100.00 |

### Distribution Services

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| ADL PARTNER SUISSE | CAROUGE, SWITZERLAND | | 31.17 | 50.00 |
| AMADEO | PRAGUE, CZECH REPUBLIC | | 50.00 | 100.00 |
| HDS RETAIL CZ | PRAGUE, CZECH REPUBLIC | | 50.00 | 50.00 |
| HUNGARO PRESSE | BUDAPEST, HUNGARY | | 50.00 | 50.00 |
| LOGAIR | 4, place de Londres - 95726 ROISSY, FRANCE | 443 014 527 | 27.78 | 50.00 |
| M. TRAFIK | PRAGUE, CZECH REPUBLIC | | 50.00 | 100.00 |
| SOCIETE DE DISTRIBUTION AEROPORTUAIRE | 114, avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE | 552 016 628 | 43.09 | 51.00 |
| VIRGIN MEGA | 52, avenue des Champs-Elysées - 75008 PARIS, FRANCE | 432 573 806 | 51.00 | 51.00 |

## Lagardere Active

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| **LAGARDERE ACTIVE BROADCAST GROUP** | | | | |
| 107.89 ANTENNE AC GmbH | WURSELEN, GERMANY | | 44.55 | 100.00 |
| 107.89 ANTENNE AC GmbH & Co. KG | WURSELEN, GERMANY | | 44.55 | 100.00 |
| CAPITAL IMAGE | 64, rue du Château – 92100 BOULOGNE BILLANCOURT, FRANCE | 453 909 848 | 33.37 | 50.00 |
| EURO RADIO SAAR | SAARBRUCK, GERMANY | | 44.91 | 45.00 |
| JEUNESSE TV | 12, rue d'Oradour-sur-Glane - 75015 PARIS, FRANCE | 480 937 184 | 42.55 | 66.00 |
| NOUVELLES TELEVISONS NUMERIQUES | 28, rue François 1er - 75008 PARIS, FRANCE | 449 779 487 | 21.49 | 33.33 |
| PHARE OUEST PRODUCTIONS | 14, rue Pergolèse - 75116 PARIS, FRANCE, FRANCE | 449 491 166 | 33.10 | 50.00 |
| RADIO 3000 | EUPEN, BELGIUM | | 21.83 | 49.00 |
| RADMARK | Melis court 1-3 Meli road Rivogna 2128, SOUTH AFRICA | | 47.14 | 47.53 |
| VIRGIN MEGA | 52, avenue des Champs-Elysées - 75008 PARIS, FRANCE | 432 573 806 | 48.60 | 49.00 |

## Other Activities

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| SOGEADE | 121, avenue de Malakoff - 75216 PARIS, FRANCE | 401 959 994 | 50.00 | 50.00 |

## EADS Group

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| EADS and its subsidiaries | AMSTERDAM, The NETHERLANDS | | 14.95 | 14.95 |

## COMPANIES CONSOLIDATED USING THE EQUITY METHOD AT 31 DECEMBER 2005

### Book Publishing

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| EDITIONS J'AI LU | 87, quai Panhard et Levassor - 75013 PARIS, FRANCE | 582 039 673 | 35.33 | 35.33 |

### Print Media

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| 166440 CANADA INC | MONTREAL, CANADA | - | 33.32 | 49.00 |
| BAYARD HACHETTE ROUTAGE (BHR) | parc de Pontillat - 77340 PONTAULT COMBAULT, FRANCE | 326 966 660 | 49.97 | 49.99 |
| EDITIONS PHILIPPE AMAURY | 25, avenue Michelet - 93400 SAINT-OUEN, FRANCE | 552 102 121 | 24.99 | 25.00 |
| HACHETTE FILIPACCHI AUSTRALIA | SIDNEY, AUSTRALIA | | 99.97 | 100.00 |
| HACHETTE FILIPACCHI POST COMPANY | BANGKOK, THAILAND | | 48.99 | 49.00 |
| HACHETTE PACIFIC PTY LTD | SIDNEY, AUSTRALIA | | 49.99 | 50.00 |
| HACHETTE RIZZOLI INTERNATIONAL | AMSTERDAM, The NETHERLANDS | | 49.99 | 50.00 |
| HACHETTE RIZZOLI MAGAZINES | GERAKAS - ATTICA, GREECE | | 24.99 | 50.00 |
| HAFIBA | 11, rue de Rouvray - 92200 NEUILLY-SUR-SEINE, FRANCE | 410 476 592 | 49.98 | 49.99 |
| HOLDING E. PROUVOST | 149, rue Anatole France - 92300 LEVALLOIS-PERRET, FRANCE | | 41.99 | 42.00 |
| LES PUBLICATIONS TRANSCONTINENTALES HACHETTE | MONTREAL, CANADA | | 49.99 | 25.00 |
| PUBLIFA | 12, rue Ampère - 75017 PARIS, FRANCE | 429 556 640 | 49.99 | 50.00 |
| S.E.T.C. | 48/50, boulevard Senard - 92210 SAINT-CLOUD, FRANCE | 378 558 779 | 39.29 | 39.31 |
| SEFAM | 22, rue Huyghens - 75014 PARIS, FRANCE | 334 173 093 | 49.99 | 50.00 |
| SOCIETE FRANCAISE D'EDITIONS DE JOURNAUX ET D'IMPRIMES COMMERCIAUX (S.F.E.J.I.C.) | 25, avenue du Président Kennedy - 68000 MULHOUSE, FRANCE | 945 750 735 | 20.01 | 20.01 |

### Distribution Services

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| PHENIX AELIA PARTENAIRE | 114, avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE | 447 571 019 | 21.12 | 25.00 |

## Lagardere Active

| Company | Head office | Registration number | % holding | % control |
|---|---|---|---|---|
| **LAGARDERE ACTIVE BROADCAST GROUP** | | | | |
| EUROPE REGIES OUEST | 16, Avenue Henry Fréville - 35200 RENNES, FRANCE | 404 391 542 | 48.60 | 49.00 |
| FIRST HUNGARIAN RADIO | BUDAPEST, HUNGARY | | 24.79 | 25.00 |
| JACARANDA | CENTURION, SOUTH AFRICA | | 19.84 | 20.00 |
| RADIO 1 | BUDAPEST, HUNGARY | | 24.79 | 25.00 |
| RADIO XXI | BUCAREST, ROMANIA | | 19.84 | 20.00 |
| **LAGARDERE ACTIVE BROADBAND** | | | | |
| CANALSATELLITE | 85/89, quai André Citroën - 75015 PARIS, FRANCE | 383 866 795 | 34.00 | 34.00 |
| LE MONDE INTERACTIF | 16/18, quai de la Loire - 75019 PARIS, FRANCE | 419 388 673 | 34.00 | 34.00 |

## Other activities

| Company | Head office | Registration number | % d'intérêt | % de contrôle |
|---|---|---|---|---|
| C.V.T | 121, avenue de Malakoff - 75116 PARIS, FRANCE | 304 233 406 | 25.00 | 25.00 |

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## NOTE 34 FRENCH GAAP CONSOLIDATED FINANCIAL STATEMENTS FOR 2004 AND 2003

In application of European Commission regulation n°809/2004, the documents listed below are to be considered as an integral part of this Reference Document:

- The consolidated financial statements for the year 2004 and the related audit report appearing on pages 111 to 183 of the French Reference Document for 2004, filed with the *Autorité des Marchés Financiers* (AMF) on 6 April 2005 under registration number D.05-0355.
- The consolidated financial statements for the year 2003 and the related audit report appearing on pages 85 to 150 of the French Reference Document for 2003, filed with the *Autorité des Marchés Financiers* (AMF) on 7 April 2006 under registration number D.04-0424.

An English translation of the consolidated statements of income, statements of cash flows and balance sheets published for the years 2004 and 2003 is presented below.

### Consolidated income statement – French GAAP

| | | 2004 | | | 2003 | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Excluding EADS | EADS 15.10% | Lagardère Group | Excluding EADS | EADS 15.07% | Lagardère Group |
| Net sales | 8,594 | 4,795 | 13,389 | 7,944 | 4,510 | 12,454 |
| Other operating revenues | 584 | 4 | 588 | 604 | 11 | 615 |
| **Total operating revenues** | **9,178** | **4,799** | **13,977** | **8,548** | **4,521** | **13,069** |
| Purchases and changes in inventories | (4,427) | (2,943) | (7,370) | (4,268) | (2,829) | (7 097) |
| Other purchases and external charges | (2,349) | (25) | (2,374) | (2,163) | (36) | (2 199) |
| Taxes other than on income | (67) | | (67) | (57) | | (57) |
| Payroll costs | (1,520) | (1,197) | (2,717) | (1,377) | (1,145) | (2 522) |
| Depreciation and amortisation | (250) | (210) | (460) | (223) | (225) | (448) |
| Net provisions | (61) | (63) | (124) | (21) | (54) | (75) |
| **Total operating expenses** | **(8,674)** | **(4,438)** | **(13,112)** | **(8,109)** | **(4,289)** | **(12 398)** |
| **Operating income** | **504** | **361** | **865** | **439** | **232** | **671** |
| Interest income (expense), net | 44 | (51) | (7) | 62 | (20) | 42 |
| **Operating income after interest** | **548** | **310** | **858** | **501** | **212** | **713** |
| Non-operating expenses, net | (78) | (22) | (100) | (30) | (49) | (79) |
| Preferred remuneration | (1) | | (1) | (8) | | (8) |
| Income taxes | (151) | (107) | (258) | (121) | (72) | (193) |
| Amortisation of goodwill | (79) | (43) | (122) | (79) | (45) | (124) |
| **Net income of consolidated companies** | **239** | **138** | **377** | **263** | **46** | **309** |
| Net income from companies accounted for by the equity method | 40 | 13 | 53 | 11 | 38 | 49 |
| **Net income before minority interests** | **279** | **151** | **430** | **274** | **84** | **358** |
| Minority interests | (23) | (25) | (48) | (11) | (13) | (24) |
| **Net income** | **256** | **126** | **382** | **263** | **71** | **334** |

## Consolidated statement of cash flows – French GAAP

| *(in millions of euros)* | | 2004 Excluding EADS | 2004 EADS | 2004 Lagardère Group | 2003 Excluding EADS | 2003 EADS | 2003 Lagardère Group |
|---|---|---|---|---|---|---|---|
| Net income | | 256 | 126 | 382 | 263 | 71 | 334 |
| Minority interests in net income | | 23 | 25 | 48 | 11 | 13 | 24 |
| Share of income of companies accounted for by the equity method | | (40) | (13) | (53) | (11) | (38) | (49) |
| Dividends received from companies accounted for by the equity method | | 36 | 6 | 42 | 19 | 6 | 25 |
| Depreciation, amortisation and provisions | | 340 | 234 | 574 | 334 | 350 | 684 |
| Release of provisions for losses on long-term financial investments | | (101) | | (101) | (125) | (6) | (131) |
| Net change in deferred taxes [1] | | 42 | 88 | 130 | | (20) | (20) |
| Gains on disposals of fixed assets, net of tax | | (6) | (1) | (7) | (50) | (4) | (54) |
| Net change in working capital requirements | | (10) | 298 | 288 | 83 | 344 | 427 |
| **Cash flows from operations** | **(A)** | **540** | **763** | **1,303** | **524** | **716** | **1 240** |
| **Acquisitions of fixed assets and investments** | | | | | | | |
| Tangible and intangible assets | | (353) | (554) | (907) | (208) | (445) | (653) |
| Long-term financial investments | | (457) | (127) | (584) | (62) | (190) | (252) |
| | **(B)** | (810) | (681) | (1,491) | (270) | (635) | (905) |
| **Sales of fixed assets and investments** | | | | | | | |
| Tangible and intangible assets | | 27 | 16 | 43 | 7 | 8 | 15 |
| Long-term financial investments | | 682 | 81 | 763 | 157 | 60 | 217 |
| Decrease in other non-current assets | | 27 | 17 | 44 | 67 | 13 | 80 |
| | **(C)** | 736 | 114 | 850 | 231 | 81 | 312 |
| Decrease (increase) in marketable securities | **(D)** | (12) | (11) | (23) | 21 | 46 | 67 |
| **Cash flows from investments** | **(E) = (B)+(C)+(D)** | **(86)** | **(578)** | **(664)** | **(18)** | **(508)** | **(526)** |
| **Total cash flows from operations and investments** | **(F) = (A)+(E)** | **454** | **185** | **639** | **506** | **208** | **714** |
| **Capital transactions** | | | | | | | |
| Issue of common stock by the parent company | | 32 | | 32 | 10 | | 10 |
| Adjustments to minority interests from capital reorganisations | | 1 | | 1 | 2 | | 2 |
| Acquisition of treasury stock | | (19) | | (19) | | | |
| Dividends paid to shareholders[2] | | (77) | (49) | (126) | (74) | (37) | (111) |
| Dividends paid to minority interests | | (16) | (10) | (26) | (13) | (6) | (19) |
| **Financial transactions** | | | | | | | |
| Increase (decrease) in borrowings | | (133) | 71 | (62) | (119) | 171 | 52 |
| **Cash flows from financing activities** | **(G)** | **(212)** | **12** | **(200)** | **(194)** | **128** | **(66)** |
| **Other movements** | | | | | | | |
| Effect on cash of deconsolidation of Matra Automobile | | | | | (302) | | (302) |
| Effect on cash of acquisition of Editis | | 128 | 0 | 128 | | | |
| Effect on cash of exchange rate fluctuations | | (2) | (2) | (4) | (41) | (2) | (43) |
| Effect on cash of other movements | | (120) | 6 | (114) | | (24) | (24) |
| **Cash flows from other movements** | **(H)** | **6** | **4** | **10** | **(343)** | **(26)** | **(369)** |
| **Net increase (decrease) in cash** | **(I) = (F)+(G)+(H)** | **248** | **201** | **449** | **(31)** | **310** | **279** |
| **Net cash, beginning of year** | | **766** | **1,115** | **1,881** | **796** | **805** | **1,601** |
| **Net cash, end of year** | | **1,014** | **1,316** | **2,330** | **766** | **1,115** | **1,881** |

1 Including release of the provision for taxes on T-Online capital gain.
2 Including the portion of net income paid to the general partners.

## Consolidated Balance Sheet – French GAAP

| ASSETS *(in million of euros)* | 31 December 2004 Excluding EADS | EADS 15.10% | Total Group | 31 December 2003 Excluding EADS | EADS 15.04% | Total Group |
|---|---|---|---|---|---|---|
| Intangible assets | 2,260 | 82 | 2,342 | 1,714 | 49 | 1,763 |
| Property, plant and equipment | 665 | 1,846 | 2,511 | 529 | 1,598 | 2,127 |
| Goodwill | 993 | 669 | 1,662 | 1,040 | 696 | 1,736 |
| Long-term financial investments: | | | | | | |
| Investments accounted for by the equity method | 1,359 | 164 | 1,523 | 1,349 | 154 | 1,503 |
| Non-consolidated investments | 66 | 70 | 136 | 74 | 75 | 149 |
| Other investments | 739 | 286 | 1,025 | 1 872 | 296 | 2,168 |
| **Fixed assets** | **6,082** | **3,117** | **9,199** | **6,578** | **2,868** | **9,446** |
| Inventories and work in progress | 510 | 1 590 | 2,100 | 461 | 1,628 | 2,089 |
| Advances to suppliers | 21 | 272 | 293 | 20 | 271 | 291 |
| Trade receivables | 1,270 | 1,138 | 2,408 | 777 | 950 | 1,727 |
| Other receivables | 809 | 642 | 1,451 | 855 | 676 | 1,531 |
| Marketable securities | 1,494 | 97 | 1,591 | 971 | 100 | 1,071 |
| Cash and cash equivalents | 469 | 1 316 | 1,785 | 465 | 1,113 | 1,578 |
| **Current assets** | **4,573** | **5 055** | **9,628** | **3,549** | **4,738** | **8,287** |
| Deferred charges | 66 | 143 | 209 | 81 | 143 | 224 |
| **Total assets** | **10,721** | **8,315** | **19,036** | **10,208** | **7,749** | **17,957** |

## Consolidated Balance Sheet – French GAAP

| LIABILITIES AND SHAREHOLDERS' EQUITY (in million of euros) | 31 December 2004 Excluding EADS | EADS 15.10 % | Total Group | 31 December 2003 Excluding EADS | EADS 15.04 % | Total Group |
|---|---|---|---|---|---|---|
| Share capital | 859 | | 859 | 852 | | 852 |
| Reserves | 1,853 | 937 | 2,790 | 1 729 | 967 | 2,696 |
| Net income for the period | 256 | 126 | 382 | 263 | 71 | 334 |
| **Shareholders' equity before minority interests** | **2,968** | **1,063** | **4,031** | **2,844** | **1,038** | **3,882** |
| Minority interests | 163 | 111 | 274 | 147 | 108 | 255 |
| **Total shareholders' equity** | **3,131** | **1,174** | **4,305** | **2,991** | **1,146** | **4,137** |
| Perpetual subordinated notes | 416 | | 416 | 416 | | 416 |
| **Total permanent funds** | **3,547** | **1,174** | **4,721** | **3,407** | **1,146** | **4,553** |
| Special subordinated borrowings | 287 | | 287 | 290 | | 290 |
| Provisions for risks and charges | 1,033 | 1,181 | 2,214 | 996 | 1,205 | 2,201 |
| Borrowings | 2,988 | 774 | 3,762 | 2,812 | 717 | 3,529 |
| Advances received on contracts | 32 | 2,649 | 2,681 | 16 | 2,228 | 2,244 |
| Trade payables | 1,632 | 1,874 | 3,506 | 1,523 | 1,696 | 3,219 |
| Taxes and social charges payable | 570 | 141 | 711 | 567 | 149 | 716 |
| Other payables | 500 | 221 | 721 | 471 | 239 | 710 |
| Deferred income | 132 | 301 | 433 | 126 | 369 | 495 |
| **Total liabilities and shareholders' equity** | **10,721** | **8,315** | **19,036** | **10,208** | **7,749** | **17,957** |

## NOTE 35 TRANSITION TO IFRS

*35_1 Regulatory framework and reasons for the disclosure*
*35_2 EADS*
*35_3 First-time adoption of IFRS*
*35_4 Impact of the transition on consolidated shareholders'equity*
*Notes a to e: explanatory notes on the adjustments*
*35_5 Presentation of IFRS format consolidated financial statements (excluding proportionate consolidation of the EADS group)*
*• 2004 statement of income*
*• Balance sheet at 31 December 2004*
*• 2004 statement of cash flows*
*Notes f to j: explanatory notes on reclassifications*
*35_6 Presentation of IFRS format consolidated financial statements (including the contribution from the EADS group)*

### 35_1 Regulatory framework and reasons for the disclosure

Under European Regulation no. 1606/2002 adopted on 19 July 2002, companies listed on a regulated stock exchange in one of the EU member states are required to present their consolidated financial statements for financial years beginning on or after 1 January 2005 in conformity with international financial reporting standards (IFRS), formerly known as International Accounting Standards (IAS).

The consolidated financial information published by the Lagardère Group for 2005 will therefore be prepared under IFRS, and will be accompanied by 2004 comparatives also prepared under IFRS. Consequently, the date of first-time adoption of IFRS (the "transition date") is 1 January 2004. Impacts of the transition with a retrospective effect on results for earlier periods will be recognised in shareholders'equity in the opening balance sheet as of 1 January 2004.

In accordance with the recommendation of the Autorité des Marchés Financiers (AMF) on financial disclosures during the transitional period, the Lagardère Group has decided to issue the present document, quantifying the expected impact of the transition to IFRS on:

- shareholders'equity as of the transition date of 1 January 2004 (except for the impact of first-time adoption of IAS 32 and IAS 39 on financial instruments, which will be recognised in shareholders'equity as of 1 January 2005);
- the financial position as of 31 December 2004 and the results of operations for the year then ended.

The financial information for 2004 has been prepared by applying to the 2004 reported figures those IFRS standards and interpretations that the Lagardère Group believes it will be required to apply in preparing its comparative consolidated financial statements for the year ending 31 December 2005. Consequently, the basis of preparation of the 2004 financial information as described below is derived from:

- IFRS standards and interpretations mandatorily applicable in respect of the year ending 31 December 2005, as currently known;
- outcomes currently expected by the Lagardère Group to technical issues and drafts currently under discussion by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that may have become applicable when the consolidated financial statements for the year ending 31 December 2005 are published;
- the elective treatments and exemptions that the Group will in all probability adopt for the preparation of its first IFRS consolidated financial statements in 2005.

For all these reasons, it is possible that the audited opening balance sheet will not be the opening balance sheet from which the consolidated financial statements for the year ending 31 December 2005 are actually prepared.

The Managing Partners are responsible for the preparation of this information, which has been subject to review by the Audit Committee and to audit procedures by the auditors.

### 35_2 EADS

IFRS in their current form require no change to the existing method (proportionate consolidation) used by the Lagardère Group to account for its investment in the EADS group under French GAAP.
Because the EADS group already prepares its financial statements in accordance with IFRS, it does not qualify as a first-time adopter under the rules governing transition to IFRS.

### 35_3 First-time adoption of IFRS

IFRS 1 sets out the general principles to be applied for the first-time adoption of IFRS as of 1 January 2004. As a general rule, IFRS apply retrospectively. However, IFRS 1 specifies a number of exceptions and allows certain elective treatments for first-time adopters.

In accordance with IFRS 1, the Lagardère Group has decided to apply the following elective treatments for the consolidated financial statements (excluding EADS):

- Business combinations recognised prior to 1 January 2004 will not be restated.
- Property, plant and equipment will not be revalued as of 1 January 2004, and consequently will remain at historical cost.
- The cumulative translation adjustment arising on the translation of the financial statements of foreign subsidiaries as of 1 January 2004 (a negative amount of €140 million) will be transferred to retained earnings. This transfer will have no impact on total shareholders'equity as of 1 January 2004.
- Unamortised actuarial gains and losses arising from changes in the assumptions used in the calculation of employee benefit obligations will be taken to shareholders'equity as of 1 January 2004 (impact immaterial).

The Group has also elected not to apply IAS 32 and IAS 39 on financial instruments from the optional early application date of 1 January 2004. As a result, these standards will apply only from 1 January 2005.

## 35_4 Impact of the transition on consolidated shareholders' equity

The impact of the transition on the consolidated statement of changes in shareholders'equity for the year ended 31 December 2004 is shown in the table below, with explanations provided in notes a to e following the table:

| *(In millions of euros)* | | 1 January 2004 | 2004 net income Excluding EADS | 2004 net income EADS | Other mouvements | 31 December 2004 |
|---|---|---|---|---|---|---|
| **French GAAP shareholders' equity as reported** | | **3,882** | **256** | **126** | **(233)*** | **4,031** |
| Deferred taxes on intangible assets | *note a* | (237) | 17 | | | (220) |
| Deferred taxes on investments in associates | *note a* | (9) | 3 | | | (6) |
| Employee benefits | *note b* | (19) | | | | (19) |
| Straight-line recognition of operating lease payments | *note c* | (14) | 1 | | | (13) |
| Godwill amortisation | *note d* | | 79 | 43 | | 122 |
| Impairment losses | *note d* | | (6) | | | (6) |
| Share-based payments | *note e* | | (15) | (2) | 17 | 0 |
| Other adjustments | | (4) | 2 | | 2 | 0 |
| **Total IFRS adjustments before minority interests** | | **(283)** | **81** | **41** | **19** | **(142)** |
| Minority interests | | 11 | (2) | (7) | | 2 |
| **IFRS shareholders' equity** | | **3,610** | **335** | **160** | **(216)** | **3,891** |
| IFRS shareholders' equity (excluding EADS) | | 2,572 | 335 | | (115) | 2,792 |
| IFRS shareholders' equity (EADS) | | 1,038 | | 160 | (101) | 1,099 |

* Dividends paid (€126 million, share issues (€31 million), movement in treasury stock (€16 million) and translation adjustement (€122 million).

Notes *a* to *e*: explanatory notes on the adjustments

### *Note a – Deferred taxes on intangible assets and investments in associates (IAS 12)*

Under IAS 12 ("Income Taxes"), deferred taxes must be recognised on all differences between the carrying amount and the tax base of consolidated assets and liabilities. Under French GAAP, deferred tax liabilities were not recognised on:

- intangible assets which were recognised when accounting for a business combination and which were incapable of being sold separately from the acquired enterprise;
- differences between the carrying amount and tax base of investments in associated companies.

IAS 12 also prohibits any discounting of deferred taxes.

The Lagardère Group therefore has to recognise additional deferred tax liabilities on the difference between the carrying amount and tax base of intangible assets and investments in associates. The tax base of the intangible assets is generally zero, and the deferred tax rate used is the standard tax rate applicable to disposals of assets. In the case of investments in associates, the difference between the carrying amount and the tax base represents the accumulated undistributed profits since the date of acquisition, to which is applied the tax rate that the Group will be liable to pay upon distribution of these profits.

| *(in millions of euros)* | Shareholders'equity at 1 January 2004 | 2004 net income | Shareholders'equity at 31 December 2004 |
|---|---|---|---|
| Deferred taxes on intangible assets | (237) | 17 | (220) |
| Deferred taxes on investments in associates | (9) | 3 | (6) |

The €17 million write-back to income in 2004 of deferred tax liabilities on intangible assets is a result of impairment losses recognised in respect of these assets during the year.

### *Note b – Employee benefits (IAS 19)*

IAS 19 ("Employee Benefits") requires the recognition, via provisions, of all obligations arising from benefits payable to employees when and after they leave the enterprise under defined-benefit plans. The standard also defines the actuarial method to be used, which may differ in some respects from local GAAP methods.

Lagardère identified all defined-benefit plans within Group entities and carried out an actuarial valuation of its obligations in accordance with the principles set out in IAS 19.

This indicated that additional provisions were required in the opening balance sheet as of 1 January 2004.

| *(in millions of euros)* | Shareholders'equity at 1 January 2004 | 2004 net income | Shareholders'equity at 31 December 2004 |
|---|---|---|---|
| Provisions for employee benefit obligations | (28) | 0 | (28) |
| Deferred tax impact | 9 | (0) | 9 |
| Net impact | (19) | 0 | (19) |

### *Note c – Straight-line recognition of operating lease payments (IAS 17)*

Under IAS 17 ("Leases"), operating lease payments must be recognised as an expense on a straight-line basis. As a result, lease payments not recognised on a straight-line basis over the lease term must be restated.

| *(in millions of euros)* | Shareholders'equity at 1 January 2004 | 2004 net income | Shareholders'equity at 31 December 2004 |
|---|---|---|---|
| Restatement of past operating lease payments | (14) | 1 | (13) |
| Deferred tax impact | - | - | 0 |
| Net impact | (14) | 1 | (13) |

### *Note d – Goodwill amortisation and impairment losses (IFRS 3)*

Under French GAAP, goodwill is amortised over a maximum of 20 years. Impairment tests are carried out if there is an indication of loss in value, and impairment losses are recognised as a non-operating expense if the economic value of the goodwill is less than its carrying amount.

Under IFRS 3 ("Business Combinations"), goodwill is not amortised. Impairment tests must be carried out at least once a year, and impairment losses recognised in the same way as under French GAAP.

IFRS 3 applies prospectively from 1 January 2004.

In the Group's financial statements, goodwill amortisation charges for the year ended 31 December 2004 were €122 million, including €43 million derived from the EADS group. In some cases, eliminating the amortisation charged in 2004 generates an impairment loss relative to the carrying amount as of 31 December 2004.

| *(in millions of euros)* | Shareholders'equity at 1 January 2004 | 2004 net income | Shareholders'equity at 31 December 2004 |
|---|---|---|---|
| Elimination of amortisation charges | - | 122 | 122 |
| Impairment losses to be recognised | - | (6) | (6) |

### *Note e – Share-based payment (IFRS 2)*

Under French GAAP, no expense is recognised in respect of stock option plans giving grantees the right to purchase or subscribe for shares at a price agreed at the grant date.

Under IFRS 2, an expense must be recognised in payroll costs representing the benefit to the grantees, calculated as of the grant date. This expense is spread over the vesting period (two years for the Lagardère Group). During the vesting period, the expense may be adjusted if grantees leave the Group or if options are forfeited. The expense is not adjusted to reflect subsequent movements in the share price.

This is a purely accounting charge, with no cash impact. The matching entry is taken to shareholders'equity.

For the Lagardère Group, IFRS 2 applies with effect from the stock option plan issued on 18 December 2003. Earlier plans are outside the scope of first-time application of IFRS 2.

As of 31 December 2004, the following plans are affected:

| Grant date | Vesting period | 2003 cost | 2004 cost | 2005 cost | 2006 cost | Total plan cost |
|---|---|---|---|---|---|---|
| 18 December 2003 | 2 years | (1) | (13) | (12) | – | (26) |
| 20 November 2004 | 2 years | - | (2) | (18) | (16) | (36) |
| | | (1) | (15) | (30) | (16) | |

These adjustments have no impact on total shareholders'equity.

## 35_5 Presentation of IFRS format consolidated financial statements (excluding proportionate consolidation of the EADS group)

The tables below present the statement of income, balance sheet and statement of cash flows in IFRS format, with a reconciliation between the French GAAP figures and the IFRS figures. These tables do not include the contribution from the EADS group.

For an explanation of the adjustments shown in these tables, refer to notes a to e above. For an explanation of the reclassifications shown in these tables, refer to notes f to j, located after the tables.

### IFRS format 2004 statement of income (excluding EADS)

| | French GAAP | Reclassifications | | | | | | IFRS |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | | Adjustments *(notes a to e above)* | Net sales *(note f)* | Audiovisual rights in inventory *(note h)* | Financial income/ expense *(note g)* | Non-operating-items *(note g)* | Other items *(note g)* | |
| Net sales | 8,594 | | (1,093) | | | | | 7,501 |
| Other income from ordinary activities | 584 | | 15 | (124) | 19 | | (3) | 491 |
| **Income from ordinary activities** | **9,178** | **0** | **(1,078)** | **(124)** | **19** | **0** | **(3)** | **7,992** |
| Purchases and changes in inventory | (4,427) | | 781 | (13) | | | | (3,659) |
| Capitalised production | | | | | | | 2 | 2 |
| Production transferred to inventory | | | | 21 | | | (2) | 19 |
| External charges | (2,416) | 1 | 297 | | | | 15 | (2,103) |
| Payroll costs | (1,520) | (15) | | | | | (12) | (1,547) |
| Depreciation and amortisation | (250) | 2 | | 116 | | | (2) | (134) |
| Other operating income (expense) | (61) | (6) | | | 76 | (78) | 2 | (67) |
| Contribution from associates | | 1 | | | | | 40 | 41 |
| **EBIT** | **504** | **(17)** | **0** | **0** | **95** | **(78)** | **40** | **544** |
| Net financial income (expense) | 44 | | | | (96) | | | (52) |
| **Net income before taxes** | **548** | **(17)** | **0** | **0** | **(1)** | **(78)** | **40** | **492** |
| Non-operating items | (78) | | | | | 78 | | |
| Goodwill amortisation | (79) | 79 | | | | | | |
| Preferred remuneration | (1) | | | | 1 | | | |
| Income taxes | (151) | 19 | | | | | | (132) |
| Share of profit (loss) from associates | 40 | | | | | | (40) | |
| Net income (loss) from discontinued activities | | | | | | | | |
| **Net income before minority interests** | **279** | **81** | **0** | **0** | **0** | **0** | **0** | **360** |
| Minority interests | (23) | (2) | | | | | | (25) |
| **Net income** | **256** | **79** | **0** | **0** | **0** | **0** | **0** | **335** |

## IFRS format balance sheet at 31 December 2004 (excluding EADS) – ASSETS

| *(in millions of euros)* | French GAAP | Adjustments | Reclassifications | IFRS |
|---|---|---|---|---|
| Intangible assets, net | 2,260 | 6 | (738) | 1,528 |
| Goodwill, net | 993 | 73 | 689 | 1,755 |
| Property, plant and equipment, net | 665 | 2 | 0 | 667 |
| Investments in associates | 1,359 | (1) | 1 | 1,359 |
| Other non-current assets | 805 | (3) | (612) | 190 |
| Deferred tax assets | | 10 | 64 | 74 |
| **Total non-current assets** | **6,082** | **87** | **(596)** | **5,573** |
| Inventories and work in progress, net | 510 | 0 | 48 | 558 |
| Other current assets | 2,166 | 0 | (243) | 1,923 |
| Short-term investments and cash | 1,963 | 0 | (6) | 1 957 |
| **Total current assets** | **4,639** | **0** | **(201)** | **4,438** |
| **Total assets** | **10,721** | **87** | **(797)** | **10,011** |

## Adjustments to balance sheet at 31 December 2004 (excluding EADS) – ASSETS

| *(in millions of euros)* | Deferred tax on intangible assets *(note a)* | Deferred tax on associates *(note a)* | Employée benefits *(note b)* | Straight-line recognition of operating leases *(note c)* | Elimination of goodwill amortisation *(note d)* | Impairment losses *(note d)* | Share-based payment *(note e)* | Other adjust-ments | Total adjust-ments |
|---|---|---|---|---|---|---|---|---|---|
| Intangible assets, net | 6 | | | | | | | | 6 |
| Goodwill, net | | | | | 79 | (6) | | | 73 |
| Property, plant and equipment, net | | | | | | | | 2 | 2 |
| Investments in associates | | | | | | | | (1) | (1) |
| Other non-current assets | | | | | | | | (3) | (3) |
| Deferred tax assets | | | 9 | | | | | 1 | 10 |
| **Total non-current assets** | **6** | **0** | **9** | **0** | **79** | **(6)** | **0** | **(1)** | **87** |
| Inventories and work in progress, net | | | | | | | | | 0 |
| Other current assets | | | | | | | | | 0 |
| Short-term investments and cash | | | | | | | | | 0 |
| **Total current assets** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total assets** | **6** | **0** | **9** | **0** | **79** | **(6)** | **0** | **(1)** | **87** |

Notes a to e are presented in section 35_4 above.

### Reclassifications to balance sheet at 31 December 2004 (excluding EADS) – ASSETS

| *(in millions of euros)* | Intangible assets *(note h)* | Audiovisual rights *(note h)* | Perpetual subordinated notes *(note i)* | Current/ non-current *(note j)* | Deferred tax *(note j)* | Other reclassi-fications | Total reclassi-fications |
|---|---|---|---|---|---|---|---|
| Intangible assets, net | (690) | (47) | | | | (1) | (738) |
| Goodwill, net | 690 | | | | | (1) | 689 |
| Property, plant and equipment, net | | | | | | | 0 |
| Investments in associates | | | | | | 1 | 1 |
| Other non-current assets | | | (643) | 30 | | 1 | (612) |
| Deferred tax assets | | | | | 64 | | 64 |
| **Total non-current assets** | **0** | **(47)** | **(643)** | **30** | **64** | **0** | **(596)** |
| Inventories and work in progress, net | | 47 | | | | 1 | 48 |
| Other current assets | | | | (24) | (212) | (7) | (243) |
| Short-term investments and cash | | | | (6) | | | (6) |
| **Total current assets** | **0** | **47** | **0** | **(30)** | **(212)** | **(6)** | **(201)** |
| **Total assets** | **0** | **0** | **(643)** | **0** | **(148)** | **(6)** | **(797)** |

Notes *h* à *j* are presented after these tables.

### IFRS format balance sheet at 31 December 2004 (excluding EADS) – LIABILITIES AND EQUITY

| *(in millions of euros)* | French GAAP | Adjustments | Reclassifications | IFRS |
|---|---|---|---|---|
| Capital, share premium and reserves | 2,712 | (255) | 0 | 2,457 |
| Net income for period | 256 | 79 | 0 | 335 |
| **Shareholders'equity** | **2,968** | **(176)** | **0** | **2,792** |
| Minority interests | 163 | (9) | (1) | 153 |
| **Total shareholders'equity** | **3,131** | **(185)** | **(1)** | **2,945** |
| Other permanent funds | 416 | 0 | (416) | 0 |
| Subordinated debt | 287 | 0 | (287) | 0 |
| Provisions for employee benefit obligations | 114 | 28 | 0 | 142 |
| Non-current provisions for contingencies and losses | 589 | 0 | (340) | 249 |
| Non-current debt | 2,988 | 0 | (1,169) | 1,819 |
| Other non-current liabilities | | 0 | 70 | 70 |
| Deferred tax liabilities | 330 | 232 | (147) | 415 |
| **Total non-current liabilities** | **4,308** | **260** | **(1,873)** | **2,695** |
| Current provisions for contingencies and losses | | 0 | 339 | 339 |
| Current debt | | 0 | 1,211 | 1,211 |
| Other current liabilities | 2,866 | 12 | (57) | 2,821 |
| **Total current liabilities** | **2,866** | **12** | **1,493** | **4,371** |
| **Total liabilities and equity** | **10,721** | **87** | **(797)** | **10,011** |

## Adjustments to balance sheet at 31 December 2004 (excluding EADS) – LIABILITIES AND EQUITY

| *(in millions of euros)* | Deferred tax on intangible assets *(note a)* | Deferred tax on associates *(note a)* | Employee benefits *(note b)* | Straight-line recognition of operating leases *(note c)* | Elimination of goodwill amortisation *(note d)* | Impairment losses *(note d)* | Share-based payments *(note e)* | Other adjust-ments | Impact on minority interest | Total adjust-ments |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital, share premium and reserves | (237) | (9) | (19) | (14) | | | 15 | (2) | 11 | (255) |
| Net income for period | 17 | 3 | | 1 | 79 | (6) | (15) | 2 | (2) | 79 |
| **Shareholders'equity** | **(220)** | **(6)** | **(19)** | **(13)** | **79** | **(6)** | **0** | **0** | **9** | **(176)** |
| Minority interests | | | | | | | | | (9) | (9) |
| **Total shareholders'equity** | **(220)** | **(6)** | **(19)** | **(13)** | **79** | **(6)** | **0** | **0** | **0** | **(185)** |
| Other permanent funds | | | | | | | | | | 0 |
| Subordinated debt | | | | | | | | | | 0 |
| Provisions for employee benefit obligations | | | 28 | | | | | | | 28 |
| Non-current provisions for contingencies and losses | | | | | | | | | | 0 |
| Non-current debt | | | | | | | | | | 0 |
| Other non-current liabilities | | | | | | | | | | 0 |
| Deferred tax liabilities | 226 | 6 | | | | | | | | 232 |
| **Total non-current liabilities** | **226** | **6** | **28** | **0** | **0** | **0** | **0** | **0** | **0** | **260** |
| Current provisions for contingencies and losses | | | | | | | | | | 0 |
| Current debt | | | | | | | | | | 0 |
| Other current liabilities | | | | 13 | | | | (1) | | 12 |
| **Total current liabilities** | **0** | **0** | **0** | **13** | **0** | **0** | **0** | **(1)** | **0** | **12** |
| **Total liabilities and equity** | **6** | **0** | **9** | **0** | **79** | **(6)** | **0** | **(1)** | **0** | **87** |

Notes *a* to *e* are presented in section 35_4 above.

## Reclassifications to balance sheet at 31 December 2004 (excluding EADS) – LIABILITIES AND EQUITY

| *(in millions of euros)* | Perpetual subordinated notes *(note i)* | Current/ non-current *(note j)* | Deferred tax *(note j)* | Other reclassifications | Total reclassifications |
|---|---|---|---|---|---|
| Capital, share premium and reserves | | | | | 0 |
| Net income for period | | | | | 0 |
| **Shareholders'equity** | | | | | **0** |
| Minority interests | | | | (1) | (1) |
| **Total equity** | **0** | **0** | **0** | **(1)** | **(1)** |
| Other permanent funds | (416) | | | | (416) |
| Subordinated debt | (287) | | | | (287) |
| Provisions for employee benefit obligations | | | | | 0 |
| Non-current provisions for contingencies and losses | | (339) | | (1) | (340) |
| Non-current debt | 31 | (1,196) | | (4) | (1,169) |
| Other non-current liabilities | 13 | 57 | | | 70 |
| Deferred tax liabilities | | | (148) | 1 | (147) |
| **Total non-current liabilities** | **(243)** | **(1,478)** | **(148)** | **(4)** | **(1,873)** |
| Current provisions for contingencies and losses | | 339 | | | 339 |
| Current debt | 16 | 1,196 | | (1) | 1,211 |
| Other current liabilities | | (57) | | 0 | (57) |
| **Total current liabilities** | **16** | **1,478** | **0** | **(1)** | **1,493** |
| **Total liabilities and equity** | **(643)** | **0** | **(148)** | **(6)** | **(797)** |

Notes *i* to *j* are presented after these tables.

## IFRS format 2004 statement of cash flows (excluding EADS)

| *(in millions of euros)* | French GAAP | Adjustements and reclassifications: Tax paid | Interest paid & received | Audiovisual rights in inventory | Premium on 1992 perpetual notes | Assets reclassified as non-current | Other items | IFRS |
|---|---|---|---|---|---|---|---|---|
| **Cash flow from operations before changes in working capital** | **550** | **133** | **54** | **(116)** | **17** | | **(2)** | **636** |
| Changes in working capital requirements | (10) | 8 | | (19) | (1) | (22) | 3 | (41) |
| **Net cash flows from operations** | **540** | **141** | **54** | **(135)** | **16** | **(22)** | **1** | **595** |
| Interest paid and received, taxes paid | | (141) | (62) | | | | | **(203)** |
| **Net cash flows from operations after interest and taxes** | **540** | **0** | **(8)** | **(135)** | **16** | **(22)** | **1** | **392** |
| **Investments in:** | | | | | | | | |
| - intangible assets and property, plant and equipment | (353) | | | 137 | | | | (216) |
| - non-current financial assets | (457) | | | | | 33 | | (424) |
| **Total investments** | **(810)** | **0** | **0** | **137** | **0** | **33** | **0** | **(640)** |
| Disposals/reductions of non-current assets | 736 | | | (2) | | (11) | | 723 |
| (Purchases) disposals of short-term investments | (12) | | | | | | | (12) |
| **Net cash flows from investing activities** | **(86)** | **0** | **0** | **135** | **0** | **22** | **0** | **71** |
| **Net cash flows from operating and investing activities** | **454** | **0** | **(8)** | **0** | **16** | **0** | **1** | **463** |
| **Net cash flows from financing activities** | **(212)** | | **8** | | **(16)** | | | **(220)** |
| **Other movements*** | **6** | | | | | | **115** | **121** |
| **Change in cash position** | **248** | **0** | **0** | **0** | **0** | **0** | **116** | **364** |
| **Cash position at beginning of year** | **766** | | | | | | **(123)** | **643** |
| **Cash position at end of year** | **1,014** | | | | | | **(7)** | **1,007** |

* In the French GAAP financial statements, a reclassification of €116 million was recorded in movements for the year ended 31 December 2004, relating to financial investments that did not qualify for inclusion in the current cash position. In the IFRS financial statements as presented, this reclassification was made to the opening cash position at 1 January 2004.

Notes *f* to *j*: explanatory notes on reclassifications

### *Note f – Revenue recognition (IAS 18)*

Lagardère has carried out a review of all criteria used in the presentation of Lagardère Media sales, based on the Group's interpretation of IFRS, supplemented as necessary by a review of the practices reported by European and American media groups.

This review identified a number of reclassifications to be made within the statement of income, with no impact on the results of operations. The main reclassifications identified were:

- Sales will now be reported net of distribution commission (Magazine Publishing and Part-Works). Under French

GAAP, this commission was recorded as an expense.

- Distribution commission related to national distribution activities (Curtis - Distribution Services division) and advertising sales agency activities (Lagardere Active) will now be reported in sales as "pure" commission, rather than as a purchase and a sale.
- Exchanges of similar goods and services will be eliminated.

For the year ended 31 December 2004, these reclassifications have the effect of reducing Lagardère Media net sales by 13% relative to the French GAAP figure.

| *(in millions of euros)* | 2004 net sales as reported | Distribution commissions | "Pure" commission | Exchanges of similar goods & services | Other items | 2004 net sales under IFRS | % difference |
|---|---|---|---|---|---|---|---|
| Book Publishing | 1,431 | (11) | | | | 1,420 | (1) |
| Print Media | 2,120 | (244) | | (9) | (19) | 1,848 | (13) |
| Distribution Services | 4,366 | | (691) | | | 3,675 | (16) |
| Lagardere Active | 677 | | (82) | (35) | (2) | 558 | (18) |
| **Total Lagardère Media** | **8,594** | **(255)** | **(773)** | **(44)** | **(21)** | **7,501** | **(13)** |

### *Note g – Other reclassifications within the statement of income*

The format adopted by Lagardère for the IFRS statement of income requires various reclassifications to be made to the French GAAP statement of income. The main reclassifications are as follows:

- The IFRS line "Net financial income/expense" includes all income and expense related to net debt, but excludes all other items previously shown as financial items in the French GAAP statement of income. These items have been reclassified above the EBIT line. Interest and similar income generated by operating cash surpluses in the Distribution Services division (which has negative working capital requirements) have been eliminated from financial income/expense and reclassified in "Other income from ordinary activities". This treatment is compliant with IFRS. The overall impact is the reclassification of €95 million previously recorded as financial income/expense to the following lines:
  - €76 million to "Other operating income/expense" (items not directly related to net debt);
  - €19 million to "Other income from ordinary activities", including €11 million in interest and similar income from operating cash surpluses in the Distribution Services division and €5 million in dividends received from non-consolidated companies.
- All income and expense recorded in "Non-operating items" under French GAAP (€78 million) has been reclassified as operating items above the EBIT line.
- The share of profits and losses from associates (€40 million) has been reclassified onto a separate line above the EBIT line.

### *Note h – Intangible assets (IAS 38)*

Some intangible assets recognised by Lagardère in connection with business combinations do not qualify for recognition as intangible assets under IFRS criteria, which are narrower than French GAAP criteria. As a result, €690 million has been reclassified from intangible assets to goodwill as of 31 December 2004.

The following have been reclassified from intangible assets to inventory:

- production costs of audiovisual works commissioned by broadcasters;

- broadcasting rights acquired by Lagardere Active television channels.

The carrying amount of intangible assets reclassified to inventory as of 31 December 2004 was €47 million. As a consequence of the reclassification:

- In the statement of income, the amounts recorded in capitalised production (other income from ordinary activities) and in amortisation expense have been eliminated, and transferred to "Changes in inventory" and "Production transferred to inventory".
- In the statement of cash flows, net investing cash flows have been reduced by €135 million and cash flow from operations before changes in working capital by €116 million, while working capital requirements have been increased by €19 million.

### *Note i – Perpetual subordinated notes (TSDIs)*

The 1988 TSDIs, included in "Permanent funds" in the French GAAP financial statements, have passed the 15-year trigger date (February 2004) after which interest payments are reimbursed in full by a bank, such that the effective interest expense is zero.

These TSDIs have been reclassified as debt as of 1 January 2004, after offsetting the related premium, giving a net amount of €2 million (which was repaid in full during 2004).

The 1992 TSDIs were restructured in 1996 and are held in a dedicated securitisation fund. The fund acquired the TSDIs using debt contracted with external investors. Under IFRS, this fund qualifies as a Special Purpose Company and is consolidated. The 1992 TSDIs, and the related premium, have been eliminated and replaced by the external debt contracted by the fund (€47 million as of 31 December 2004), which is shown as debt in the balance sheet. This debt is repayable in equal six-monthly instalments, with the final payment due on 31 December 2007, on which date the 1992 TSDIs will cease to bear interest.

### *Note j – Other reclassifications within the balance sheet*

The other reclassifications within the balance sheet are required in order to move from the French GAAP format to the IFRS format, which requires current and non-current items to be shown separately (IAS 1 – "Presentation of Financial Statements"). In addition, IAS 12 ("Income Taxes") differs from French GAAP in terms of the rules for offsetting deferred tax assets and liabilities, and requires all deferred tax assets and liabilities to be classified as non-current.

## 35_6 Presentation of IFRS format consolidated financial statements including the contribution from the EADS group

The IFRS format statement of income and balance sheet for 2004, after including the contribution from the EADS group, are presented below:

### Statement of income – Year ended 31 December 2004

| | IFRS | | | French GAAP |
|---|---|---|---|---|
| *(in millions of euros)* | Excluding EADS | EADS | Lagardère Group | Lagardère Group |
| Net sales | 7,501 | 4,795 | 12,296 | 13,389 |
| Other income from ordinary activities | 491 | 51 | 542 | 588 |
| **Income from ordinary activities** | **7,992** | **4 846** | **12,838** | **13,977** |
| Purchases and changes in inventory | (3,659) | (2,943) | (6,602) | (7,370) |
| Capitalised production | 2 | | 2 | |
| Production transferred to inventory | 19 | (36) | (17) | |
| External charges | (2,103) | (24) | (2,127) | (2,441) |
| Payroll costs | (1,547) | (1,199) | (2,746) | (2,717) |
| Depreciation and amortisation | (134) | (209) | (343) | (460) |
| Other operating income (expense) | (67) | (103) | (170) | (124) |
| Contribution from associates | 41 | 13 | 54 | |
| **EBIT** | **544** | **345** | **889** | **865** |
| **Net financial income (expense)** | **(52)** | **(45)** | **(97)** | **(7)** |
| **Net income before taxes** | **492** | **300** | **792** | **858** |
| Non-operating items | | | | (100) |
| Preferred remuneration | | | | (1) |
| Goodwill amortisation | | | | (122) |
| Income taxes | (132) | (108) | (240) | (258) |
| Share of profit (loss) from associates | | | | 53 |
| Net income (loss) from discontinued activities | | | | |
| **Net income before minority interests** | **360** | **192** | **552** | **430** |
| Minority interests | (25) | (32) | (57) | (48) |
| **Net income** | **335** | **160** | **495** | **382** |
| Basic earnings per share | | | 3.65 | 2.82 |
| Diluted earnings per share | | | 3.44 | 2.70 |

## IFRS format balance sheet at 31 December 2004 – ASSETS

| *(in millions of euros)* | Excluding EADS | EADS | Lagardère Group |
|---|---|---|---|
| Intangible assets, net | 1,528 | 83 | 1,611 |
| Goodwill, net | 1,755 | 713 | 2,468 |
| Property, plant and equipment, net | 667 | 1,845 | 2,512 |
| Investments in associates | 1,359 | 164 | 1,523 |
| Other non-current assets | 190 | 430 | 620 |
| Deferred tax assets | 74 | 383 | 457 |
| **Total non-current assets** | **5,573** | **3,618** | **9,191** |
| Inventories and work in progress, net | 558 | 1,862 | 2,420 |
| Other current assets | 1,923 | 1,061 | 2,984 |
| Short-term investments and cash | 1,957 | 1,414 | 3,371 |
| **Total current assets** | **4,438** | **4,337** | **8,775** |
| **Total assets** | **10,011** | **7,955** | **17,966** |

## IFRS format balance sheet at 31 December 2004 – LIABILITIES AND EQUITY

| *(in millions of euros)* | Excluding EADS | EADS | Lagardère Group |
|---|---|---|---|
| Capital, share premium and reserves | 2,457 | 939 | 3,396 |
| Net income for period | 335 | 160 | 495 |
| **Shareholders' equity** | **2,792** | **1,099** | **3,891** |
| Minority interests | 153 | 119 | 272 |
| **Total equity** | **2,945** | **1,218** | **4,163** |
| Provisions for employee benefit obligations | 142 | 566 | 708 |
| Non-current provisions for contingencies and losses | 249 | 326 | 575 |
| Non-current debt | 1,819 | 665 | 2,484 |
| Other non-current liabilities | 70 | 1,455 | 1,525 |
| Deferred tax liabilities | 415 | 114 | 529 |
| **Total non-current liabilities** | **2,695** | **3,126** | **5,821** |
| Current provisions for contingencies and losses | 339 | 348 | 687 |
| Current debt | 1,211 | 109 | 1,320 |
| Other current liabilities | 2,821 | 3,154 | 5,975 |
| **Total current liabilities** | **4,371** | **3,611** | **7,982** |
| **Total liabilities and equity** | **10,011** | **7,955** | **17,966** |

# 6_4 ANALYSIS OF LAGARDÈRE SCA PARENT COMPANY FINANCIAL STATEMENTS

## 6_4_1 Income statement

The simplified income statement is as follows:

| *(in millions of euros)* | 2003 | 2004 | 2005 |
|---|---|---|---|
| Operating revenues | 2 | 1 | - |
| Operating loss | (6) | (25) | (26) |
| Net financial income | 35 | 6 | 134 |
| Current profit | 29 | (19) | 108 |
| Exceptional profit | 44 | 87 | 1 |
| Preferred remuneration | (32) | (2) | - |
| Income tax credit | 51 | 65 | 87 |
| Net profit | 92 | 131 | 196 |

- The operating loss of €26 million for 2005 essentially resulted from operating costs incurred by the holding company.

- Details of net financial income are as follows:

| *(in millions of euros)* | 2003 | 2004 | 2005 |
|---|---|---|---|
| Interest income on marketable securities and similar | 1 | 2 | 8 |
| Interest income on receivables and loans to subsidiaries | 48 | 65 | 48 |
| Interest on borrowings and other financing | (42) | (61) | (50) |
| Interest on perpetual subordinated notes 1992, less premium | (4) | (3) | (3) |
| Dividends received or to be received | 11 | 17 | 118 |
| Changes in provisions | 14 | (11) | 23 |
| Other | 7 | (3) | (10) |
| **Financial income** | **35** | **6** | **134** |
| Interest on perpetual subordinated notes 1988, less premium | (32) | (2) | - |
| **Financial income and preferred remuneration** | **3** | **4** | **134** |
| Gain (loss) on corporate financing (excluding dividends, provisions and other) | (29) | 1 | 3 |

In 2005, corporate financing operations generated a net gain of €3 million, similar to 2004 results.

Dividend income increased considerably to €118 million as a result of the dividends received from Désirade (€109 million, corresponding to redistribution of dividends received from EADS). The balance of €9 million was from Hachette Filipacchi Médias.

Changes in provisions resulted in a net reversal of €23 million, including a reversal of €29 million in connection with the investment in Matra Manufacturing & Services (formerly Matra Automobile). This amount is equivalent to Matra Manufacturing Services' equity and was written back following the company's return to profitability in 2005.

Other items represented a loss of €10 million in 2005, mainly comprising the costs of arranging the new syndicated loan of €2.2 billion.

- Exceptional items generated a profit of €1 million for 2005:
  - Exceptional losses include a €21 million loss on the sale of treasury shares to Barclays Capital Securities Limited with a repurchase option. This transaction took place in November 2005 to cover stock purchase options granted to Lagardère Group employees since 2001. Lagardère retains the right to repurchase all or some of the shares sold, in order to honour its commitments for future exercises of stock options. Call options on Lagardère SCA shares were also purchased from Barclays Bank PLC for the same purpose;
  - Exceptional income includes amounts reversed from provisions for risks and liabilities.
- The €87 million income tax gain for 2005 was generated by tax consolidation as in previous years, and corresponds to the excess of taxes paid by tax consolidated subsidiaries over the tax due by the whole tax consolidated group.

## 6_4_2 Balance sheet and cash flows

### Assets

| *(in millions of euros)* | 31 December 2003 | 31 December 2004 | 31 December 2005 |
|---|---|---|---|
| Fixed assets | 7,059 | 6,109 | 5,955 |
| Trade receivables and other | 57 | 60 | 196 |
| Group financing | 30 | 278 | - |
| Cash and cash equivalents | 243 | 604 | 3 |
| **Total assets** | **7,389** | **7,051** | **6,154** |

### Liabilities and shareholders' equity

| *(in millions of euros)* | 31 December 2003 | 31 December 2004 | 31 December 2005 |
|---|---|---|---|
| Shareholders' equity | 2,935 | 2,969 | 2,791 |
| Other permanent funds | 416 | 416 | 416 |
| Provisions for risks and liabilities | 260 | 172 | 139 |
| Borrowings | 3,732 | 3,429 | 2,711 |
| Short-term bank loans | - | 2 | 29 |
| Other liabilities | 46 | 63 | 68 |
| **Total liabilities and shareholders' equity** | **7,389** | **7,051** | **6,154** |

In the statement of cash flows, cash provided by operating activities amounted to €12 million for 2005, after a €133 million increase in working capital requirements, mainly due to recognition in receivables of call options on Lagardère shares acquired from a bank, and the payment to the French treasury of the exceptional 25% tax on dividends (€49 million).

Investing activities provided cash of €173 million:

- long-term investment acquisitions amounted to €345 million, including €290 million in loans to Group subsidiaries and €55 million for purchases of treasury shares;
- the total proceeds from sales of long-term investments were generated by sales of treasury shares, including €75 million from the sale with a repurchase option to cover stock purchase options granted to employees;
- the €436 million decrease in loans and receivables related entirely to intercompany financing operations.

Cash used in financing activities amounted to €813 million, resulting from the following:

- dividends paid (€414 million, including €274 million for the exceptional dividend of €2 per share paid in July 2005);
- a capital increase of €40 million resulting from the exercise of stock purchase options by employees;
- reimbursement of the 2003 syndicated loan (€700 million) and repurchase followed by redemption of bonds convertible into T-Online shares (€767 million);
- increases in borrowings: a €250 million drawing on the €2.2 billion multicurrency syndicated loan arranged in late June 2005, and organisation of a structured loan for €151 million;
- a net increase of €627 million in cash deposits by subsidiaries, including €529 million by Lagardere Active Broadband following the disposal of a large portion of its shares in T-Online.

All of the above changes resulted in a €628 million decrease in cash and cash equivalents, which was negative at 31 December 2005 (€26 million).

Changes in total net indebtedness, which is calculated as cash and cash equivalents plus current account advances to subsidiaries less financial liabilities (including the 1992 undated subordinated notes), were as follows:

| *(in millions of euros)* | **31 December 2003** | **31 December 2004** | **31 December 2005** |
|---|---|---|---|
| Net cash surplus (indebtedness) | (3,459) | (2,549) | (2,737) |

Net indebtedness increased by €188 million in 2005, mostly as a result of the excess of dividends paid (€414 million) over cash provided by operating and investing activities (€185 million), and the proceeds of the capital increase (€40 million).

# 6_5 PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2005

## Parent Company Balance Sheet at 31 December 2005

| ASSETS *(in millions of euros)* | 31 December 2005 Gross | 31 December 2005 Depreciation, amortisation and provisions | 31 December 2005 Net | 31 December 2004 Net | 31 December 2003 Net |
|---|---|---|---|---|---|
| Intangible assets | - | - | - | - | - |
| Tangible assets | - | - | - | - | - |
| Financial assets | | | | | |
| - Investments in subsidiaries and affiliates | 3,304 | 205 | 3,099 | 3,051 | 3,062 |
| - Loans and advances to subsidiaries and affiliates | 2,249 | 8 | 2,241 | 2,385 | 2,171 |
| - Other long-term investments | 148 | 1 | 147 | 212 | 172 |
| - Loans | - | - | - | - | - |
| - Other financial assets | 468 | - | 468 | 461 | 1,654 |
| **Fixed assets** | **6,169** | **214** | **5,955** | **6,109** | **7,059** |
| Trade receivables | - | - | - | - | - |
| Other receivables | 197 | 2 | 195 | 335 | 85 |
| Marketable securities | - | - | - | 601 | 240 |
| Cash and cash equivalents | 3 | - | 3 | 3 | 3 |
| Prepaid expenses | - | - | - | - | - |
| **Current assets** | **200** | **2** | **198** | **939** | **328** |
| Deferred charges | 1 | - | 1 | 2 | 2 |
| Translation adjustment | - | - | - | 1 | - |
| **Total assets** | **6,370** | **216** | **6,154** | **7,051** | **7,389** |

## Parent Company Balance Sheet at 31 December 2005

| LIABILITIES AND SHAREHOLDERS' EQUITY *(in millions of euros)* | 31 December 2005 Net | 31 December 2004 Net | 31 December 2003 Net |
|---|---|---|---|
| Share capital | 866 | 859 | 851 |
| Share and other premiums | 1,611 | 1,579 | 1,554 |
| Reserves | | | |
| - Legal reserve | 87 | 87 | 85 |
| - Tax-regulated reserves | - | 120 | 120 |
| - Other reserves | 31 | 1 | 1 |
| Retained earnings | - | 192 | 232 |
| Net profit for the year | 196 | 131 | 92 |
| **Shareholders' equity** | **2,791** | **2,969** | **2,935** |
| Perpetual subordinated notes | 416 | 416 | 416 |
| **Shareholders' equity and other permanent funds** | **3,207** | **3,385** | **3,351** |
| Provisions for risks and liabilities | 139 | 172 | 260 |
| Special borrowings | 287 | 287 | 295 |
| Borrowings: | | | |
| - Bonds | 825 | 1,602 | 1,701 |
| - Bank loans | 499 | 777 | 776 |
| - Loans from subsidiaries and affiliates | 1,129 | 765 | 961 |
| Trade payables | 15 | 18 | 11 |
| Other payables | 28 | 5 | 2 |
| Deferred income | | | |
| Translation adjustment | 25 | 40 | 32 |
| **Total liabilities and shareholders' equity** | **6,154** | **7,051** | **7,389** |

## Parent Company Income Statement for the year ended 31 December 2005

| *(in millions of euros)* | 2005 | 2004 | 2003 |
|---|---|---|---|
| Operating revenues | - | 1 | 2 |
| Operating expenses | (26) | (26) | (8) |
| **Operating loss** | **(26)** | **(25)** | **(6)** |
| Financial income | 206 | 116 | 134 |
| Financial expense | (96) | (99) | (113) |
| Changes in provisions | 24 | (11) | 14 |
| **Net financial income** | **134** | **6** | **35** |
| **Earnings before tax** | **108** | **(19)** | **29** |
| **Exceptional profit** | **1** | **87** | **44** |
| Preferred remuneration | - | (2) | (32) |
| Income tax | 87 | 65 | 51 |
| **Net profit** | **196** | **131** | **92** |

## Parent Company Statement of Cash Flows for the year ended 31 December 2005

| *(in millions of euros)* | 2005 | 2004 | 2003 |
|---|---|---|---|
| Net profit | 196 | 131 | 92 |
| Reversal of depreciation, amortisation and provisions | (72) | (82) | (44) |
| Loss (gain) on disposals of fixed assets | 21 | (3) | (57) |
| Changes in working capital requirements | (133) | (9) | (41) |
| **Cash provided by (used in) operating activities** | **12** | **37** | **(50)** |
| Acquisitions of long-term investments | (345) | (198) | (373) |
| Proceeds from disposals of long-term investments | 82 | - | 143 |
| Decrease in loans and receivables | 436 | 944 | 428 |
| **Cash provided by investing activities** | **173** | **746** | **198** |
| **Cash provided by operating and investing activities** | **185** | **783** | **148** |
| Dividends paid | (414) | (126) | (111) |
| Decrease in borrowings and financial liabilities | (1,467) | (101) | (1,057) |
| Capital increase | 40 | 32 | 10 |
| Increase in borrowings | 401 | - | 1,020 |
| Changes in Group financing | 627 | (229) | 216 |
| **Cash provided by (used in) financing activities** | **(813)** | **(424)** | **78** |
| Change in net cash and cash equivalents | (628) | 359 | 226 |
| Net cash and cash equivalents at beginning of year | 602 | 243 | 17 |
| **Net cash and cash equivalents at end of year** | **(26)** | **602** | **243** |

# NOTES TO PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2005

## General comment

Since Lagardère SCA is a holding company, balance sheet items principally comprise investments in and loans and advances to subsidiaries and affiliates, and the Group's financing resources.

## Accouting policies

### 1 GENERAL

Lagardère SCA's annual financial statements have been prepared in accordance with the accounting methods and principles established by the laws and regulations applicable in France. In particular, they comply with Regulation 99-03 issued by the French Accounting Standards Committee (Comité de la Réglementation Comptable).

All figures in the tables below are expressed in millions of euros.

### 2 LONG-TERM INVESTMENTS

Investments in subsidiaries and affiliates are stated at acquisition cost or subscription value. Provisions for write-downs are booked to cover any unrealised losses, which are generally estimated on the basis of a review of the past year and expected future prospects, together with any other relevant information that may contribute to a meaningful valuation.

### 3 MARKETABLE SECURITIES

Marketable securities are stated at purchase cost using the FIFO method. Provisions for write-downs are booked when the market price or realisable value of the securities at year-end is lower than their initial acquisition cost.

Gains and losses on disposals of marketable securities are reported net of revenues generated by the same securities on a single line of the income statement, such that the economic benefit of transactions on these securities is directly visible.

### 4 TRANSACTIONS IN FOREIGN CURRENCIES

Amounts receivable and payable in foreign currencies are translated into euros at year-end rates.

Unrealised exchange gains are deferred and are not credited to net profit.

All unrealised exchange losses are provided for in full, unless:

- the foreign currency transaction is associated with a parallel transaction intended to hedge the results of any exchange rate fluctuations (forward hedge): in such cases, the provision covers only the unhedged portion of the risk,
- the unrealised gains and losses concern transactions with similar settlement dates: in such cases, a provision is only established to the extent of the unrealised net loss.

Perpetual subordinated notes issued on 22 and 28 December 1988 for US$250 million and US$200 million respectively are recorded in the balance sheet at the historical rate at the issuance date, in keeping with the nature of these instruments.

### 5 PREFERRED REMUNERATION

Interest on "Other permanent funds" (Perpetual subordinated notes issued in 1988) is shown separately in the income statement as "Preferred remuneration" rather than included in interest expense, due to the specific nature of these notes.

## Notes to the Parent Company financial statement

(all figures are in millions of euros)

### NOTE 1 FIXED ASSETS

Changes in the gross value of fixed assets were as follows:

| | 1 January 2005 | Increase | Decrease | 31 December 2005 |
|---|---|---|---|---|
| **Intangible assets** | | | | |
| **Tangible assets** | | | | |
| **Financial assets** | | | | |
| Investments in subsidiaries and affiliates and other long-term investments | 3,460 | 112 | 120 | 3,452 |
| Loans and advances to subsidiaries and affiliates | 2,434 | 290 | 475 | 2,249 |
| Other financial assets | 461 | 7 | - | 468 |
| **Total fixed assets** | **6,355** | **409** | **595** | **6,169** |

Changes in depreciation, amortisation and provisions for write-downs can be analysed as follows:

| | 1 January 2005 | Increase | Decrease | 31 December 2005 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Investments in subsidiaries and affiliates and other long-term investments | 197 | 41 | 32 | 206 |
| Loans and advances to subsidiaries and affiliates | 49 | – | 41 | 8 |
| **Total** | **246** | **41** | **73** | **214** |

### NOTE 2 RECEIVABLES

At 31 December 2005, the maturity of receivables was as follows:

| | Gross | Due within one year | Due after one year |
|---|---|---|---|
| Long-term receivables | 2,717 | 26 | 2,691 |
| Short-term receivables | 197 | 85 | 112 |
| **Total** | **2,914** | **111** | **2,803** |

### NOTE 3 MARKETABLE SECURITIES

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| At cost | – | 601 |
| Provision for write-down | – | – |
| Net book value | – | 601 |
| Market value | – | 604 |
| **Unrealised gains** | **–** | **3** |

## NOTE 4 CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity are analysed below:

| | Share capital | Share premium and reserves | Retained earnings | Profit for the year | Total |
|---|---|---|---|---|---|
| Shareholders' equity at 31 December 2004 | 859 | 1,787 | 192 | 131 | 2,969 |
| Capital increase* | 7 | 33 | | | 40 |
| Dividends paid | | (88) | (326) | | (414) |
| Allocation of net profit for 2004 | | | 131 | (131) | 0 |
| Tax on special reserves for long-term capital gains | | (3) | 3 | | 0 |
| Net profit for the year | | | | 196 | 196 |
| **Shareholders' equity at 31 December 2005** | **866** | **1,729** | **0** | **196** | **2,791** |

* Employee stock options exercised (€40 million).

The share capital comprises 142,042,120 shares of €6.10 par value each.

## NOTE 5 PERPETUAL SUBORDINATED NOTES

In December 1988, Matra S.A. and Hachette S.A. issued perpetual subordinated notes for US$250 million and US$200 million respectively, recorded in the balance sheet at historical rates for €231 million and €185 million. These notes have the following characteristics:

- interest: 6-month LIBOR + plus 1.10%,
- unlimited term,
- payment of interest is deferred if no dividend is paid to shareholders.

Following an agreement with a finance company, premiums of US$65 million and US$52 million, recorded under "Other investments", were paid in exchange for transferring the servicing of the debt to the finance company, from year sixteen until the liquidation of the Company. This agreement came into force in December 2003 for the notes issued by Matra, and February 2004 for those issued by Hachette.

Interest expense, less adjustment of the premium, is shown under "Preferred remuneration" in the income statement, together with interest reimbursements received from the finance company. Interest reimbursements received from the finance company for the two issues offset the costs of servicing the notes, such that the net expense in the income statement is nil.

Given their perpetual nature, the notes and corresponding premiums are translated in euros at the historical rates of the issue dates.

## NOTE 6 SPECIAL BORROWINGS

### PERPETUAL SUBORDINATED NOTES ISSUED IN 1992

Matra Hachette SA issued a loan in this form in December 1992 with the following characteristics:

- €287 million;
- interest: 6-month EURIBOR + 1.45%, payable half-yearly in arrears.

This loan differs from the 1988 perpetual subordinated notes in the following ways:

- it has been restructured following an agreement to transfer this debt to a finance company, at par, at the end of the fifteenth year from issue, with interest subsequent to that date being waived;
- the possibility of deferring interest payment is exercisable only if dividends are not paid to shareholders, and a consolidated net loss is registered higher than one quarter of shareholders' equity plus perpetual subordinated debt and special borrowings.

For these reasons, this loan has not been classified as part of "Other permanent funds" but as a component of "Special borrowings".

Interest expense thereon is not shown under "Preferred remuneration", but included under "Financial expense". Premiums paid are included under "Other investments", as are the premiums paid for perpetual subordinated notes issued in 1988. Premiums are adjusted annually.

The revaluation difference resulting from this adjustment in 2005 amounted to €7 million, included in financial income.

## NOTE 7 BONDS

**A.** On 24 January 2001, the Company issued US$500 million of US Private Placement Notes, in three tranches:

- a 5-year tranche for US$125 million with a 7.06% coupon,
- a 7-year tranche for US$150 million with a 7.25% coupon,
- a 10-year tranche for US$225 million with a 7.49% coupon.

Each tranche comprises notes specific to the amounts subscribed by investors.

This fixed-rate US$ issue was simultaneously hedged through swap agreements concluded with various banks, resulting in a total borrowing of €564 million with annual average coupon of EURIBOR + 1.15%.

The interest expense for 2005 amounted to €19 million.

**B.** On 1 July 2002, the Company issued bonds exchangeable for shares in T-Online International AG, concerning 86% of the T-Online shares owned by a subsidiary of Lagardère SCA. This issue totalled €767 million for a three-year term and an annual coupon of 2.50%.

This loan reached final maturity on 1 July 2005, and the interest expense for 2005 amounted to €5 million.

**C.** On 10 July 2003, the Company issued €100 million worth of bonds (100,000 bonds of €1,000 each) with the following characteristics:

- term: 10 years,
- maturity: 10 July 2013.

Following a swap agreement concluded with a bank at the time of issue, Lagardère SCA pays effective interest at 3-month EURIBOR + 1.035%, on a quarterly basis.

The interest expense for 2005 amounted to €3 million.

**D.** On 24 July 2003, the Company issued US Private Placement Notes for US$38 million and €116 million, in two tranches:

- a US$38 million tranche comprising "Senior Notes, Series D" with a 5.18% coupon, maturing 24 July 2013;
- a €116 million tranche comprising "Senior Notes, Series E" with a 4.965% coupon, maturing 24 July 2013.

The US$38 million issue was hedged through a currency and interest rate swap agreement, resulting in a borrowing of €34 million, with half-yearly interest payments at 6-month EURIBOR + 0.87%.

Following an interest rate swap agreement concluded with a bank, Lagardère SCA pays interest half-yearly on the €116 million tranche at 6-month EURIBOR + 0.88%.

The interest expense for 2005 amounted to €5 million.

## NOTE 8 MATURITIES OF LIABILITIES

| | 31 December 2005 | Due within 1 year | Due between 1 and 5 years | Due after 5 years |
|---|---|---|---|---|
| Perpetual subordinated notes | 287 | - | - | 287 |
| Bonds | 825 | 152 | 169 | 504 |
| Bank loans | 499 | 28 | 320 | 151 |
| Other debt | 1,129 | 846 | - | 283 |
| Trade and other payables | 43 | 39 | 4 | - |
| **Total** | **2,783** | **1,065** | **493** | **1,225** |

## NOTE 9 PROVISIONS

### Type of provisions

| | 1 January 2005 | Increases | Reversals | 31 December 2005 |
|---|---|---|---|---|
| **Provisions for risks and liabilities** | 172 | 49 | 82 | 139 |
| Sub-total 1 | 172 | 49 | 82 | 139 |
| **Provisions for write-downs** | | | | |
| Investments | 246 | 42 | 74 | 214 |
| Other | 2 | | | 2 |
| Sub-total 2 | 248 | 42 | 74 | 216 |
| **Total** | **420** | **91** | **156** | **355** |
| *including increases and reversals:* | | | | |
| *– relating to financial items* | | *51* | *75* | |
| *– relating to exceptional items* | | *40* | *50* | |
| *– relating to income taxes* | | | *31* | |

## NOTE 10 TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES (NET VALUES) – BALANCE SHEET

| | Assets | | Liabilities |
|---|---|---|---|
| Financial assets | 5,340 | Borrowings | 1,129 |
| Short-term receivables | 56 | Trade and other payables | 28 |
| Other | - | Other | 25 |

## NOTE 11 TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES – INCOME STATEMENT

| | Expenses | | Revenues |
|---|---|---|---|
| Interest on loans | 24 | Income from subsidiaries and affiliates | 191 |
| Losses related to subsidiaries | 52 | Profits related to subsidiaries | 75 |

## NOTE 12 ACCRUED INCOME AND EXPENSES

| | Amount | | Amount |
|---|---|---|---|
| **Amount of accrued income included in the following balance sheet items:** | | **Amount of accrued expenses included in the following balance sheet items** | |
| Long-term investments | 1 | Borrowings | 11 |
| Short-term receivables | 1 | Trade and other payables | 11 |
| Cash and cash equivalents | - | | |
| **Total** | **2** | **Total** | **22** |

## NOTE 13 DEFERRED CHARGES

This item includes the issuance expenses for the perpetual subordinated notes issued in 1992, amortised over 15 years.

## NOTE 14 NET FINANCIAL INCOME

| | 2005 | 2004 |
|---|---|---|
| **Financial income** | | |
| Financial income on long-term investments | 191 | 101 |
| Income on other investments and long-term receivables | 7 | 12 |
| Other interest and similar income | - | - |
| Net income on marketable securities | 8 | 2 |
| Reversals of provisions | 75 | 25 |
| Foreign exchange gains | - | 1 |
| **Financial expenses** | | |
| Interest and similar expenses | (93) | (98) |
| Increases in provisions | (51) | (36) |
| Foreign exchange losses | (3) | (1) |
| **Net financial income** | **134** | **6** |

## NOTE 15 EXCEPTIONAL PROFIT

| | 2005 | 2004 |
|---|---|---|
| Net gain (loss) on disposals of assets | (21) | 3 |
| Increases and reversals of provisions | 9 | 86 |
| Other exceptional income and expenses | 13 | (2) |
| **Exceptional profit** | **1** | **87** |

## NOTE 16 INCOME TAX

The €87 million tax gain for 2005 corresponds to taxes paid by subsidiaries included in the tax consolidation group. At 31 December 2005, the tax group comprising Lagardère SCA and its subsidiaries had a tax loss carry-forward of some €170 million.

## NOTE 17 OFF-BALANCE SHEET COMMITMENTS

| Commitments given | Commitments given | Commitments received | Commitments received |
|---|---|---|---|
| Guarantees given to subsidiaries for lease payments | 21 | Waivers of debts to be reinstated if the beneficiary becomes profitable | 1 |
| Commitments to deliver shares under employee stock option plans | 360 | Unused lines of credit | 1,950 |
| Guarantees given to third parties | 11 | | |
| Bank interest on long-term loans | 162 | | |

As part of its financial policy to reduce foreign exchange and interest rate risks, the Company takes hedging positions using financial instruments listed on organised markets or arranged by private contracts.

The following operations are concerned at 31 December 2005:

– Forward sales of currencies.................................. 57 M€

– Currency swaps in euros.................................... 598 M€ *

Commitments arising form interest rate hedging transactions (contractual amounts):

– Interest rate swaps in euros .............................. 948 M€

– Other interest rate swaps.................................. 598 M€ *

* Financial hedges covering the US$500 million and US$38 million bond borrowings by a single currency and interest rate swap agreement.

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## SUBSIDIARIES AND AFFILIATES

At 31 December 2005

| *(in thousands of euros)* | Capital | Reserves | Share of capital held (%) |
|---|---|---|---|
| **Information on investments with book value in excess of 1% of Lagardère SCA's share capital or with significant influence** | | | |
| **A. Subsidiaries** | | | |
| **(Lagardère SCA's hodling: at least 50%)** | | | |
| DESIRADE (121, Avenue de Malakoff - 75116 Paris, France) | 466,933 | 251,443 | 100.00 |
| HACHETTE SA (4, Rue de Presbourg - 75116 Paris, France) | 793,000 | 223,890 | 100.00 |
| HOLPA (121, Avenue de Malakoff - 75116 Paris, France) | 536 | 2,591 | 86.91 |
| MATRA MANUFACTURING & SERVICES (4, Rue de Presbourg - 75116 Paris, France) | 13,528 | (51,007) | 100.00 |
| LAGARDERE RESSOURCES (121, Avenue de Malakoff - 75116 Paris, France) | 11,666 | (20,591) | 100.00 |
| MATRA PARTICIPATIONS (4, Rue de Presbourg - 75116 Paris, France) | 15,250 | 6,044 | 100.00 |
| MATRAVISION Inc. (1633 Broadway - 45 th Floor New York, NY 10019) (USA) | $30 | $130,489 | 99.99 |
| M N C (121, Avenue de Malakoff - 75116 Paris, France) | 89,865 | 16,312 | 100.00 |
| SOFIMATRANS (4, Rue de Presbourg - 75116 Paris, France) | 29,884 | 15,769 | 100.00 |
| SYMAH (121, Avenue de Malakoff - 75116 Paris, France) | 37 | 5 | 100.00 |
| **B. Affiliates** | | | |
| **(Lagardère SCA's holding: 10-50%)** | | | |
| ARJIL & Compagnie (43, Rue Vineuse - 75116 Paris, France) | 99,169 | 19,367 | 47.59 |
| HACHETTE FILIPACCHI MEDIAS (149-151 rue Anatole France 92534 Levallois Perret, France) | 64,170 | 426,521 | 34.71 |
| **C. Other significant investments** | | | |
| **(Lagardère SCA's holding: less than 10%)** | | | |
| **Information concerning other subsidiaries and affiliates** | | | |
| **A. – Subsidiaries not included in paragraph A above** | | | |
| - Other subsidiaries | | | |
| **B. – Subsidiaries not included in paragraph B above** | | | |
| - Other subsidiaries | | | |
| **C. – Subsidiaries not included in paragraph C above** | | | |
| - Other subsidiaries | | | |

| Book value of shares held Gross | Book value of shares held Net | Oustanding loans and advances granted by the Company | Guarantees given by Company | Net sales for the last fiscal year | Net profit (loss) for the last fiscal year | Dividends received by the Company during the year |
|---|---|---|---|---|---|---|
| 612,312 | 612,312 | | | | 64,213 | 108,788 |
| 1,058,483 | 1,058,483 | 1,217,250 | | | 36,360 | |
| 16,498 | 2,906 | | | | 216 | |
| 94,035 | 28,574 | | | 72,190 | 66,059 | |
| 26,332 | | 7,597 | | 77,505 | (7,264) | |
| 25,444 | 25,444 | 57,032 | | | (2,830) | |
| 85,168 | 85,168 | | | | $3,383 | |
| 112,732 | 109,370 | | | | 3,193 | |
| 36,789 | 36,789 | | | | 253 | |
| 75,511 | 35 | | | | (7) | |
| 78,583 | 57,302 | | | | 962 | |
| 1,082,116 | 1,082,116 | 65,012 | | | 24,864 | 9,637 |
| 50 | 50 | | | | | |

# INVESTMENT PORTFOLIO

at 31 December 2005

## I. Investments in subsidiaries and affiliates (in thousands of euros)

| | | |
|---|---|---|
| **A. Investments in French companies** | | |
| Book values above €15,000 | | 3,013,381 |
| *Number of shares held:* | | |
| 122,233,852 | Désirade | 612,312 |
| 51,997,499 | Hachette | 1,058,483 |
| 13,922,270 | Hachette Filipacchi Médias | 1,082,116 |
| 93,244 | Holpa | 2,906 |
| 845,465 | Matra Manufacturing & Services | 28,574 |
| 999,981 | Matra Participations | 25,444 |
| 7,848,480 | MNC | 109,370 |
| 3,117,651 | Arjil et Compagnie | 57,302 |
| 1,953,210 | Sofimatrans | 36,789 |
| 5,000 | Sogeade Gérance | 50 |
| 9,250 | Symah | 35 |
| Book value below €15,000 | | 0 |
| Total investments in French companies | | 3,013,381 |
| **B. Investments in non-French companies** | | |
| *Number of shares held:* | | |
| 30,112 | Matravision Inc. | 85,168 |
| Book values above €15,000 | | 0 |
| Total investments in non-French companies | | 85,168 |
| **Total investments in subsidiaries and affiliates** | | **3,098,549** |

## II. Other long-term investments

| | |
|---|---|
| **A. Investment funds** | 511 |
| **Total investment funds** | **511** |
| **B. Treasury shares** | 146,167 |
| **Total treasury shares** | **146,167** |
| **Total other investments** | **146,678** |

## FIVE-YEAR FINANCIAL SUMMARY

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| **I Financial position at year-end** *(in euros)* | | | | | |
| a) Share capital | 845,878,899 | 849,229,824 | 851,664,914 | 858,993,979 | 866,456,932 |
| b) Number of ordinary shares outstanding | 138,668,672 | 139,218,004 | 139,617,199 | 140,818,685 | 142,042,120 |
| c) Maximum number of shares to be issued upon exercise of subscription options | 5,890,385 | 2,653,353 | 3,550,108[(1)] | 1 944,724[(1)] | 1,706 788[(1)] |
| d) Maximum number of shares to be issued upon conversion of bonds | – | – | – | – | – |
| e) Maximum number of shares to be issued upon exercise of subscription warrants | – | – | – | – | – |
| **II Results of operations** *(in thousands of euros)* | | | | | |
| a) Net sales | 744 | 926 | 2,357 | 1,072 | 258 |
| b) Earnings before tax, depreciation, amortisation and provisions | (119,935) | (72,115) | 15,421 | (9,021) | 76,291 |
| c) Income tax | 104,517[(2)] | 53,316[(2)] | 50,774[(2)] | 65,396[(2)] | 87 008[(2)] |
| d) Earnings after tax, depreciation, amortisation and provisions | 96,475 | (65,952) | 91,572 | 131,631 | 196,553 |
| e) Total dividends | 110,839 | 111,227 | 122,815 | 410,518 | [(3)] |
| **III Earnings per share** *(in euros)* | | | | | |
| a) Earnings after tax but before depreciation, amortisation and provisions | (0.11) | (0.14) | 0.47 | 0.40 | 1.15 |
| b) Earnings after tax, depreciation, amortisation and provisions | 0.70 | (0.47) | 0.66 | 0.93 | 1.38 |
| c) Total dividends | 0.82 | 0.82 | 0.90 | 1.00+2.00[(4)] | [(3)] |
| **IV Personnel** | | | | | |
| a) Average number of employees | – | – | – | – | – |
| b) Total wages and salaries | – | – | – | – | – |
| c) Total employee benefit expense | – | – | – | – | – |

(1) The number of shares indicated relates to stock options with exercise prices below market price at 31 December.
(2) Mainly the tax gain resulting from the tax consolidation.
(3) The Annual General Meeting will be asked to approve the distribution of a dividend of €1.10 per share.
(4) Exceptional dividend of €2 per share.

# 6_6 REPORT OF THE STATUTORY AUDITORS ON THE PARENT COMPANY FINANCIAL STATEMENTS

*(Free translation of a French language original)*

To the Partners of Lagardère SCA,

In compliance with the assignment entrusted to us by your annual general partners' meetings, we hereby report to you, for the year ended December 31, 2005, on:

- the audit of the accompanying financial statements of Lagardère SCA,
- the justification of our assessment,
- the specific verifications and information required by law.

These financial statements have been approved by the Managing Partners. Our role is to express an opinion on these financial statements based on our audit.

## I – Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2005 and of the results of its operations for the year then ended, in accordance with accounting rules and principles applicable in France.

## II – Justification of our assessment

In accordance with the requirements of article L. 823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

### Accounting principles and valuation methods

The note "Accounting principles and methods" presented in the Notes to the Parent Company financial statements explains the criteria used for the valuation of long-term investments.

As part of our assessments of the accounting principles and methods used by your Company, we verified the appropriateness of the accounting methods used and the reasonableness of estimates made.

These assessments were thus made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the formation of our unqualified opinion expressed in the first part of this report

### III – Specific verifications and information

We have also performed specific verifications required by law, in accordance with professional standards applicable in France.

We have no matter to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report, and in the documents addressed to the partners with respect to the financial position and the financial statements.

Paris and Neuilly-sur-Seine, 27 March 2006.

The Statutory Auditors

| MAZARS & GUÉRARD<br>MAZARS | BARBIER FRINAULT & AUTRES<br>ERNST & YOUNG |
|---|---|
| Jacques Kamienny | Jean-François Ginies |

# 6_7 REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

*(Free translation of a French language original)*

To the Partners of Lagardère SCA,

Following our appointment as statutory auditors by your annual general partners' meetings, we have audited the accompanying consolidated financial statements of Lagardère SCA for the year ended December 31, 2005.

The consolidated financial statements have been approved by the Managing Partners. Our role is to express an opinion on these financial statements based on our audit. These financial statements have been prepared for the first time in accordance with IFRSs as adopted by the EU. They include comparative information restated in accordance with the same standards in respect of financial year 2004 except for IAS 32 and IAS 39 which have been applied as from 1st January 2005.

### I – Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the of the Group as at 31 December 2005 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

### II – Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As disclosed in note 3_15 to the consolidated financial statements the accounting treatments used by Lagardère and EADS for put options granted to minority shareholders. As the IFRSs approved for application in the European Union contain no official position on the matter, we verified that the accounting treatments used are compatible with those standards, and that note 3_15 provides appropriate information on the treatments applied and their impacts on the Lagardère consolidated financial statements.

- As disclosed in note 3_10 to the consolidated financial statements (English version of the notes to financial statements), Lagardère reviews the various intangible assets of the Media branch for impairment using future cash flows expected from related assets. We have reviewed the data  and the assumptions on which these assessments are based, notably with respect to the comparison between the recoverable value and the book value of these assets. In particular, this recoverable value has been determined on the basis of cash flow projections prepared by the Group. We have assessed the reasonableness of such estimates.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### III. Specific verifications

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 27 March 2006.

The Statutory Auditors

| | |
|---|---|
| MAZARS & GUÉRARD | BARBIER FRINAULT & AUTRES |
| MAZARS | ERNST & YOUNG |
| Jacques Kamienny | Jean-François Ginies |

# 6_8 REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS

*(Free translation of a French language original)*

To the Partners of Lagardère SCA,

In our capacity as Statutory Auditors of your Company, we report below on regulated agreements.

## Agreement authorised during the year

In accordance with the requirements of articles L.225-40 and L.226.10 of the French Commercial Code, we have been informed of an agreement concluded during the year and previously authorised by your Supervisory Board.

Our role does not include identifying any undisclosed agreements. We are required to report to you, based on the information provided, on the main terms and conditions of the agreement that has been disclosed to us, without commenting on its relevance or substance. Under the provisions of article 92 of the decree of 23 March 1967, it is the responsibility of the partners to determine whether this agreement is appropriate and should be approved.

We carried out our work in accordance with professional standards applicable in France. These standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

- *Introduction of an additional pension plan for certain Lagardère Capital & Management employees who are members of Lagardère's Executive Committee*

An additional pension plan to complement the basic pension system has been introduced by Lagardère Capital & Management, to the benefit of certain employees who are members of the Executive Committee. The maximum benefit entitlement under this plan is an additional pension, upon retirement at the age of 65, equal to 35% of the benchmark remuneration, which cannot exceed 50 times the annual limit defined by the French social security system.

Six employees of Lagardère Capital & Management who are members of the Management Committee have been beneficiaries of this plan since it was set up in 2005.

The plan came into effect at 1 July 2005, and benefits vest at the rate of 1.75% of the benchmark remuneration per year of seniority in the Executive Committee, up to a limit of 20 years' seniority. The pension earned under this plan is payable on condition the beneficiary is still with the company at retirement age, or when he takes early retirement. It also remains payable in the event of termination after the age of 55, or invalidity.

The total expense recorded for 2005 by Lagardère Capital & Management in connection with this plan amounts to €2,451,000, billed to Lagardère Ressources under the Service Agreement.

The Supervisory Board approved the introduction of this additional pension plan at its meeting of 14 September 2005.

### Agreement authorised in previous years and which continued to apply during the year

In application of the decree of 23 March 1967, we have been informed that the following agreement, approved in previous years, has continued to apply during the year under review.

- *Service Agreement with Lagardère Capital & Management*

Under an agreement signed in 1988 by Lagardère Capital & Management with Matra and Hachette, Lagardère Capital & Management provides a range of resources and skills specific to general strategy, international development, company operations, and management of financial capacity, human potential and corporate image. All top management working at Lagardère Capital & Management are members of the management bodies of the Group and its principal subsidiaries.

Following the various reorganisations that have taken place since 1988, this agreement is now between Lagardère Capital & Management and Lagardère Ressources.

The remuneration of Lagardère Capital & Management was modified with effect from 1 July 1999 by an amendment approved in principle by the Supervisory Board on 22 September 1999 and in its final version on 22 March 2000. It was again modified with effect from 1 January 2004 by an amendment approved by the Supervisory Board on 12 March 2004.

At its meeting of 12 March 2004, the Supervisory Board approved an amendment modifying the calculation method for the remuneration payable to Lagardère Capital & Management as of 1 January 2004.

Starting from that date, the remuneration payable by Lagardère Ressources to Lagardère Capital & Management for any given year is equal to the total expenses incurred by Lagardère Capital & Management during that year in connection with the services rendered under the Service Agreement, plus a ten per cent margin with an absolute upper limit for the margin set at €1 million.

For the year 2005, the amount billed by Lagardère Capital & Management amounted to €15,015,301 (including an expense of €2,451,000 for the additional pension plan), compared to €12,865,335 in 2004.

Paris and Neuilly-sur-Seine, 27 March 2006.

The Statutory Auditors

| MAZARS & GUÉRARD | BARBIER FRINAULT & AUTRES |
|---|---|
| MAZARS | ERNST & YOUNG |
| Jacques Kamienny | Jean-François Ginies |

## 6_9 STATUTORY AUDITORS' FEES

| | 2005 | | | |
|---|---|---|---|---|
| *(in thousands of euros)* | Mazars & Guérard | % | Ernst & Young | % |
| Audit | | | | |
| – Statutory audit | 2,430 | | 3,250 | |
| – Ancillary services | 1,230 | | 481 | |
| **Sub-total** | **3,660** | **95.5** | **3,731** | **98.8** |
| Other services | | | | |
| – Legal, tax, human resources | 145 | | 26 | |
| – Other | 29 | | 19 | |
| **Sub-total** | **174** | **4.5** | **45** | **1.2** |
| **Total** | **3,834** | **100** | **3,776** | **100** |

| | 2004 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Mazars & Guérard | % | Ernst & Young | % | Mr. Alain Ghez | % |
| Audit | | | | | | |
| – Statutory audit | 2,415 | | 3,362 | | 81 | |
| – Ancillary services | 1,371 | | 1,094 | | | |
| **Sub-total** | **3,786** | **96.1** | **4,456** | **98.1** | **81** | **100** |
| Other services | | | | | | |
| – Legal, tax, human resources | 132 | | 70 | | | |
| – Other | 23 | | 16 | | | |
| **Sub-total** | **155** | **3.9** | **86** | **1.9** | **0** | |
| **Total** | **3,941** | **100** | **4,542** | **100** | **81** | **100** |

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7

# Organisation of the Company and the Group – Corporate Governance

# 7_1 GENERAL PRESENTATION OF FRENCH LIMITED PARTNERSHIPS WITH SHARES (SCA) AND OF LAGARDÈRE SCA

## 7_1_1 Legal characteristics of French limited partnerships with shares

A French limited partnership with shares *(société en commandite par actions – SCA)* has two categories of partners:

- one or more general partners *(associés commandités)* – they are indefinitely liable for the company's liabilities, and their partnership rights can be sold or otherwise transferred only under certain conditions;
- limited partners *(associés commanditaires* or shareholders) – their situation is the same as that of shareholders in a corporation *(société anonyme)*. Their holdings can be sold or otherwise transferred under the same conditions as shares in a corporation, and they are liable for the company's liabilities only to the extent of their contribution. They are represented by a Supervisory Board.

A limited partnership with shares is managed by one or more managing partners *(gérants)*, who may be individuals or corporate entities. They are selected from amongst the limited partners or third parties, but may not be shareholders.

Because of the two categories of partners, corporate decisions are taken at two different levels: by the limited partners in general meetings, and by the general partners. Members of the Supervisory Board are appointed only by the limited partners. If a general partner is also a limited partner he cannot take part in the vote.

## 7_1_2 Presentation of Lagardère SCA

Both French law and the specificities of its by-laws (see Chapter 8, section 8_2) give Lagardère SCA, a French limited partnership with shares, a very modern structure that is perfectly suited to meet the demands of corporate governance as it answers in the best possible way the two basic principles of establishing a clear distinction between management and control while associating very closely shareholders to the Company's operations and progress.

This structure is characterised as follows:

- It establishes a very clear distinction between the Managing Partners, who are responsible for the running of the business, and the Supervisory Board which represents the shareholders. The Managing Partners are not members of the Supervisory Board, and the general partners do not take part in appointing the members of the Supervisory Board.
- The Supervisory Board is entitled to oppose the appointment of a Managing Partner or the renewal of his appointment by the general partners. The final decision is vested in the ordinary general meeting (see Chapter 8, section 8_2_3). The term of office of a Managing Partner cannot exceed six years but may be renewed.
- The two general partners' unlimited liability to the full extent of their assets is evidence of the proper balance between financial risk, power and responsibility.
- The Supervisory Board is entitled to receive the same information and wields the same powers as the Statutory Auditors.
- The Supervisory Board must report to the meeting of shareholders on any operation entailing an increase or a decrease in the share capital.

It consequently obviates the confusion, for which French corporations are criticised, between the role of the Chairman (*Président*) when the latter is also Chief Executive Officer (*Directeur-Général*) and the Board of Directors of which he is a member.

# 7_2 GENERAL PARTNERS, MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD

## 7_2_1 General partners

**ARNAUD LAGARDÈRE**

4, rue de Presbourg – 75116 Paris, France

**ARJIL COMMANDITÉE-ARCO**

A French corporation with share capital of €40,000
121, avenue de Malakoff - 75116 Paris, France

## 7_2_2 Managing Partners

**ARNAUD LAGARDÈRE**

4, rue de Presbourg – 75116 Paris, France
*Born 18 March 1961*

Number of Lagardère SCA shares held personally: 85,380

In addition, Mr. Arnaud Lagardère is the Chairman of Lagardère Capital & Management and also holds the share capital of that company, which itself held 7.12% of Lagardère SCA's share capital on 31 December 2005.

Mr. Arnaud Lagardère holds a DEA higher degree in economics from the University of Paris Dauphine. He was appointed Director and Chief Executive Officer of the company MMB (which became Lagardère SCA) in 1987. He was Chairman of the US company Grolier Inc from 1994 to 1998.

A/ PRINCIPAL POSITION:
Managing Partner, Lagardère SCA

B/ OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP:
Chairman, Lagardère Capital & Management (SAS)

Chairman and Chief Executive Officer, Arjil Commanditée-ARCO (SA)

Chairman and Chief Executive Officer, Hachette SA (Lagardère Media)

Director, Hachette Livre (SA)

Director, Hachette Distribution Services (SA)

Member of the Supervisory Board, Virgin Stores (SA)

Director, Hachette Filipacchi Médias (SA)

Permanent representative of Hachette SA to the Management Committee, SEDI TV-TEVA (SNC)

Chairman, Lagardere Active (SAS)

Chairman, Lagardere Active Broadcast (a Monaco SA)

Permanent representative of Lagardere Active Publicité

to the Board of Directors, Lagardere Active Radio International

Chairman, Lagardere Active Broadband (SAS)

Chairman of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV

Chairman of the Board of Directors, EADS Participations BV

Director, Lagardère Ressources (SAS)

President, Fondation Jean-Luc Lagardère

Chairman, Lagardère (SAS)

C/ OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP:
Member of the Supervisory Board, DaimlerChrysler AG

Director, France Télécom (SA)

Director, LVMH Moët Hennessy-Louis Vuitton (SA)

Member of the Supervisory Board, Le Monde (SA) (*from 27 October 2005*)

President, Association des Amis de Paris Jean-Bouin CASG (non-profit organisation)

D/ OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Member of the Supervisory Board, T-Online International AG

Permanent representative of Lagardère Capital & Management to the Supervisory Board, LCM Partenaires (SA) (*until December 2001*)

Chairman, Lagardere Active Broadband Finances (SAS) (*until December 2001*)

Director, LCM Expression (SA) (*until June 2002*)

Director multiThématiques (SA) (*until December 2002*)

Co-Manager, I.S.-9 (*until May 2003*)

Manager, Lagardere Active Publicité (SNC) (*until May 2003*)

Director, Société d'Agences et de Diffusion (SA) (*until June 2003*)

Manager, Nouvelles Messageries de la Presse Parisienne – NMPP (SARL) (*until July 2003*)

Director, CanalSatellite (SA) (*until December 2003*)

Director, Lagardère Sociétés (SAS) (*until December 2003*)

Director, Éditions P. Amaury (SA) (*until December 2003*)

Chairman, Lagardère Images (SAS) (*until October 2004*)

Chairman and Chief Executive Officer, Lagardère Thématiques (SA) (*until November 2004*)

Manager, Lagardère Élevage (*until March 2005*)

Deputy Chairman of the Supervisory Board, Arjil & Compagnie (SCA) (*until April 2005*)

President, Club des Entreprises Paris 2012 (non-profit organisation) (*until January 2006*)

Director, Fimalac (SA) (*until January 2006*)

**ARJIL COMMANDITÉE-ARCO**
A French corporation with share capital of €40,000
121, avenue de Malakoff - 75116 Paris, France

Represented by **Mr. Arnaud Lagardère**, **Mr. Philippe Camus** and **Mr. Pierre Leroy**

Arjil Commanditée-ARCO was appointed Managing Partner for a period of six years from 17 March 1998. This appointment was renewed in 2004 for a further six-year period.

POSITIONS HELD BY ARJIL COMMANDITÉE-ARCO IN OTHER COMPANIES: none.

POSITIONS HELD BY LEGAL REPRESENTATIVES OF ARJIL COMMANDITÉE-ARCO IN OTHER COMPANIES:

**ARNAUD LAGARDÈRE** (see above)

**PHILIPPE CAMUS**
4, rue de Presbourg – 75116 Paris, France
*Born 28 June 1948*

Number of Lagardère SCA shares held: 3,808

Mr. Philippe Camus is a former student of the *École Normale Supérieure de Paris (ULM Paris)*, and holds a degree from the *Institut d'Études Politiques de Paris* (Economics and Finance) and the highest-level teaching qualification *agrégation* in Physics and Actuarial Science.

A/ PRINCIPAL POSITIONS:
Deputy Chairman and Chief Operating Officer, Arjil Commanditée-ARCO (SA)

Co-Managing Partner, Lagardère Group

B/ OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP:
Permanent representative of Lagardère SCA to the Board of Directors, Hachette SA

Director, Hachette Filipacchi Médias (SA)

Director, La Provence (SA)

Director, Nice-Matin (SA)

Director, Éditions P. Amaury (SA)

Permanent representative of Lagardere Active to the Board of Directors, Lagardere Active Broadcast (Monaco)

Permanent representative of Hachette SA to the Board of Directors, Hachette Distribution Services (SA)

Chairman and Chief Executive Officer, Lagardere North America

C/ OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP:
Director, Crédit Agricole

Director, ACCOR

D/ OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Director, Groupement d'Intérêt Économique PGS (*until 29 November 2002*)

Director, Crédit Lyonnais (*until 30 July 2003*)

Chairman, EADS France (SAS) (*until 11 May 2005*)

Co-Chief Executive Officer, EADS NV (The Netherlands) (*until 11 May 2005*)

Co-Chief Executive Officer, EADS Participations BV (The Netherlands) (*until 11 May 2005*)

Chairman, Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS) (*until 11 May 2005*)

Director, Dassault Aviation (SA) (*until 11 May 2005*)

Member of the Remuneration Committee, Airbus (SAS) (*until 11 May 2005*)

Member of the Partners' Committee, Airbus (SAS) (*until 11 May 2005*)

**PIERRE LEROY**
4, rue de Presbourg – 75116 Paris, France
*Born 8 October 1948*

Number of Lagardère SCA shares held: 2,027

Mr. Pierre Leroy, a graduate of *École Supérieure de Commerce de Reims* with a university degree in law, has spent his entire career with the Lagardère Group.
He was appointed Director and Chief Executive Officer of the company MMB (which became Lagardère SCA) in 1987, Chairman and Chief Executive Officer of Lagardère Sociétés in 1988 and Group Secretary in 1993.

A/ PRINCIPAL POSITIONS:
Director and Chief Operating Officer, Arjil Commanditée-ARCO (SA)

Co-Manager, Lagardère Group

B/ OTHER POSITIONS AND APPOINTMENTS HELD IN THE GROUP:
Director, Lagardère (SAS)

Director, Lagardère Capital & Management (SAS)

Director, Hachette SA

Director, Hachette Livre (SA)

Director, Hachette Filipacchi Médias (SA)

Director, Hachette Filipacchi Presse (SA)

Director, Lagardere Active Broadcast (a Monaco company)

Director, Lagardere Television Holdings SA (formerly Television Holdings SA)

Director, Ecrinvest 4 (SA)

Director, Sogeade Gérance (SAS)

Chairman, Désirade (SAS)

Chairman, Lagardère Ressources (SAS) (formerly Matra Hachette Général)

Chairman of the Supervisory Board, Arlis (SAS) (formerly Diolede)

Chairman of the Supervisory Board, Matra Manufacturing & Services (SAS) (formerly Matra Automobile)

Permanent representative of Matra Participations to the Board of Directors, CVT (SA)

Manager, Arjil & Cie (SCA)

Member of the Supervisory Board, Arjil & Associés (SAS)

Chairman, Lagardère Expression (SAS) (formerly LCM Expression)

Chairman and Chief Executive Officer, Matra Participations (SA)

Chairman, Sofrimo (SAS)

Chairman, Holpa (SAS)

Permanent representative of Matra Participations to the Board of Directors, Hagena (SA)

Permanent representative of Matra Participations to the Board of Directors, Galice (SA)

Administrator, Fondation Jean-Luc Lagardère

C/ OTHER POSITIONS AND APPOINTMENTS HELD OUTSIDE THE GROUP: none.

D/ OTHER POSITIONS AND APPOINTMENTS HELD DURING THE LAST FIVE YEARS:

Permanent representative of Matra Participations to the Board of Directors, Gama Services (SA) (*until March 2001*)

Permanent representative of Matra Participations to the Board of Directors, Gaya (SA) (*until March 2001*)

Chairman of the Board of Directors, LCM Partenaires (SA) (*until December 2001*)

Chairman of the Board of Directors, MCP (SA) (*until December 2001*)

Permanent representative of Matra Participations to the Board of Directors, MP 77 (SA) (*until November 2001*)

Director, Les Éditions du Jeudi (SA) (*until April 2002*)

Permanent representative of Hachette SA to the Board of Directors, Lagardere Active Broadband (SA) (*until June 2002*)

Permanent representative of Hachette SA to the Board of Directors, Lagardere Active (SA) (*until June 2002*)

Permanent representative of Matra Participations to the Board of Directors, Sofimatrans (SA) (*until June 2002*)

Permanent representative of Matra Participations to the Board of Directors, MNC (SA) (*until June 2002*)

Permanent representative of Matra Participations to the Board of Directors Matra Transport (SA) (*until June 2002*)

Permanent representative of Matra Participations to the Board of Directors, MP 55 (SA) (*until June 2002*)

Permanent representative of Matra Participations to the Board of Directors, Matra SA (*until June 2002*)

Permanent representative of Matra Participations to the Board of Directors, Dariade (SA) (*until June 2002*)

Chairman of the Board of Directors, Hachette 5 (SA) (*until June 2002*)

Permanent representative of Matra Participations to the Board of Directors, Doris (SA) (*until July 2002*)

Permanent representative of Matra Participations to the Board of Directors, Eole (SA) (*until July 2002*)

Permanent representative of Matra Participations to the Board of Directors, Diviane (SA) (*until November 2002*)

Management Controller, GIE Presbourg Gestion et Stratégie (*until November 2002*)

Permanent representative of Matra Participations to the Board of Directors, Diolede (SA) (*until April 2003*)

Permanent representative of Matra Participations to the Board of Directors, Sogemat Participations (SA) (*until November 2003*)

Permanent representative of Matra Hachette Général to the Board of Directors, Segera (SA) (*until December 2003*)

Chairman, Lagardère Sociétés (SAS) (*until December 2003*)

Permanent representative of Matra Participations to the Board of Directors, MP 71 (SA) (*until May 2004*)

Chairman, Cibejy (SAS) (*until July 2004*)

## 7_2_3 Members of the Supervisory Board

*List of members of the Supervisory Board during 2005*

| | | Date of first appointment or renewal | End of current period of office |
|---|---|---|---|
| Chairman of the Board<br>Chairman of the Audit Committee | **Raymond H. Lévy**<br>*Honorary Chairman, Renault SA* | 11 May 2004 | AGM 2010* |
| Member of the Board | **Bernard Arnault**<br>*Chairman and Chief Executive Officer, LVMH* | 11 May 2004 | AGM 2010* |
| Member of the Board | **Manfred Bischoff**<br>*Member of the Board of Management, DaimlerChrysler AG* | 11 May 2004 | (1) |
| Member of the Board | **Hubert Burda**<br>*Chairman of the Board, Hubert Burda Media* | 11 May 2004 | AGM 2010* |
| Member of the Board | **René Carron**<br>*Chairman, Crédit Agricole SA* | 11 May 2004 | AGM 2010* |
| Member of the Board | **Georges Chodron de Courcel**<br>*Chief Operating Officer, BNP Paribas* | 11 May 2004 | AGM 2006* |
| Member of the Board | **Groupama SA**<br>*Represented by Mr. Helman le Pas de Sécheval (Chief Financial Officer, Groupama) Member of the Audit Committee* | 11 May 2004 | AGM 2008* |
| Member of the Board<br>Member of the Audit Committee | **Pehr G. Gyllenhammar**<br>*Chairman, Aviva plc (London)* | 11 May 2004 | AGM 2008* |
| Member of the Board | **Pierre Lescure**<br>*Chairman, AnnaRose Productions* | 11 May 2004 | AGM 2008* |
| Member of the Board<br>Member of the Audit Committee | **Christian Marbach**<br>*Chairman, Oseo-Services (formerly Agence des PME)* | 11 May 2004 | AGM 2006* |
| Member of the Board<br>Member of the Audit Committee | **Bernard Mirat**<br>*Former Deputy Chairman and Chief Operating Officer, Société des Bourses Françaises* | 11 May 2004 | AGM 2006* |
| Member of the Board<br>Member of the Audit Committee | **Didier Pineau-Valencienne**<br>*Honorary Chairman, Schneider Electric*<br>*Vice Chairman, Crédit Suisse First Boston* | 11 May 2004 | AGM 2008* |
| Member of the Board | **Henri Proglio**<br>*Chairman and Chief Executive Officer, Veolia Environnement* | 11 May 2004 | AGM 2010* |
| Member of the Board | **Felix G. Rohatyn**<br>*Former US Ambassador to France* | 11 May 2004 | AGM 2008* |
| Member of the Board | **François Roussely**<br>*Chairman, Crédit Suisse First Boston in France* | 11 May 2004 | AGM 2010* |
| Censor | **Bernard Esambert** | 11 May 2004 | AGM 2006* |
| Corporate Secretary | **Laure Rivière-Doumenc** | | |

* Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(1) Mr. Manfred Bischoff resigned on 10 May 2005.

**RAYMOND H. LÉVY**
40, rue de Garches – 92420 Vaucresson, France
*Born 28 June 1927*

First appointed: 30 December 1992

End of current period of office: AGM 2010*

Number of Lagardère SCA shares held: 15,230

Chairman of the Supervisory Board and the Audit Committee of Lagardère SCA

Mr. Raymond H. Lévy is a graduate engineer belonging to the prestigious *Corps des Mines*, and has been Chairman of Elf France, Usinor, Régie Nationale des Usines Renault and Consortium de Réalisation.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
In France:
Chairman of the Supervisory Board, Sogeade

Director, Sogeade Gérance

Mr. Raymond H. Lévy is also Honorary Chairman of Renault SA

Outside France:
Director, Renault Finance (Switzerland)

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Chairman of the Supervisory Board, Consortium de Réalisation

**BERNARD ARNAULT**
22, avenue Montaigne – 75008 Paris, France
*Born 5 March 1949*

First appointed: 11 May 2004

End of current period of office: AGM 2010*

Number of Lagardère SCA shares held: 150

Mr. Bernard Arnaud is a former student of the *École Polytechnique* and is currently Chairman and Chief Executive Officer of LVMH.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
In France :

Chairman and Chief Executive Officer, LVMH Moët Hennessy-Louis Vuitton, SA

Chairman of the Board of Directors, Christian Dior, SA

Chairman, Groupe Arnault SAS

Chairman of the Board of Directors, Société Civile du Cheval Blanc

* Annual General Meeting to be held to approve the financial statements for the previous year.

Director, Christian Dior Couture, SA

Member of the Supervisory Board, Métropole Télévision "M6", SA

Outside France:
Director, LVMH Moët Hennessy-Louis Vuitton (Japan) KK, Japan

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Chairman and Chief Executive Officer, Montaigne Participations et Gestion

Director, Financière Jean Goujon, SA

Director, Vivendi Universal, SA

Director, Moët Hennessy Inc.(USA)

Chief Executive Officer, Christian Dior, SA

Legal representative of Christian Dior, Chairman of Montaigne Développement, SAS

Legal representative of Montaigne Participations et Gestion, Chairman of Gasa Développement and

Société Financière Saint Nivard

Permanent representative of Montaigne Participations et Gestion, Director of Financière Agache

**DR. HUBERT BURDA**
Arabellastrasse 23 – D 81925 Munich, Germany
*Born 9 February 1940*

First appointed: 11 May 2004

End of current period of office: AGM 2010*

Number of Lagardère SCA shares held: 150

Dr. Hubert Burda is currently Chairman of the Board of Hubert Burda Media.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
Chairman of the Board and Publisher, Hubert Burda Media (Germany)

Dr. Burda is also President of the Association of German Magazine Publishers (VDZ), co-founder of the European Publishers Council (EPC) and President of the Council of the University Ludwig-Maximilians of Munich.

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Member of the Board, Kulturkreis der deutschen Wirtschaft im Bundesverband der Deutschen Industrie, Cologne

Senator aD, Hermann von Helmholtz Gemeinschaft deutscher Forschungszentren, Bonn

Chairman, Verband deutscher Zeitschriftenverleger – VDZ, Bonn

Member, European Publishers Council – EPC

Chairman of the Board, Ludwig Maximilians Universität, Munich

* Annual General Meeting to be held to approve the financial statements for the previous year.

Council Member, World Economic Forum, Genf

Member of the Senate, Fraunhofer-Gesellschaft, Munich

Member of the Board, Deutsche Journalistenschule, Munich

German Founder Member, Club of Three, Konferenz der führenden Vertreter aus Politik, Wirtschaft und Kultur aus den drei Ländern Frankreich

Member, Verein Weimarer Zukunft, Zur Unterstützung der Stiftung Weimarer Klassik

Member of the Board, Gerling Konzern, Cologne

Member of the Supervisory Board, Philip Morris, Munich

Member, International Life Science Forum e.V., GSF, Neuherberg

Member, Verein der Freunde und Förderer der Glyptothek und der antiken Sammlungen München e.V.

Member, INSEAD Gesellschaft Deutschland e.V. Fontainebleau

Member, Club Économique Français de Bavière

Französischer Wirtschaftsclub in Bayern e.V.

Curator, Universität Mannheim: Global Business Visions 2002

Member, FIPP International Federation of the Periodical Press (FIPP)

Corporate member, The Museum of Television & Radio

Member of the Board, Initiative D 21 e.V.

Member of the Supervisory Board, Microsoft Deutschland GmbH

**RENÉ CARRON**
91/93, boulevard Pasteur – 75015 Paris, France
*Born 13 June 1942*

First appointed: 11 May 2004

End of current period of office: AGM 2010*

Number of Lagardère SCA shares held: 150

Mr. René Carron is a former member of France's third-ranking constitutional assembly, the *Conseil Économique et Social*. He is currently Chairman of the Board of Directors of Crédit Agricole.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
In France:
Chairman of the Board of Directors, Crédit Agricole SA

Chairman, Caisse Régionale de Crédit Agricole des Savoie

* Annual General Meeting to be held to approve the financial statements for the previous year.

Deputy Chairman, Fédération Nationale du Crédit Agricole

Deputy Chairman, Confédération Nationale de la Mutualité, de la Coopération et du Crédit Agricole (CNMCCA)

Chairman, Confédération Internationale du Crédit Agricole (CICA)

Member of the Management Committee, GIE Gecam

Member of the Management Committee and Manager, Adicam

Director, Crédit Agricole Solidarité et Développement

Administrator, Fondation du Crédit Agricole Pays de France

Director, Sacam

Director, Suez

Director, Scicam

Outside France:
Director and Deputy Chairman, Banca Intesa S.p.a. (Italy)

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Chairman, Caisse Locale de Crédit Agricole de Yenne

Chairman, GIE Gecam

Conseiller Général of Savoie

Member of the Supervisory Board, Eurazeo

Director, Rue Impériale

Director, Sapacam

Director, Sofinco

Director, Fonds Coopération Crédit Agricole Mutuel

Mayor of the town of Yenne, France

Advisor, Banque de France in Savoie

Director, Crédit Agricole Indosuez

Director, Crédit Lyonnais

Chairman, Rue La Boétie SAS

**GEORGES CHODRON DE COURCEL**
23, avenue Mac Mahon – 75017 Paris, France
*Born 20 May 1950*

* Annual General Meeting to be held to approve the financial statements for the previous year.

First appointed: 19 May 1998

End of current period of office: AGM 2006*

Number of Lagardère SCA shares held: 150

Mr. Georges Chodron de Courcel is a graduate engineer of the *École Centrale des Arts et Manufactures de Paris*. He is currently Chief Operating Officer of BNP Paribas.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
In France:
Chief Operating Officer, BNP Paribas

Director, Bouygues

Censor, Scor SA and Scor Vie

Director, Nexans

Director, Alstom

Censor, SAFRAN

Chairman, BNP Paribas Emergis SAS

Chairman, Compagnie d'Investissement de Paris SAS

Chairman, Financière BNP Paribas SAS

Director, Verner Investissements SAS

Censor, Exane

Outside France:
Chairman, BNP Paribas Suisse SA (Switzerland)

Chairman, BNP Paribas UK Holdings Ltd (United Kingdom)

Director, BNPP ZAO (Russia)

Director, Erbé SA (Belgium)

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Member of the Supervisory Board, SAGEM

Chairman, BNP Paribas Bank Polska (Poland)

Chairman and Director, BNP US Funding (USA)

Director, BNP Paribas Canada (Canada)

Director, BNP Paribas Peregrine Limited (Malaysia)

Director, BNP Prime Peregrine Holdings Limited (Malaysia)

* Annual General Meeting to be held to approve the financial statements for the previous year.

Director, BNP Paribas Securities Corp (formerly Paribas Corporation) (USA)

Director, BNP Paribas U.K. Holdings Limited (United Kingdom)

Director, Capstar Partners SAS

Permanent representative of CIP, corporate director of FFP (Société Foncière,

Financière et de Participations)

Permanent representative of CIP, corporate director of Sommer SA

**GROUPAMA SA**[(1)]
A French corporation with share capital of €1,239,777,322
8/10, rue d'Astorg – 75008 Paris, France

First appointed: 13 September 2002

End of current period of office: AGM 2008*

Number of Lagardère SCA shares held by Groupama SA: 150

**Represented by Mr. Helman le Pas de Sécheval, Chief Financial Officer, Groupama**
*Born 21 January 1966*

Number of Lagardère SCA shares held by Mr. Helman le Pas de Sécheval: 150

Mr. Helman le Pas de Sécheval is a graduate engineer belonging to the prestigious *Corps des Mines* and a graduate of the *École Normale Supérieure*. He was formerly head of the operations department and financial information at the French stock market regulator *Commission des Opérations de Bourse,* and is currently Chief Financial Officer of Groupama.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
In France:
Chairman of the Board of Directors, Groupama Immobilier

Chairman of the Board of Directors, Compagnie Foncière Parisienne

Chairman of the Board of Directors, Groupama Asset Management

Chairman of the Board of Directors, Finama Private Equity

Deputy Chairman of the Supervisory Board, Banque Finama

Permanent representative of Groupama to the Board of Directors, Silic

Permanent representative of Gan Assurances Vie to the Supervisory Board, Locindus

Director, Scor

(1) A list of all positions and appointments held by Groupama SA as manager, director, member of the Management Board or member of the Supervisory Board in other companies during the last five years is available for inspection at 121, avenue de Malakoff - 75116 Paris, France. A copy can be sent out on request.

* Annual General Meeting to be held to approve the financial statements for the previous year.

Director, Scor Vie

Censor, Supervisory Board, Gimar Finance & Compagnie

Outside France:
Director, Gan Italia Vita (Italy)

Director, Gan Italia SpA (Italy)

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS: none.

**PEHR G. GYLLENHAMMAR**
11 Bolton Street – Mayfair – London W1J 8BB, United Kingdom
*Born 28 April 1935*

First appointed: 19 May 1998

End of current period of office: AGM 2008*

Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA

Mr. Pehr G. Gyllenhammar is a former Chairman of Volvo and Aviva.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
Chairman of the Board of Directors, Svenska Skeppshypotekskassan (Swedish Ships' Mortgage Bank) (Sweden)

Chairman, Reuters Founders Share Company Ltd (United kingdom)

Chairman of Investment AB Kinnevik (Sweden)

Vice Chairman Europe, N.M. Rothschild & Sons Ltd (United Kingdom)

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Chairman of the Board of Directors, Aviva plc (formerly CGNU plc) (United Kingdom)

Member of the International Advisory Board, Renault Nissan (Japan)

Member of the International Advisory Group, Toshiba (Japan)

**PIERRE LESCURE**
122, rue de Grenelle – 75007 Paris, France
*Born 2 July 1945*

First appointed: 22 March 2000

End of current period of office: AGM 2008*

Number of Lagardère SCA shares held: 150

Mr. Pierre Lescure is a journalist who has been Editor in Chief of the television channel France 2, and Chairman and Chief Executive of the pay TV channel Canal+.

* Annual General Meeting to be held to approve the financial statements for the previous year.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
In France:
Chairman, AnnaRose Productions (SAS)

Director, Havas Advertising

Member of the Supervisory Board, Le Monde SA

Member of the Board of Directors, Thomson SA

Chairman, Lescure Farrugia Associés

Outside France:
Member of the Supervisory Board, Kudelski (Switzerland)

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Member of the Board of Directors, Canal+ France

Member of the Board of Directors, Vivendi Universal

Member of the Board of Directors, Studio Canal

Member of the Board of Directors, Paris Saint-Germain Football Club

Member of the Management Board, Canal+ Group

**CHRISTIAN MARBACH**
17, avenue Mirabeau – 78600 Maisons-Laffitte, France
*Born 9 October 1937*

First appointed: 2 April 1997

End of current period of office: AGM 2006*

Number of Lagardère SCA shares held: 406

Member of the Audit Committee of Lagardère SCA

Mr. Christian Marbach is a graduate engineer belonging to the prestigious *Corps des Mines,* and a former Chairman of the French innovation agency ANVAR.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:

Chairman, Groupement d'Intérêt Économique Oseo-Services (formerly Agence des PME)

Director, Compagnie Générale de Géophysique (CGG)

Director, Erap

Censor, Sofinnova

* Annual General Meeting to be held to approve the financial statements for the previous year.

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:

Director, Ondeo-Degrémont

Director, Safege

**BERNARD MIRAT**
91, avenue de La Bourdonnais – 75007 Paris, France
*Born 3 July 1927*

First appointed: 18 March 1994

End of current period of office: AGM 2006*

Number of Lagardère SCA shares held (with Mrs Mirat): 2,310

Member of the Audit Committee of Lagardère SCA

Mr. Bernard Mirat is a graduate of the *Institut d'Études Politiques de Paris* and former student of the *École Nationale d'Administration*. He was formerly Deputy General Secretary of the Compagnie des Agents de Change, and Deputy Chairman and Chief Executive Officer of its successor the *Société des Bourses Françaises*.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:

Deputy Chairman of the Supervisory Board, G.T. Finance

Director, Fimalac

Censor, Holding Cholet-Dupont

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS: none.

**DIDIER PINEAU-VALENCIENNE**
24-32, rue Jean Goujon – 75008 Paris, France
*Born 21 March 1931*

First appointed: 19 May 1998

End of current period of office: AGM 2008*

Number of Lagardère SCA shares held: 350

Member of the Audit Committee of Lagardère SCA

Mr. Didier Pineau-Valencienne is a graduate of the Paris Business School HEC, Tuck School of Business Administration (Dartmouth College) and Harvard Business School. He is a former Chairman and Chief Executive Officer of Schneider SA.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
In France:
Chairman and Partner, Sagard

* Annual General Meeting to be held to approve the financial statements for the previous year.

Director, Pernod Ricard

Director, Fleury Michon

Chairman of the International Consultative Committee, École Supérieure de Commerce

(ESC) Nantes Atlantique

Administrator, BIPE Association

Executive lecturer, HEC

Advisor, Centre d'Enseignement Supérieur de la Marine

Outside France:
Senior Advisor, Crédit Suisse First Boston

Director, Swiss Helvetia Fund (USA)

Member of the Advisory Board, Booz Allen & Hamilton (USA)

Member of the Board of Overseers, Tuck School of Business Administration, Dartmouth College (USA)

Member of the Trustees, American University of Paris

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Director, Wendel Investissement

Director, Aventis

Director, AFEP

Director, Axa

Director, Vivarte

Director, AON

Member of trustees of IASC (USA)

Director, Axa Financial (USA)

**HENRI PROGLIO**
36/38, avenue Kléber – 75116 Paris, France
*Born 29 June 1949*

First appointed: 11 May 2004

End of current period of office: AGM 2010*

Number of Lagardère SCA shares held: 150

Mr. Henri Proglio is a graduate of the Paris Business School HEC. He is currently Chairman and Chief Executive Officer of Veolia Environnement.

* Annual General Meeting to be held to approve the financial statements for the previous year.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:

In France:

Chairman and Chief Executive Officer, Veolia Environnement

Director, Thales

Director, Casino, Guichard-Perrachon

Director, EDF

Member of the Supervisory Board, CNP Assurances

Member of the Supervisory Board, Elior

Censor, Supervisory Board, Caisse Nationale des Caisses d'Épargne

Manager, Veolia Eau

Chairman of the Board of Directors, Veolia Propreté

Chairman of the Board of Directors, Veolia Water

Chairman of the Board of Directors, Veolia Transport

Director, Sarp

Director, Sarp Industries

Director, Dalkia International

Director, Société des Eaux de Marseille

Member of the Supervisory Boards A and B, Dalkia (SAS)

Chairman of the Supervisory Board, Dalkia France

Outside France:

Director, Collex

Director, Veolia Transport Australia

Director, Onyx Environmental Group

Director, Siram

Director, Onyx Asia

Director, Connex Northern Europe

Director, Onyx North America Corp

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:

Chairman of the Management Board, Vivendi Environnement

Director, EDF International

Director, Vinci

Member of the Supervisory Board, CEO

Member of the Supervisory Board, CFSP

Director, Comgen Australia

Chairman and Chief Executive Officer, Connex

Director, Connex Asia Holdings (Singapore)

Director, Connex Leasing (United Kingdom)

Director, Connex Transport AB (Sweden)

Director, Connex Transport UK (United Kingdom)

Director, Coteba Management

Director, Dalkia

Member of the Supervisory Board, Société des Eaux de Melun

Director, Esterra

Director, B 1998 SL and FCC (Spain)

Director, Grucycsa (Spain)

Director, Montenay International Corp (USA)

Director, Onel (USA)

Chairman and Chief Executive Officer, Onyx

Director, Onyx UK Holdings (United Kingdom)

Director, OWS (USA)

Director, Safise

Director, Seureca

Director, Veolia UK Ltd (United Kingdom)

Chief Executive Officer, Veolia Water

Director, WASCO (formerly USFilter) (USA)

**FELIX G. ROHATYN**
280 Park Avenue, 27th Floor – New York, NY 10017, USA
*Born 29 May 1928*

First appointed: 23 May 2002

End of current period of office: AGM 2008*

* Annual General Meeting to be held to approve the financial statements for the previous year.

Number of Lagardère shares held: 150

Mr. Felix G. Rohatyn is a former Managing Partner of Banque Lazard (New York) and former US Ambassador to France.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
In France:
Member of the Supervisory Board, Publicis Groupe SA

Director, LVMH Moët Hennessy-Louis Vuitton SA

Outside France:
Director, Rothschilds Continuation Holdings AG

Chairman, Rohatyn Associates LLC (USA)

Administrator, French American Foundation (USA)

Trustee and Vice Chairman, Carnegie Hall (USA)

Trustee, Center for Strategic and International Studies (CSIS) (USA)

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Director, Suez SA

Director, Fiat s.p.a.

Director, Comcast Corporation

**FRANÇOIS ROUSSELY**
22/30, avenue de Wagram – 75008 Paris, France
*Born 9 January 1945*

First appointed: 11 May 2004

End of current period of office: AGM 2010*

Number of Lagardère SCA shares held: 150

Mr. François Roussely is a graduate of the *Institut d'Études Politiques de Paris* and former student of the *École Nationale d'Administration*. He is a former Chairman and Chief Executive Officer of EDF, a senior-level magistrate at the national audit office *Cour des Comptes* and Chairman of Crédit Suisse.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
Chairman, Crédit Suisse – France

Chairman, Crédit Suisse Banque d'Investissement France

Deputy Chairman, Crédit Suisse Banque d'Investissement Europe

* Annual General Meeting to be held to approve the financial statements for the previous year.

Chairman of the Board of Directors, Ecole Nationale des Ponts et Chaussées ENPC

Member of the Consultative Committee, Banque de France

Honorary Chairman, EDF

President, Cercle des Aquitains

Conseiller Maître, Cour des Comptes

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:

Chairman of the Board of Directors, EDF

Director, AFII

Member, Comité de l'Énergie Atomique CEA

Chairman of the Supervisory Board, Dalkia Holding

President, Fondation EDF

### *Censor*

**BERNARD ESAMBERT**
43, rue Vineuse – 75116 PARIS, France
*Born 7 July 1934*

First appointed: 11 May 2004

End of current period of office: AGM 2006*

Number of Lagardère SCA shares held: 36,203

Mr. Bernard Esambert is a graduate engineer belonging to the prestigious Corps des Mines. He is a former Chairman and Chief Executive Officer of La Compagnie Financière Edmond de Rothschild Banque and Chairman of the Supervisory Board of Banque Arjil.

POSITIONS AND APPOINTMENTS HELD IN OTHER COMPANIES:
Chairman of the Supervisory Board, Arjil & Cie

Chairman, Arjil & Associés (SAS)

Director, Hachette Filipacchi Médias

Director, Pierre Fabre

Director, La Compagnie Financière Edmond de Rothschild Banque

Member, Collège de l'AMF

President, Fondation Française pour la Recherche sur l'Épilepsie

* Annual General Meeting to be held to approve the financial statements for the previous year.

President, Fédération pour la Recherche sur le Cerveau

Administrator-Treasurer, Fondation Touraine

Administrator-Treasurer, Association Georges Pompidou

Honorary President, Institut Pasteur

OTHER APPOINTMENTS HELD DURING THE LAST FIVE YEARS:
Director, Sogeade Gérance (SAS)

Director, Paroma

Vice-President, Institut de l'Entreprise

Former President, Centre Français du Commerce Extérieur - CFCE

Director, Saint Gobain

President, École Polytechnique

## 7_2_4 Additional information on members of the Supervisory Board and the Managing Partners

### 7_2_4_1 DECLARATION OF NON-CONVICTION AND COMPETENCE

To the best of Lagardère SCA's knowledge:

- no member of the Supervisory Board or Managing Partner has been convicted of fraud in the last five years;
- no member of the Supervisory Board or Managing Partner has been associated with bankruptcy, receivership or liquidation proceedings in the last five years;
- no member of the Supervisory Board or Managing Partner has been subject to charges or official public sanction by statutory or regulatory authorities (including designated professional bodies);
- no member of the Supervisory Board or Managing Partner has been barred by a court from acting as a member of a governing, management or supervisory body or participating in a company's business management or governance in the last five years.

### 7_2_4_2 SERVICE CONTRACTS BETWEEN A MEMBER OF THE SUPERVISORY BOARD OR MANAGING PARTNER AND LAGARDÈRE SCA OR ANY OF ITS SUBSIDIARIES

To the best of Lagardère SCA's knowledge, no member of the Supervisory Board or Managing Partner is related by a service contract to Lagardère SCA or any of its subsidiaries, except for Mr. Raymond Lévy* who is party to an employment agreement. Mr. Bernard Esambert*, Censor, is bound to the Group by an advisory services agreement which expires on 31 December 2006.

### 7_2_4_3 CONFLICTS OF INTEREST

To the best of Lagardère SCA's knowledge, no arrangement or agreement exists with the main shareholders, customers, suppliers or other parties for the selection of members of the Supervisory Board or Managing Partners.

* See section 7_3_3_1.

#### 7_2_4_4 RESTRICTIONS ON THE SALE BY MEMBERS OF THE SUPERVISORY BOARD OR MANAGING PARTNERS OF THEIR SHARE IN LAGARDÈRE SCA

To the best of Lagardère SCA's knowledge:

- no restriction has been accepted by members of the Supervisory Board concerning the sale of their investment in the Company's share capital within a certain period, with the exception of the rules for trading in Lagardère SCA shares set forth in the internal rules of the Supervisory Board (see section 7_4_2_2);
- no restriction has been accepted by the Managing Partners concerning the sale of their investment in the Company's share capital within a certain period.

# 7_3 REMUNERATION AND BENEFITS

## 7_3_1 Executive Committee

#### 7_3_1_1 REMUNERATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

Salaries paid to the members of the Executive Committee (in 2005: Messrs Lagardère, Camus, D'Hinnin, Funck-Brentano, Gut, Leroy, de Roquemaurel) for their positions in the Lagardère Group (excluding EADS) are entirely borne by their employer, Lagardère Capital & Management (see section 7_5_1).

In 2005, they received total gross remuneration of €8,158,000.

The members of the Executive Committee who are also salaried employees of LC&M benefit from an additional pension plan set up by LC&M from 1 July 2005 to complement the basic pension.

Under this plan, they acquire additional pension entitlements equivalent to 1.75% of the benchmark remuneration per year of seniority, up to a limit of 20 years' seniority. The income replacement rate of the additional pension is limited to 35% of the benchmark remuneration.

The benchmark remuneration is the average gross annual remuneration over the last five years (fixed + variable up to a maximum of 100% of the fixed portion), and cannot exceed 50 times the annual limits defined by the French social security system.

The plan is a conditional benefit plan, and the pension will only be payable if the beneficiary is still with the company at retirement age, except in the event of termination after the age of 55, early retirement or invalidity.

After the beneficiary's death, 60% of the pension is transferable to the surviving spouse.

The contract provides for no indemnity in the event a plan beneficiary leaves Lagardère.

In addition, a total of €109,140 was paid during 2005 to the persons concerned as attendance fees in their capacity as members of the Boards of Directors of Group companies, excluding EADS (2004: €125,188).

| Date of Plan/Date of AGM | Number of options granted at origin | Exercise price before re-pricing of 6 July 2005 | Exercise price after re-pricing of 6 July 2005 | Number of beneficiaries |
|---|---|---|---|---|
| **Subscription options** | | | | |
| 30 Oct.1998 / 30 May 1997 | 224,000 | 27.44 € | 27.14 € | 8 |
| 10 Dec. 1999 / 30 May 1997 | 250,000 | 44.00 € | 43.52 € | 7 |
| 18 Dec. 2000 / 23 May 2000 | 205,000 | 63.00 € | 62.31 € | 8 |
| **Purchase options** | | | | |
| 19 Dec. 2001 / 23 May 2000 | 195,000 | 47.00 € | 46.48 € | 7 |
| 19 Dec. 2002 / 23 May 2000 | 195,000 | 52.02 € | 51.45 € | 7 |
| 18 Dec. 2003 / 23 May 2000 | 185,000 | 52.02 € | 51.45 € | 6 |
| 20 Nov. 2004 / 11 May 2004 | 185,000 | 52.50 € | 51.92 € | 6 |
| 21 Nov. 2005 / 11 May 2004 | 230,000 | none | 56.97 € | 5 |

### 7_3_1_2 SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO MEMBERS OF THE EXECUTIVE COMMITTEE

Following the distribution in 2005 of an exceptional €2 dividend partly paid out of the Company's reserves, the subscription and purchase prices for the shares under option, and the total number of shares concerned, were adjusted in application of the Decree on companies of 23 March 1967 (articles 174-12 and 174-13).

*(see table above)*

## 7_3_2 Managing Partners

### 7_3_2_1 REMUNERATION AND BENEFITS OF THE MANAGING PARTNERS

Mr. Arnaud Lagardère received gross remuneration of €2,094,665 including benefits in kind, i.e. a net amount of €1,880,672 after deducting social security charges (respectively €1,959,100 and €1,760,715 in 2004), from Lagardère Capital & Management in 2005.

The gross amount paid comprises the following:

| | 2004 | 2005 |
|---|---|---|
| Fixed remuneration | 917,100 | 917,340 |
| Variable remuneration paid in respect of the previous year | 1,042,000 | 1,177,325 |
| **Total gross remuneration** | **1,959,100** | **2,094,665** |

In his capacity as director or member of the Supervisory Boards of several other Lagardère Group companies, Mr. Arnaud Lagardère received attendance fees totalling €13,421 (€12,306 in 2004).

| Options exercised in 2005 before re-pricing | Options outstanding before re-pricing | Options outstanding after re-pricing | Options exercised in 2005 after re-pricing | Options forfeited | Options outstanding at end 2005 | Date of exercise |
|---|---|---|---|---|---|---|
| 60,000 | 122,000 | 123,351 | 123,351 | – | – | 30 Oct. 2000 to 29 Oct. 2005 |
| 70,000 | 180,000 | 181,987 | – | – | 181,987 | 10 Dec. 2001 to 9 Dec. 2006 |
| – | 205,000 | 207,275 | – | – | 207,275 | 18 Dec. 2002 to 17 Dec. 2007 |
| – | 195,000 | 197,184 | 30,336 | – | 166,848 | 19 Dec. 2003 to 19 Dec. 2008 |
| – | 195,000 | 197,164 | – | – | 197,164 | 19 Dec. 2004 to 19 Dec. 2009 |
| – | 185,000 | 187,054 | – | – | 187,054 | 18 Dec. 2005 to 18 Dec. 2013 |
| – | 185,000 | 187,069 | – | – | 187,069 | 20 Nov. 2006 to 20 Nov. 2014 |
| none | none | none | – | – | 230,000 | 21 Nov. 2007 to 21 Nov. 2015 |

In addition, in consideration for his position as Chairman of the Board, he received a gross amount of €260,000 in 2005 from EADS NV, a Dutch company indirectly 14.95%-owned by Lagardère. He also received attendance fees in the amount of €80,000 from that company in 2005.

Mr. Philippe Camus, Co-Managing Partner, left EADS for a full-time post with the Lagardère Group from 11 July 2005, and spends most of his time in the US. Details of his remuneration received in 2005 are as follows:

| | EADS | LC&M and Lagardère Group |
|---|---|---|
| Salaries: | | |
| 1. Fixed salary | 624,911 | 522,137 |
| 2. Variable remuneration paid in respect of the previous year | 1,096,345 | 100,000 |
| 3. Variable remuneration for 2005 | 227,685 | – |
| **Total gross remuneration** | **1,948,941** | **622,137** |
| Indemnities related to termination of his functions at EADS: | | |
| – Contractual severance indemnity | 2,550,000 | |
| – Special transfer bonus | | 2,550,000 |

In 2004, Mr. Philippe Camus had received total gross remuneration of €2,010,251, which should be compared to the total of items 1 and 2 in the above table, i.e. €2,343,393.

In his capacity as director or member of the Supervisory Boards of several other Group companies, Mr. Philippe Camus also received attendance fees totalling €9,767 (€6,500 in 2004).

Mr. Pierre Leroy, Co-Managing Partner, received gross remuneration of €1,597,980 including benefits in kind, i.e. a net amount of €1,426,751 after deducting social security charges (respectively €1,230,457 and €1,099,462 in 2004), from Lagardère Capital & Management in 2005.

The gross amount paid comprises the following:

| | 2004 | 2005 |
|---|---|---|
| Fixed remuneration | 406,800 | 657,040 |
| Variable remuneration paid in respect of the previous year | 573,657 | 690,940 |
| Exceptional bonus | 250,000 | 250,000 |
| **Total gross remuneration** | **1,230,457** | **1,597,980** |

In his capacity as director or member of the Supervisory Boards of several other Lagardère Group companies, Mr. Pierre Leroy also received attendance fees in the amount of €27,226 (€27,716 in 2004).

The basis for calculation of the variable portion rises or fall under the impact of:

- for one half of the basis, the performance of the individual,
- for the other half of the basis, the following factors, in equal proportions:

– until 2004, achieving or not a standard increase in the Media segment's operating income. In 2005, operating income was replaced by the recurring operating profit of consolidated companies in the Media segment.
  – operating cash flows at Group level as compared to budget.

The three persons named above benefit from an additional pension plan for key management executives as described in section 7_3_1.

#### 7_3_2_2 SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO THE MANAGING PARTNERS

Mr. Arnaud Lagardère did not receive any options on Lagardère shares in 2005.

He currently holds 192,110 Lagardère SCA share subscription and purchase options (weighted average subscription or purchase price: €51.33 per share).

Mr. Philippe Camus, in 2005, received 50,000 options to purchase Lagardère SCA shares, exercisable at the per-share price of €56.97 between 21 November 2007 and 21 November 2015.

He currently holds 171,337 Lagardère SCA share subscription or purchase options (weighted average subscription or purchase price: €51.84 per share).

Mr. Pierre Leroy, in 2005, received 50,000 options to purchase Lagardère SCA shares, exercisable at the per-share price of €56.97 between 21 November 2007 and 21 November 2015.

He currently holds 191,557 Lagardère SCA share subscription or purchase options (weighted average subscription or purchase price: €54.71 per share).

### 7_3_3 Supervisory Board

#### 7_3_3_1 REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

The Combined General Meeting of 11 May 2004 fixed a total amount of €600,000 to be paid each year to members of the Supervisory Board as attendance fees.

Each member of the Supervisory Board is paid basic remuneration of €20,000. Members who are also members of the Audit Committee receive an additional amount equal to twice the basic remuneration, and the Chairmen of the Supervisory Board and the Audit Committee receive a further additional amount equal to the basic remuneration.

Attendance fees paid to members of the Supervisory Board were as follows (in €):

| | 2005 | 2004 |
|---|---|---|
| Raymond H. Lévy | 100,000 | 80,000 |
| Lagardère Capital & Management | 6,667 | 20,000 |
| Manfred Bischoff (Germany) | 20,000 (1) | 20,000 (1) |
| Georges Chodron de Courcel | 20,000 | 20,000 |
| Pehr G. Gyllenhammar (United Kingdom) | 60,000 (1) | 20,000 (1) |
| Pierre Lescure | 20,000 | 20,000 |
| Christian Marbach | 60,000 | 40,000 |
| Bernard Mirat | 60,000 | 40,000 |
| Jacques Nivard | 0 | 40,000 (2) |
| Groupama SA | 60,000 | 40,000 |
| Jean Peyrelevade | 6,667 | 20,000 |
| Didier Pineau-Valencienne | 60,000 | 40,000 |
| Felix G. Rohatyn (USA) | 20,000 (1) | 20,000 (1) |
| Michel Rouger | 6,667 | 20,000 |
| Yves Sabouret | 6,667 | 20,000 |
| Bernard Arnault | 13,334 | 0 |
| Hubert Burda (Germany) | 13,334 (1) | 0 |
| René Carron | 13,334 | 0 |
| Henri Proglio | 13,334 | 0 |
| François Roussely | 13,334 | 0 |
| Bernard Esambert | 13,334 | 0 |
| **Total attendance fees paid** | **586,672** | **460,000** |

(1) less withholding tax.
(2) paid to Mr. Nivard's estate.

Mr. Raymond H. Lévy also received from the Group a gross amount of €209,886 in 2005 in consideration for his advisory services (€202,800 in 2004). In his capacity as director or member of the Supervisory Boards of several other Group companies, Mr. Raymond H. Lévy also received attendance fees in the amount of €15,200.

Mr. Bernard Esambert, Censor on the Supervisory Board, received fees in the amount of €168,000 (net of VAT) under an advisory service agreement signed with the Group due to terminate on 31 December 2006. In his capacity as director or member of the Supervisory Boards of several other Group companies he also received attendance fees totalling €25,992 in 2005 (€25,712 in 2004).

Other members of or permanent representatives to the Supervisory Board received no other compensation from the Group in 2005.

### 7_3_3_2 SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO THE MEMBERS OF THE SUPERVISORY BOARD

None.

## 7_3_4 Transactions in Lagardère SCA shares by the Managing Partners and members of the Supervisory Board members during 2005

### 7_3_4_1 MANAGING PARTNERS

#### Arnaud Lagardère

- acquisition on 24 March 2005 of a block of 2,417,000 Lagardère SCA shares through Lagardère Capital & Management, which he controls, at the unit price of €57.90;
- acquisition on 29 March 2005 of 2,500,000 put options through Lagardère Capital & Management, which he controls, at the average price of €42.00;
- sale on 29 March 2005 of 2,500,000 call options through Lagardère Capital & Management, which he controls, for an average price of €73.50;
- acquisition between 1 and 17 June 2005 of 2,500,000 call options through Lagardère Capital & Management, which he controls, at an average price of €73.50;
- exercise on 28 October 2005 of 40,443 share subscription options at the price of €27.14 per share (options awarded 30 October 1998).

#### Philippe Camus

- exercise on 11 March 2005 of 40,000 share subscription options entitling him to acquire 40,000 Lagardère SCA shares at the price of €44 per share;
- sale on 15 March 2005 of 40,000 Lagardère SCA shares at the price of €58 per share;
- exercise on 18 August 2005 of 40,443 share subscription options entitling him to acquire 40,443 Lagardère SCA shares at the price of €27.14 per share;
- sale on 30 August 2005 of 40,443 Lagardère SCA shares at the price of €58.30 per share.

#### Pierre Leroy

- exercise on 12 April 2005 of 30,000 share subscription options entitling him to acquire 30,000 Lagardère SCA shares at the price of €44 per share;
- sale on 13 April 2005 of 30,000 Lagardère SCA shares at the price of €59.74 per share;
- exercise on 20 December 2005 of 30,336 share purchase options entitling him to acquire 30,336 Lagardère SCA shares at the price of €46.48 per share;
- sale on 20 December 2005 of 30,336 Lagardère SCA shares at the price of €64.03 per share.

#### 7_3_4_2 SUPERVISORY BOARD

**Didier Pineau-Valencienne**

• Acquisition on 11 March 2005 of 2,400 Lagardère SCA shares at the price of €58.27 per share.

**Bernard Esambert**

• Sale, at the dates and prices indicated, of the following quantities of Lagardère SCA shares:

| | | |
|---|---|---|
| 11 April 2005 | 300 | shares at unit price of €60.00 |
| 13 June 2005 | 700 | shares at unit price of €60.05 |
| 14 June 2005 | 300 | shares at unit price of €60.10 |
| 15 June 2005 | 1,000 | shares at unit price of €60.18 |
| 17 June 2005 | 500 | shares at unit price of €60.15 |
| 22 June 2005 | 1,000 | shares at unit price of €60.60 |
| 23 June 2005 | 1,000 | shares at unit price of €60.65 |
| 24 June 2005 | 1,000 | shares at unit price of €60.30 |
| 27 June 2005 | 500 | shares at unit price of €60.25 |
| 28 June 2005 | 2,700 | shares at unit price of €60.36 |
| 29 June 2005 | 3,000 | shares at unit price of €61.15 |

To the best of the Company's knowledge, no other transactions in company shares were undertaken in 2005 by Managing Partners or Supervisory Board members.

## 7_3_5 Employees

#### 7_3_5_1 STOCK OPTIONS GRANTED TO EMPLOYEES

Following the distribution in 2005 of an exceptional €2 dividend partly paid out of the Company's reserves, the subscription and purchase prices for the shares under option, and the total number of shares concerned, were adjusted in application of the Decree on companies of 23 March 1967 (articles 174-12 and 174-13).
*(see table on next page).*

| Date of Plan/Date of AGM | Number of options granted at origin | Exercise price before re-pricing of 6 July 2005 | Exercise price after re-pricing of 6 July 2005 | Number of beneficiaries |
|---|---|---|---|---|
| **Subscription options** | | | | |
| 30 Oct. 1998 / 30 May 1997 | 1,671,750 | 27.44 € | 27.14 € | 558 |
| 10 Dec. 1999 / 30 May 1997 | 1,300,800 | 44.00 € | 43.52 € | 696 |
| 18 Dec. 2000 / 23 May 2000 | 1,254,500 | 63.00 € | 62.31 € | 458 |
| **Purchase options** | | | | |
| 19 Dec. 2001 / 23 May 2000 | 1,258,000 | 47.00 € | 46.48 € | 421 |
| 19 Dec. 2002 / 23 May 2000 | 1,299,000 | 52.02 € | 51.45 € | 416 |
| 18 Dec. 2003 / 23 May 2000 | 1,437,250 | 52.02 € | 51.45 € | 445 |
| 20 Nov. 2004 / 11 May 2004 | 1,568,750 | 52.50 € | 51.92 € | 481 |
| 21 Nov. 2005 / 11 May 2004 | 1,683,844 | none | 56.97 € | 495 |

## 7_3_5_2 STOCK OPTIONS GRANTED TO EMPLOYEES ON SHARES OF OTHER GROUP COMPANIES*

| Date of AGM<br>Date of grant | Exercise price | Date of exercise | Number of options granted | Number of beneficiaries | Number of options forfeited | Number of options remaining | Period of repurchase (1) (2) |
|---|---|---|---|---|---|---|---|
| **Hachette Livre** | | | | | | | |
| 22 Dec.1995 | €898.38 | 1 Jan. 2003 | | | | | 1 July 2004 |
| 29 Apr.1999 | | to 31 Dec. 2005 | 2,050 | 14 | 650 | 0(3) | to 31 Dec. 2005 |
| **Hachette Filipacchi Médias** | | | | | | | |
| 18 June 1997 | €37.44 | 18 June 1997 | 1,577(4) | 11 | - | 745(6) | 19 June 2002 |
| 18 June 1997 | | to 17 June 2007 | | | | | to 19 June 2007 |
| 18 June 1997 | €46.20 | 22 July 1999 | 1,525(5) | 63 | - | 1,095(7) | 23 July 2004 |
| 22 July 1999 | | to 21 July 2009 | | | | | to 23 July 2009 |
| **Virgin Stores** | | | | | | | |
| 25 Sept. 1998 | €40.04 | 15 Apr. 2002 | 9,959 | 6 | 4,482 | 0(9) | 16 Apr 2004 |
| 15 Apr. 1999(8) | | to 15 Apr. 2009 | | | | | to 15 Apr 2009 |
| 15 March 2000 | €32.03 | 16 Jan. 2003 | 56,269 | 8 | 3,984 | 0(10) | 16 March 2005 |
| 15 March 2000 | | to 15 Jan. 2010 | | | | | to 15 March 2010 |
| 15 March 2000 | €47.77 | 18 Jan. 2004 | 2,988 | 2 | 1,992 | 996 | 18 Jan. 2006 |
| 17 Jan. 2001 | | to 17 Jan. 2011 | | | | | to 17 Jan. 2011 |
| 15 March 2000 | €47.77 | 20 Apr. 2004 | 498 | 1 | - | 498 | 20 Apr. 2006 |
| 19 Apr. 2001 | | to 19 Apr. 2011 | | | | | to 17 Jan. 2011 |
| 15 March 2000 | €71.82 | 6 June 2004 | 1,992 | 1 | - | 1,992 | 6 June 2006 |
| 5 June 2001 | | to 5 June 2011 | | | | | to 5 June 2011 |
| 25 Sept. 2002 | €99.40 | 5 July 2008 | 10,000 | 6 | - | 10,000 | 5 July 2008 |
| 5 July 2004 | | to 5 July 2014 | | | | | to 5 July 2014 |

(1) Beneficiaries have the right to resell their options to the companies concerned depending on various criteria such as changes in shareholders' equity and/or changes in results.
(2) In the case of Hachette Filipacchi Médias, period of exchange for Lagardère shares.
(3) The remaining 750 options were exercised in 2005.
(4) Each option gives right to subscribe to 300 shares.
(5) Each option gives right to subscribe to 500 shares.
(6) 227 options were exercised in 2005.
(7) 383 options were exercised in 2005.
(8) Purchase options.
(9) 3,486 options were exercised in 2005.
(10) 52,285 options were exercised in 2005.
* For details on options granted by EADS, in which Lagardère SCA indirectly holds a 14.95% interest, see EADS' own Reference Document.

| Options exercised in 2005 before re-pricing | Options outstanding before re-pricing | Options outstanding after re-pricing | Options exercised in 2005 after re-pricing | Options forfeited | Options outstanding at end 2005 | Date of exercise |
|---|---|---|---|---|---|---|
| | | | | | | |
| 499,364 | 476,755 | 482,141 | 355,723 | 126,418 | – | 30 Oct. 2000 to 29 Oct. 2005 |
| 250,470 | 973,710 | 984,786 | 104,733 | 243,968 | 636,085 | 10 Dec. 2001 to 9 Dec. 2006 |
| 0 | 1,254,500 | 1,268,688 | 13,145 | 184,840 | 1,070,703 | 18 Dec. 2002 to 17 Dec. 2007 |
| | | | | | | |
| 36,900 | 1,211,100 | 1,224,840 | 98,201 | 113,080 | 1,013,559 | 19 Dec. 2003 to 19 Dec. 2008 |
| 1,600 | 1,297,400 | 1,312,039 | 7,383 | 86,169 | 1,218,487 | 19 Dec. 2004 to 19 Dec. 2009 |
| 0 | 1,437,250 | 1,453,451 | 70 | 36,515 | 1,416,866 | 18 Dec. 2005 to 18 Dec. 2013 |
| 0 | 1,568,750 | 1,586,519 | 0 | 20,230 | 1,566,289 | 20 Nov. 2006 to 20 Nov. 2014 |
| none | none | 1,683,844 | 0 | 0 | 1,683,844 | 21 Nov. 2007 to 21 Nov. 2015 |

### 7_3_5_3 OPTIONS GRANTED TO THE TEN MAIN BENEFICIARIES OTHER THAN MEMBERS OF THE SUPERVISORY BOARD AND MEMBERS OF OTHER MANAGING BODIES, AND OPTIONS EXERCISED

| SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO THE TEN MAIN BENEFICIARIES OTHER THAN MEMBERS OF THE SUPERVISORY BOARD OR OF OTHER MANAGING BODIES AND OPTIONS EXERCISED | Total number of options granted / shares subscribed or purchased | Purchase or subscription price (in €) | Date of grant |
|---|---|---|---|
| Options granted during the year by the Company or other Group companies, to the ten main beneficiaries thus holding the highest number of options (overall information) | 382,000 | 56.97 | 21 Nov. 2005 |
| Options on shares of the Company or other Group companies, exercised during the year by beneficiaries thus having purchased or subscribed the highest number of shares (overall information) | 199,576 | 27.44*/27.14** | 30 Oct. 1998 |
| | 120,266 | 44*/43.52** | 10 Dec. 1999 |
| | 13,145 | 63*/62.31** | 18 Dec. 2000 |
| | 70,426 | 47*/46.48* | 19 Dec. 2001 |
| | 7,833 | 52.02*/51.45** | 19 Dec. 2002 |
| | 70 | 51.45** | 18 Dec. 2003 |

* Before re-pricing.
** After re-pricing.

# 7_4 ORGANISATION, OPERATION AND CONTROL OF THE COMPANY AND THE GROUP

## 7_4_1 General organisation of the Group

The consolidated financial statements of the Lagardère Group include almost 450 companies.

Lagardère SCA is the holding company that controls all the subsidiaries and other participating interests, draws up the strategy for the Group, guides and finances its development, makes the main management decisions to this end, and ensures those decisions are implemented both at its own level as the Group's Parent Company and in the operating subsidiaries.

Lagardère SCA itself has no personnel; the human and operational resources required for policy implementation and control of its Group's business activities belong to a service company called Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA as its sole shareholder.

Operational activities of the Group are divided into two business segments:

- The Lagardère Media segment, through Hachette SA (named Lagardère Media for commercial purposes) which controls operational business activities in the Print Media, Book Publishing, Distribution Services, Radio/Television, Audiovisual Production and New Media divisions, via the respective companies Hachette Filipacchi Médias, Hachette Livre, Hachette Distribution Services and Lagardere Active.
- The High Technologies segment, comprising the strategic 14.95% interest in EADS NV, held through a subsidiary itself owned in equal shares by the French State and the Lagardère Group.

In addition, Hachette SA operates Nouvelles Messageries de la Presse Parisienne, a cooperative company that distributes print media.

Other smaller business activities constitute the Other Activities segment and are under the direct control of Lagardère SCA.

## 7_4_2 Organisation and operation of Lagardère SCA

### 7_4_2_1 THE MANAGING PARTNERS

The general management of the Company is performed by the Managing Partners who are appointed by the general partners. The Managing Partners represent the Company in its relations with third parties and engage its responsibility.

Drawing on the Executive Committee, comprised of several Group key management executives under the chairmanship of Arnaud Lagardère, the Managing Partners' role is to:

- draw up the strategy of the Group,
- guide development and control,
- take the major management decisions required for this and ensure those decisions are implemented both at the level of the Parent Company and in the various operating units.

The Executive Committee enlists the help of any of the Group's senior managers it considers to be of use to accomplish its mission.

To make sure the decisions taken are fully implemented and to check their implementation, the Managing Partners have set up a specific organisation, mainly composed of:
• the Group's Central Divisions, and
• the Financial Committee.

### THE GROUP'S CENTRAL DIVISIONS

Among the members of the Management Committee, three in particular have been given the task of organising and leading the Group's major central structures, for which they have shared out the responsibilities, necessary for the implementation of the decisions taken, as well as their follow-up and control: the Secretary General, the Group Chief Financial Officer and the Director of Human Resources and Communication.

The Internal Audit Division as well as certain specific divisions or departments, report directly to the Managing Partners.

In order to carry out the different missions entrusted to them, the Group's Central Divisions, their teams, and the corresponding material resources are grouped together within a single company, Lagardère Ressources, a wholly-owned subsidiary of Lagardère SCA. This company, chaired by the Co-Managing Partner and Group Secretary General, employs almost 200 people, all reporting to the Central Directors and therefore ultimately to the Managing Partners of Lagardère SCA. As the missions entrusted to these central divisions are just as much for the benefit of Lagardère SCA as for all of the subsidiaries, these companies have different service agreements with Lagardère Ressources.

### THE OPERATING UNITS

Operating activities are conducted by legally independent companies grouped together in the following divisions: Book Publishing, Print Media, Distribution Services and Lagardere Active.

Each division has its own organisation, which has been set up by the Head of the division under the Managing Partners' control; the various companies and resources in the division are grouped together under a specific holding company: Hachette Livre for the Book Publishing division, Hachette Filipacchi Médias for the Print Media division, etc.

Each Division Head is responsible for the general management of the holding company and chairs its board of directors, the other members of which are mostly also members of Lagardère SCA's Management Committee.

Thus, all the members of these holding companies' governing, managing and supervisory bodies are appointed by the Managing Partners of Lagardère SCA through the general meetings of the said companies.

### THE FINANCIAL COMMITTEE

After the Management Committee, the Financial Committee is the second most important entity for the tracking and control of the Group's operational activities.
The Financial Committee is chaired by the Group's Chief Financial Officer, and members include representatives of each of the Group's principal Central Divisions, as well as their respective management controllers, providing all the requisite skills for it to accomplish its mission.

Its principal task is to examine the following, in cooperation with the chief managers of each division concerned:
- the budget for the coming year;
- the three-year plan;
- the annual and interim accounts;
- any significant investments (or disposals), particularly acquisitions of shareholdings in non-Group companies.

The Financial Committee reports directly to the Managing Partners.

OTHER COMMITTEES

Each month, the Reporting Committee, also chaired by the Group's Chief Financial Officer, conducts a review with all operating units' financial managers of the results achieved against the budget and the new budgetary forecasts, to enable the Managing Partners to monitor the progress and financial position of each Division on a monthly basis, and take any necessary corrective action.

### 7_4_2_2 THE SUPERVISORY BOARD

**Membership and renewal of appointments**

In accordance with the applicable laws and regulations (see Chapter 8, section 8_2_4), the Supervisory Board in charge of permanent oversight of the Company's management is composed of a maximum of fifteen members, appointed for a maximum term of six years. One third of the Board is renewed every two years, and each member must hold at least 150 shares issued by the Company.

Following the resignation of Mr. Manfred Bischoff on 10 May 2005, the Board currently comprises 14 members and one Censor. A list of members, together with their date of appointment, end of term of office and other information is shown in section 7_2_3.

The membership of the Supervisory Board guarantees the Board's competence, independence and availability to represent the shareholders' interests.

A review of each Board member's position has concluded that ten of the Supervisory Board members have no direct or indirect relationship of any kind with the Company, the Group or management that could compromise their freedom of judgement or participation in the Board's work. They thus qualify as "independent" directors as defined by the AFEP-MEDEF report on corporate governance for listed companies. These members are:
- Mr. Hubert Burda,
- Mr. Pehr G. Gyllenhammar,
- Mr. Helman le Pas de Sécheval, Groupama's representative,
- Mr. Pierre Lescure,
- Mr. Christian Marbach,
- Mr. Bernard Mirat,
- Mr. Didier Pineau-Valencienne,
- Mr. Henri Proglio,
- Mr. Felix G. Rohatyn,
- Mr. François Roussely.

Non-French members of the Board contribute their knowledge of international affairs.

Beyond the combined expertise of its members, the Board includes a majority of independent directors and has a significantly international character thanks to the presence of important personalities who have accepted a post on the Supervisory Board.

The terms of office of Messrs Georges Chodron de Courcel, Christian Marbach and Bernard Mirat will terminate at the close of the general meeting to be held in 2006 to approve the financial statements for 2005. As indicated above, Mr. Manfred Bischoff has resigned from the Board.

OPERATIONS OF THE SUPERVISORY BOARD

The terms and conditions of the Supervisory Board's organisation and operations are set forth in a set of internal rules which also define the duties incumbent on each member, and the code of professional ethics each individual member undertakes to respect.

These rules concern the following:

1) the independence of Board members: the quota for independent members is fixed at half at least of the total serving members. Independent members must have no direct or indirect relations of any kind with the Company, Group or management that could compromise their freedom of judgement or participation in the work of the Board. The Board reports on this matter to the shareholders annually after review, based on certain internally-defined criteria.
2) the annual number of meetings: a schedule for the coming year is fixed annually, based on a proposal by the Chairman.
3) the duties of each member: apart from the fundamental duties of loyalty, confidentiality and diligence, members' obligations also concern knowledge of the law, regulations and statutes, ownership of a significant number of shares, declaration to the Board of any conflict of interests, and regular attendance at meetings.
4) trading in shares of the Company and subsidiaries: as Board members have access to non-public information and in-depth knowledge on certain aspects of the life of the Company and Group, they are expected to refrain from trading in Company shares, except within the following constraints contained in the Board's internal rules:
   - no trading in shares may take place during certain defined periods,
   - it is recommended that acquisitions should take place once a year, at the end of the shareholders' meeting, in the form of a block purchase for all Board members carried out through the Company,
   - shares must be retained for at least 6 months after the end of a Board member's term of office,
   - the Chairman, Managing Partner and AMF must be informed of any transactions in shares within five days of their completion.
5) the Audit Committee: its task is to prepare the Board meetings (see below).

The Supervisory Board meets regularly to review the financial situation and operations of the Company and its subsidiaries, the annual and interim financial statements, the outlook for each of the business activities, the Group's strategy and the operations of the Internal Audit Division. It also defines an annual schedule for the coming year's meetings: at least four are planned for 2006.

During 2005, the Supervisory Board met three times, in March, September and December, with an attendance rate of 87%, 79% and 64% respectively.

The main meetings of March and September, held primarily to examine the accounts, were preceded by an Audit Committee meeting. In March, the Board reviewed the Parent Company and consolidated financial statements for 2004 and the preparatory work for the annual general meeting, and also examined the Company's cash position in the light of the general business strategy. In September, the Board reviewed the Parent Company and consolidated financial statements for the first half of 2005, the work of the Audit Committee, the general business situation and strategic outlook, and also considered and adopted internal rules formally defining the working principles already forged in practice. The Board also took note of Mr. Manfred Bischoff's resignation. The December meeting was held specifically to examine the general position and strategic outlook for the Group's Print Media division, headed and managed by Hachette Filipacchi Médias.

AUDIT COMMITTEE

An Audit Committee of the Supervisory Board meets at regular intervals the better to prepare the work of the Board.

This Committee is chaired by Mr. Raymond H. Lévy and includes Messrs Helman le Pas de Sécheval, Pehr G. Gyllenhammar, Christian Marbach, Bernard Mirat and Didier Pineau-Valencienne. More than half of the members are independent. The meetings are open to the Statutory Auditors.

In application of its internal rules, it meets at least four times a year and its tasks include the review of:

- the accounts, to ensure the continuity of the methods, quality, exhaustiveness and sincerity of the financial statements;
- the existence and proper operation of the internal control procedures, especially in terms of risk exposure;
- more specifically, as regards the internal auditing of the Company, its business activities, audit program, organisation, operation and realisations;
- the agreements binding the Group and the senior managers of Lagardère SCA.

The members of the Audit Committee have the same documents available to them as the Statutory Auditors, whose work summaries they review; they also hear the main senior managers of the Group.

The Chairman of the Supervisory Board reports to the members of the Board on the work conducted by the Audit Committee.

The Supervisory Board's meetings in March 2005 and September 2005 were preceded by a meeting of the Audit Committee, which also met in April, June and December 2005.

These five half-day meetings were attended by all Committee members (with the exception of one who sent his apologies for the June meeting, and one who sent his apologies for the March and April meetings). In addition to the annual and interim financial statements, the Committee reviewed the activities of the Internal Audit Division, the end of a Statutory Auditor's term of office and the reappointment of a second Statutory Auditor, the consequences of the French Financial Security Law, the Group's risk mapping, the transition to IFRS, a presentation of Lagardere Active BroadBand's business, a report on the acquisition of Editis, the proposed pension plan for key Lagardère senior management executives who are employees of Lagardère Capital & Management, the changes in this entity's expenses which are reinvoiced to the Group, a report on the sale of Editis, a report on the discontination of the Automobile business, and a presentation of the investment dossier for the acquisition of a shareholding in the newspaper Le Monde.

These meetings took place in the presence of the Chief Financial Officer, the Central Accountancy Director, the Director of Management Controls, the Director of Internal Audit, and the Statutory Auditors. The main documents reviewed in the course of each of these meetings were sent out in advance to the members of the Audit Committee.

COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE REGULATIONS

The Company has applied the corporate governance principles brought together in the AFEP-MEDEF report issued in October 2003.

Since Lagardère is a limited partnership with shares, with clear separation between the Managing Partners who run the Company and the members of the Supervisory Board who review management actions but can in no way participate in management, the Board has adopted an organisation structure considered appropriate to the content and nature of its work. Consequently, an Audit Committee was set up to prepare Board meetings in the main areas of accounts, finance and audit.

Given the specificities of Lagardère as a limited partnership with shares, the Board has decided that a Remuneration Committee is not necessary, and since one third of Board members are renewed every two years, it has not been considered appropriate to form an Appointments Committee since the Board can carry out the relevant functions itself.

For the same reasons, regarding the independence of members, the Board considers the criterion of the length of terms of office as a management control, and therefore an essential criterion for assessment of expertise that cannot deprive Board members of their independent status. Similarly, the fact that two Board members are also both members of a supervisory board of another company or companies will not result in loss of their independent status.

To date, no formal evaluation of the Board's work has been carried out. In 2005, given the increasing complexity of the work required (with the adoption of IFRS), it was decided to raise the number of meetings from two to a minimum of four in 2006. The number of Audit Committee meetings remains unchanged at a minimum of four per year.

## 7_4_3 Internal control procedures

### 7_4_3_1 DESCRIPTION

As there are no national internal control regulations in France, the description below of internal control procedures in force at Lagardère follows principles designed by the working party set up within the Group to define the method for presentation of internal control procedures in this Reference Document, and monitor application.

These principles are based on AFEP-MEDEF* guidelines and the recommendations issued in the US by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

* Report of recommendations by the employer associations AFEP and MEDEF, entitled "Application of the financial security law provisions concerning the Chairman's report on the company's internal control procedures" *(L'application des dispositions de la loi de sécurité financière concernant le rapport du président sur les procédures de contrôle interne mises en place par la société).*

**A Objectives of the internal control system**

Lagardère SCA has a certain number of internal control procedures designed to:

- effect and optimise transactions,
- guarantee the reliability of financial information,
- identify and manage risks resulting from the company's business, and risks of error or fraud, although in view of the limitations inherent to any system, there is no guarantee of total elimination of these risks,
- ensure compliance with applicable laws and regulations.

**B Scope of the internal control system**

The procedures described below apply to companies fully or proportionately consolidated in the Lagardère Group financial statements, except for EADS NV, which as a company listed on the Euronext Paris *Premier Marché* describes its internal control system in its own Reference Document for 2005.

As Lagardère SCA only exercises significant influence over companies accounted for by the equity method, these companies are not covered by the Group's internal control system, although the Group may have specific control rights related to its status as a special shareholder.

**C Financial information and the reporting chain**

***C1. Consolidated financial statements, reporting system***

C.1.1. Reference documents and procedure guides

All persons concerned by the Group's financial reporting adhere to a collection of reference documents defining the common principles for establishing the consolidated financial statements and monitoring forecasts. In particular, the *"Guide du Reporting du Groupe Lagardère"* (Lagardère Group Reporting system guide) provides details of a Charter for consolidation procedures, and a set of definitions of the main indicators used in the consolidated reporting package. There are also user and operator guides to the management system used by all Group companies, with details of the corresponding tasks.

Other key documents are also provided to all concerned, particularly for the preparation of the consolidated financial statements:

- a document setting out the methods for annual impairment tests applied to intangible assets and goodwill arising upon acquisitions;
- a framework document defining the off-balance sheet items to be disclosed in the notes to the financial statements, and the treatment applicable.

C.1.2. The reporting system: frequency and timing

The Lagardère Group's reporting system is structured by Operating Units (OUs). It is decentralised, and each Operating Unit is responsible for producing its own figures.

The financial and non-financial information collected and consolidated using the Lagardère Group's reporting system must comply with legal requirements and satisfy the Group's own control and management needs. This information includes an income statement by activity and management indicators specific to each business type.

The overall reporting cycle is based on common principles and uses a single data base shared by all the financial departments in charge of sending the information required, whether specific to management accounts or intended for publication.

This uniformity of the cycle relies on the financial departments of each Operating Unit, and the Group's Financial Division. It is designed to meet management control needs and also to ensure the relevance and quality of the financial information published, thus fostering greater coherence between the various reporting systems, the business activities covered and the consolidation methods.

*C.1.2.1. Forecasts*

During the final quarter of the calendar year, all divisions of the Group establish their three-year forecasts, and submit to the Financial Committee a summary comprising the following key information with notes:
• sales;
• operating income and expenses;
• profit before finance costs and tax;
• net finance costs;
• profit for the year;
• cash flows from operations;
• free cash flow;
• cash flows from operating and investing activities;
• capital increases;
• dividends;
• capital employed;
• net indebtedness.

These data are integrated into the common data base referred to above, and used in preparing the Group's annual three-year plan.

*C.1.2.2. Reporting, Monthly Group reports*

Each Group company's financial departments enter data from their own monthly accounts into the Group's financial data base.

Each Group company's financial department enters data from its own monthly accounts into the Group's financial data base.

For each Operating Unit, these data include a balance sheet and an income statement with notes, and the principal key indicators from the income statement.

Strict attention is paid regularly to revising forecast figures such as year-end estimates.

These data are included in the Monthly Group Report established by the Group's Management Control Division and submitted to the Managing Partners and Group's principal managers. This document lists the changes in the following key information for each Division, with comments for each Operating Unit:
• sales;
• operating profit before associates;
• income from associates and other information;
• net finance costs;
• income tax expense;
• net income before discontinued operations and minority interests;

- cash flow from operations;
- change in working capital requirement;
- income taxes paid, interest paid and received;
- net purchases of tangible and intangible assets;
- free cash flow;
- net cash from financing activities;
- cash flows from operating and investing activities;
- cash surplus or net indebtedness;
- capital employed.

The Monthly Group Report is presented to the Group's Chief Financial Officer before final distribution.

The Finance Division also prepares a monthly analysis of cash flows and balances for each Operating Unit, and a breakdown of bank covenants described in Chapter 3, section 3_1_2.

*C.1.2.3. Half-yearly and annual consolidated financial statements*

Additional information is supplied for the establishment of the half-yearly or annual consolidated financial statements for publication.

This mainly concerns breakdowns of intercompany transactions and off-balance sheet commitments, which have their own reporting system described in a memo applicable to all Group companies.

Finally, all intangible assets and goodwill arising upon acquisitions are submitted to annual impairment tests (see Chapter 6, note 3-10 of the Notes to the consolidated financial statements) using the method of multiples, discounted future cash flows or comparable transactions.

*C.1.2.4. Transition to IFRS international accounting standards*

The Group completed the transition of its consolidated financial statements to IFRS in May 2005, and on 17 May 2005 the shareholders were provided with a report summarising the impact of this transition on the 2004 consolidated financial statements. More details can be found on the Group's website www.lagardere.com.

***C.2. Commitments and cash flows***

C.2.1. Investment/divestment procedure

The Group's investment procedure applies to:

- all financial investments or divestments and
- all acquisitions and disposals of tangible or intangible assets of over €10 million if previously planned, or €5 million if the transaction was not included in forecasts, or of lower amounts if the transaction has any anti-trust effect, i.e. changes the Group's position with regard to mono and multimedia concentration thresholds.

The Financial Committee assesses the strategic value of the proposed transaction and issues an opinion to the Managing Partners after verifying that the risks generated by the transaction are known and can be managed, and validating the underlying assumptions used to analyse profitability.

This procedure does not apply to cash management and routine operations for the financial companies, nor to capital increases by consolidated or controlled companies through incorporation of current account advances.

C.2.2. Finance and cash management

The Cash Management and Financing Division has introduced a procedure defining the circumstances in which it uses banks for external financing or cash management services.

*C.2.2.1. External financing*

In general, only Lagardère SCA uses bank or market financing in the medium or long term, and finances the divisions itself. Apart from the financing of normal business operations, the divisions retain responsibility for certain previously-negotiated transactions, or specific operations such as securitisation; however, these operations are reported to the Group's Finance Division on a regular basis.

The Group's Finance Division can thus monitor the use of capital by companies in the Group. As explained in section C.1.2.2 above, this division permanently monitors bank covenants which are binding on the whole Group.

*C.2.2.2. Cash/Treasury management*

Cash investments must be in fixed-income instruments issued by first grade issuers, with maturities appropriate to the expected duration of the investments. Speculative or high-risk investments are not permitted.

*C.2.2.3. Hedging policy and market risk monitoring*

The hedging and market risk monitoring policy, particularly the method for calculation of values at risk, is described in Chapter 3, section 3_1 of this Reference Document. The Group's General Management and operational managers regularly adjust the hedging policy and the corresponding control system in the light of the resulting priorities.

***C.3. Reliability of IT systems, audit of the single management system***

The Group's IT Division, together with the Risks Division, carries out frequent internal-evaluation surveys to assess the system and IT network security. These surveys examine:
- the organisation and general security of information systems;
- physical security (against intruders or accidents);
- workstations (administration and protection);
- networks (local, remote, and Internet);
- authorisation of access to resources;
- availability of applications and data.

All measures to preserve data confidentiality, protect the systems against intruders, and minimise the risk of system breakdown are adjusted based on the results of these surveys.

A charter for use of the information systems exists and applies to all Group employees.

The Group continued to extend its secure communication network in 2005, both in France and internationally.

***C.4. Audit***

The Group's Audit Division, supervised by the Managing Partners, carries out permanent internal audit work either as part of the annual audit plan or following specific requests from the Managing Partners and the Group's Finance Division or from the heads of the divisions. These audits cover all Group companies with the exception of EADS.

The main areas covered are:

- internal control reviews,
- participation in connection with mergers, acquisitions or sales,
- review of operational or financial risks,
- monitoring of action plans issued after audits.

The Group's Audit Division presents the annual audit plan, a summary of the work carried out, and the resulting conclusions to the Audit Committee. The Audit Committee was thus able to examine the main conclusions resulting from internal audit work and ask any questions considered necessary.

In addition to the work done by the Group's Audit Division, further action may be taken directly by the divisions on their own behalf.

**D Internal evaluation of internal control**

Internal evaluation of the internal control at Lagardère SCA's main entities/subsidiaries was introduced during 2004.

The objectives are to further the control and efficiency of operations for continuous improvement, and clearly define the internal control responsibilities of operational staff.

The methodology is based on definition of a set of Group reporting rules consisting of six financial and seven operational processes, concerning 186 risks covered by 376 points of control. For each point of control, the internal evaluation aims to list and formally define the existing procedures and controls. An action plan is drawn up where necessary for certain key controls in response to the areas for improvement identified.

Currently, the information collected in this way is used by operational management in their quality assessment of the internal control procedures they oversee, and for implementation of improvement plans.

This internal evaluation approach has led to better formal definition of internal control procedures, and their appropriation by all operational managers, and will be continued.

Progress on the improvement plans identified in 2005 by operational staff will be reviewed in 2006.

**E Compliance with the main laws and regulations applicable to the Group – Protection of the Group's property and rights**

The Group's business is governed by a certain number of laws and specific regulations, as set out in Chapter 3, section 3_2_1.

***E.1. Compliance with the main laws and regulations applicable to Lagardère SCA***

The Group's Legal Division is responsible for ensuring that the main laws and regulations applicable to Lagardère SCA are complied with.

In particular, this division examines mergers and acquisitions (partnerships, acquisitions, disposals, internal restructurings, etc) that are significant for Lagardère SCA, and supervises Lagardère SCA's organisation of financing operations and off-balance sheet commitments.

The Group's Legal Division also ensures that procedures designed to guarantee compliance by Lagardère SCA with the anti-trust requirements of the French law of 30 September 1986 on freedom of communication are properly applied.

Finally, the Legal Division, which reports to the Group's General Secretariat, is involved in all legal aspects of the business of Lagardère SCA. In this capacity, it monitors application of stock exchange regulations, since Lagardère SCA is listed on the Euronext Paris *Premier Marché*.

#### *E.2. Compliance with the main laws and regulations applicable to the divisions*

The Group's Legal Division is informed of all procedures introduced in each division to ensure compliance with the laws and regulations specific to their activity, and these procedures are regularly monitored by these division's management bodies via their Legal Department or by external advisors.

#### *E.3. Litigation management*

The Group's Legal Division manages all litigation involving Lagardère SCA, and any litigation involving the divisions when the potential consequences in terms of finance or image are considered significant for the Group. All other division-level litigation is handled by the Legal Department of the division concerned and/or by external advisors.

#### *E.4. Protection of the Group's property and rights*

The Group's brands and intellectual property rights are an essential part of the property and rights it owns. In view of the importance of brand awareness for its business, particularly in press activities, audiovisual production, distribution and book publishing, the Group dedicates significant resources to protecting its portfolio of commercial brands. They are protected by registration, regularly renewed, and by legal action against any counterfeiters. The Group has set up a system for regular monitoring of brands, in liaison with specialist external advisors, to counteract all significant risks that may affect the validity of the Group's rights to these brands.

#### *E.5. Reporting of exceptional division transactions to the Group's Legal Division*

The Group's Legal Division is informed of exceptional transactions planned by the divisions, including:

- acquisitions and disposals, which are reported under the procedure described in paragraph C.2.1 above,
- contractual commitments which individually involve financial commitments or off-balance sheet commitments that are significant at Group level, and
- legal restructuring plans involving major operational entities.

### F General risks

In the course of its business, the Group, like any other corporation, is exposed to risks. The principal measures taken to control and manage these risks are described in Chapter 3 "Risk factors" of this Reference Document.

In 2005, Lagardère SCA and its divisions continued mapping their general risks, as presented to the Audit Committee, in order to identify a hierarchy of the main risks to which the Group is exposed, in terms of seriousness, possible occurrence and degree of control.

More generally, the Group's General Management and operational managers adjust the risk control and management procedures according to the priorities identified by all the monitoring involved.

### 7_4_3_2 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

In compliance with article L. 621-18-3 of the French Monetary and Financial Code introduced by Law n° 2003-706 of 1 August 2003 (known as the Financial Security Law), Lagardère SCA's Reference Document contains all the information concerning the preparation and organisation of the work of the Supervisory Board and the internal control procedures in place at Lagardère SCA.

The information concerning the preparation and organisation of the Supervisory Board's work during 2005 is set out in section 7_4_2_2 of the "Corporate Governance" chapter of the Reference Document and has been duly reviewed and validated by us.

Regarding the internal control system at Lagardère SCA, a working party was set up to establish a methodology for presenting internal control procedures in the Reference Document and monitor their application. This working party involved members of the Finance, Audit and Legal Divisions of the Lagardère Group.

Each division head in the Group has been asked to draw up a brief description, following predefined specifications, of their own internal control procedures, with the relevant supporting documents.

Based on the various documents reviewed by this working party, the internal control procedures currently in place within the Group appear consistent with the description provided in section 7_4_3_1 of the Reference Document for 2005. The working party gave regular presentations and reports on its work over the year.

Please note that the internal control procedures used at EADS NV are described in that company's Registration Document due to be filed with the Dutch authorities and published on the company's website, and are not therefore included in Lagardère SCA's Reference Document.

The Chairman of the Supervisory Board

## 7_4_3_3 STATUTORY AUDITORS' REPORT ON THE REPORT OF THE CHAIRMAN OF LAGARDÈRE SCA'S SUPERVISORY BOARD CONCERNING INTERNAL CONTROL PROCEDURES USED FOR THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

*(Free translation of a French language original)*

To the Shareholders of Lagardère SCA,

As requested, in our capacity as Statutory Auditors of Lagardère SCA, we hereby present our report on the report prepared by the Chairman of the Supervisory Board of your company concerning internal control procedures for the year ended 31 December 2005.

In his report, the Chairman of the Supervisory Board reports in particular on the preparation and organisation of the work of the Supervisory Board and on the internal control procedures used by the Company, in accordance with article L. 621-18-3 of the French Monetary and Financial Code.

We provide you with our comments on the information contained in the report of the Chairman of the Supervisory Board concerning the internal control procedures relating to the preparation and processing of accounting and financial information.

We performed our procedures in accordance with professional guidelines applicable in France. These guidelines require us to perform procedures to assess the fairness of the information contained in the report of the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of accounting and financial information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organisation of internal control, as well as the internal control procedures relating to the preparation and processing of accounting and financial information, as set out in the report of the Chairman of the Supervisory Board;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the Company's internal control procedures relating to the preparation and processing of accounting and financial information, contained in the report of the Chairman of the Supervisory Board.

Paris and Neuilly-sur-Seine, 27 March 2006

The Statutory Auditors

| | |
|---|---|
| MAZARS & GUÉRARD | BARBIER FRINAULT & AUTRES |
| MAZARS | ERNST & YOUNG |
| Jacques Kamienny | Jean-François Ginies |

# 7_5 TRANSACTIONS CONCLUDED WITH RELATED PARTIES (MANAGING PARTNERS AND MEMBERS OF THE SUPERVISORY BOARD)

## 7_5_1 Transactions concluded with Lagardère Capital & Management

Lagardère Capital & Management, controlled and chaired by Mr. Arnaud Lagardère, who is also a general and Managing Partner of Lagardère SCA, is the material embodiment of the Group. Lagardère Capital & Management provides an array of management resources and skills to both the Group and each of its component parts, with the following aims:

- over the long term, to guarantee that the Group's operating businesses have the environment required for expansion,
- to bring them the economic and financial power of a Group with sales of €13 billion,
- to supply the Group with strategic planning and operational services, coupled with high quality management services, including principally:
  - designing and developing economic, political and financial strategic scenarios; providing project monitoring skills;
  - providing research and follow up concerning major markets and their evolution; assessing factors in different market environments that may create new opportunities;
  - keeping a watchful eye on potential investments, divestments and development of alliances with other companies;
  - managing business negotiations such as divestments, mergers and acquisitions;
  - orchestrating corporate operations, including state-of-the-art finance and capital management techniques;
  - establishing and maintaining relations in banking and finance, with particular attention to the characteristics of the various countries in which the Group does or plans to do business;
  - enhancing human resources by attracting high-potential management personnel;
  - providing overall management of the Group's image.

To attain these goals and accomplish its mission, Lagardère Capital & Management employs the principal senior managers forming the Group's Executive Committee. The role of the Executive Committee, in collaboration with the Managing Partners, is to develop and ensure the application of Group strategy, to lead the Group's development, to take the resultant necessary decisions and implement them globally at Parent Company level and in the Group's different business activities. Lagardère Capital & Management is responsible for paying the entire pay package and related working expenses of its managers, and the fees of outside French or international consultants possibly required.

Lagardère Capital & Management's mission is carried out within the framework of its agreement with Lagardère Ressources (formerly Matra Hachette Général). This agreement is described each year in the Auditors' Special Report published in the annual report.

Since 2004, the remuneration of Lagardère Capital & Management is equal to the amount of expenses it incurs in carrying out its mission, plus a margin of 10%, with an absolute upper limit set at €1 million. Expenses charged are examined for each fiscal year by the Audit Committee, which pronounces an opinion on the way they are changing.

After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on 12 March 2004.

As a result, in 2005, Lagardère Capital & Management received €15.01 million from the Group, compared to €12.86 million in 2004. After deducting payroll costs of €7.5 million, or €11.7 million including social security charges, and other support and outside resources costs borne by Lagardère Capital & Management, this left operating profit after tax from the above agreement of €0.67 million.

## 7_5_2 Transactions concluded with members of the Supervisory Board

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# Other information on the Company

# 8_1 SHARE CAPITAL

## 8_1_1 Amount and changes in the share capital

### 8_1_1_1 AMOUNT

On 31 December 2005, the share capital of the Company amounted to €866,456,932.00 and was divided into 142,042,120 shares of par value €6.10 each, all ranking *pari passu* and fully paid.

### 8_1_1_2 CHANGES IN THE SHARE CAPITAL SINCE 31 DECEMBER 2001*

| Years | Description of the operation | Number of shares | Nominal amount (in €) | Premium (in €) | Total share capital (in €) | Total number of shares |
|---|---|---|---|---|---|---|
| 31 Dec. 2001 | | – | – | – | 845,878,899 | 138,668,672 |
| 2002 | Exercise | 549,332 | 3,350,925 | 8,061,960 | 849,229,824 | 139,218,004 |
| 2003 | of share | 399,195 | 2,435,090 | 7,829,563 | 851,664,914 | 139,617,199 |
| 2004 | subscription | 1,201,486 | 7,329,065 | 24,273,251 | 858,993,978 | 140,818,685 |
| 2005 | options | 1,223,435 | 7,462,953 | 32,291,722 | 866,456,932 | 142,042,120 |

* The first figures indicated above are the French franc original amounts translated into euros.

As shown in the above table, all changes in the share capital over the last five years result from the exercise of share subscription options by employees (see Chapter 7, section 7_3_4).

## 8_1_2 Treasury stock

### 8_1_2_1 AMOUNTS

At 31 December 2005, the Company directly held 2,718,496 of its own shares, representing 1.91% of the total share capital at that date. The total cost (carrying value) of these shares was €146,167,398.05, corresponding to an average price of €53.77 per share (par value: €6.10).

Based on the last quoted market price of Lagardère SCA's shares at 31 December 2005 (€65 per share), the total value of treasury shares directly held by the Company was €176,702,240.

At the same date, via its wholly-owned subsidiary MP 55, the Company indirectly held 707,627 of its own shares, representing 0.50% of total share capital at that date for a total cost of €13,811,776.04, corresponding to an average per-share price of €19.52.

Consequently, the Company directly and indirectly held 3,426,123 of its own shares at 31 December 2005, representing 2.41% of total share capital at that date for a total cost (carrying value) of €159,979,165.09, or an average per-share price of €46.69.

Based on the last quoted market price of Lagardère SCA's shares at 31 December 2005 (€65 per share), the total value of treasury shares held by the Company was €222,697,995.

### 8_1_2_2 SHARE REPURCHASE PROGRAMMES

**Operations carried out in 2005**

Under the authorisations granted to the Company by the General Meetings of 11 May 2004 and 10 May 2005, in 2005, the Company:

• did not cancel any shares;

• purchased 963,071 shares over the counter for a total amount of €54,723,452.70, or an average per-share price of €56.82, plus acquisition costs of €30,806.32, in order to cover some of its obligations under stock purchase options granted to Group employees;
• purchased call options over the counter from Barclays Bank Plc on 3 November 2005 concerning 3,493,146 of its own shares, in order to cover some of its obligations under stock purchase options granted to Group employees; this operation was conducted in three stages:
  – purchase of call options on 496,366 shares at a price of €17.4206 each, to cover its obligations under the 2001 Plan, exercisable at a price of €46.48 until 19 December 2008;
  – purchase of call options on 1,424,017 shares at a price of €21.7388 each, to cover its obligations under the 2003 Plan, exercisable at a price of €51.45 until 18 December 2013;
  – purchase of call options on 1,572,763 shares at a price of €22.5983 each, to cover its obligations under the 2004 Plan, exercisable at a price of €51.92 until 20 November 2014;
• sold 1,840,337 shares to Barclays Capital Securities Limited on 3 November 2005 with a repurchase option, to cover its obligations to deliver shares to Group employees under existing stock option plans, in two batches:
  – 613,860 shares at a per-share price of €39.9794, which it may repurchase until 19 December 2008 at a per-share price of €46.48 to honour its obligations under the 2001 Plan;
  – 1,226,477 shares at a per-share price of €41.2592, which it may repurchase until 19 December 2009 at a per-share price of €51.45 to honour its obligations under the 2002 Plan.
• transferred ownership of 429,714 shares to Group employees as a result of the following:
  – exercise of 144,154 purchase options by employees and senior managers in the Lagardère Group;
  – exchange of 285,560 Lagardère SCA shares for 259,600 Hachette Filipacchi Médias shares that had been acquired by the Print Media division's employees upon exercise of their options to subscribe shares in their company. Lagardère SCA's share exchange offers of 2000 contained an undertaking to carry out these share exchanges.

All purchases of treasury shares in 2005, whether via purchases of call options or cash purchases (90,955 of the 963,071 shares acquired were acquired by exercising call options), were thus made solely in order to cover the Company's obligations under the stock option plans set up since 2001 (see Chapter 7, section 7_3_4).

**Operations carried out under the authorisation granted by the General Meeting of 10 May 2005**

The General Meeting of 10 May 2005, in accordance with the Information Notice approved by the French Financial Market Authority (AMF) on 11 April 2005 under reference number 05-244, renewed the authorisation granted to the Company by the General Meeting of 11 May 2004 to acquire Lagardère SCA shares representing up to 10% of the share capital, for a maximum amount of €700 million, and at a maximum per-share purchase price of €80, for the following purposes:
• allocation of shares to holders of stock purchase options on Lagardère SCA shares;
• allocation of free shares to employees of the Lagardère Group;
• any other allocation of shares to Group employees under the conditions defined by current laws and regulations;
• allocation of shares upon exercise of rights attaching to securities granting access to the Company's capital;
• retention in view of a future transfer or exchange in consideration for an acquisition;
• ensuring proper liquidity and regulation of the market for Lagardère SCA's shares, within the framework of

a market maker contract signed with an independent investment services firm, whose terms and conditions comply with a Code of Conduct recognised by the AMF.
- reduction of the share capital by cancelling all or part of the shares purchased, subject to the 18th resolution approved by the Combined General Meeting of 10 May 2005 (first notified on 27 April 2005);
- completion of any other transactions in accordance with current regulations and in particular with the Market Practices accepted by the AMF.

This authorisation was granted for an 18-month period starting on 10 May 2005.

As of the date of preparation of this Reference Document (28 March 2006), apart from the purchase on 3 November 2005 of 3,493,146 call options enabling the Company to acquire an identical number of shares, or 2.46% of the share capital, by 20 November 2014, the Company exercised 203,534 options (call options and sales with a repurchase option) and acquired 203,534 of its own shares under this authorisation to cover its obligations under employee stock option plans, enabling it to satisfy exercises of an equivalent number of stock options, or 0.14% of the share capital at 11 May 2005.

No shares were purchased for any of the other purposes authorised by the meeting.

The General Meeting that will be called in May 2006 to approve the financial statements for the year 2005 will be asked to renew this authorisation.

## 8_1_3 Other securities and rights granting access to the Company's share capital

### 8_1_3_1 SECURITIES

None of the existing securities grant or may grant immediate or future access to the Company's share capital.

### 8_1_3_2 SHARE SUBSCRIPTION OPTIONS

At 31 December 2005, there were 1,706,788 subscription options outstanding which if exercised would result in the issue of an equivalent number of new shares.

The share capital could thus be raised by 17 December 2007 to €876,868,338.80 divided into 143,748,908 shares with par value of €6.10 each, by way of a capital increase of €10,411,406.80 and the issue of 1,706,788 new shares.

## 8_1_4 Authorised, unissued share capital

The Combined General Meeting of 10 May 2005 authorised the Managing Partners, for a period of 26 months, to issue securities granting immediate or future access to the Company's capital, within the following limits:
- maximum nominal amount of capital increases which may result from authorised issues .................... 300 M€
- maximum authorised for bond issues ............................................................ 2,500 M€

Under these authorisations and within these limits, the meeting of 10 May 2005 authorised in particular the Managing Partners:
- to increase the share capital, on one or more occasions, for a period of 38 months, up to a maximum nominal amount of €30 million, through the issue of shares to be subscribed under the Group Savings Plan and in accordance with articles L. 443-1 and following of the French Labour Code and article L.225-138 of the French

Commercial Code, by employees of the Company and its affiliated companies or groupings.

- to grant free shares, whether existing or to be issued, on one or more occasions, for a period of 38 months and within a limit of 1% of the total number of shares making up the share capital, to the benefit of employees of the Company and its affiliated companies or groupings.

As of 31 March 2006, none of these authorisations had been used by the Managing Partners.

Although this decision did not involve securities granting access to the Company's capital, it should be noted that the meeting of 10 May 2005 renewed the authorisation granted to the Managing Partners to issue, on one or more occasions, bonds and securities other than securities granting access to the Company's capital, up to a maximum amount of €2.5 billion.

The general meeting of 11 May 2004 gave the Managing Partners authorisation for a period of 38 months to grant options to purchase or subscribe for Lagardère SCA shares, up to a maximum of 3% of the total number of shares making up the share capital, to employees and senior managers of the Company and its affiliated companies or groupings. This authorisation has been used twice, on 20 November 2004 and 21 November 2005 (see Chapter 7, table in section 7_3_5_1).

#### 8_1_4_1 PLEDGES OF REGISTERED SHARES OF THE COMPANY AT 31 DECEMBER 2005

- Number of shareholders: 284
- Number of shares: 7,825,397, or 5.51% of the share capital.

#### 8_1_4_2 PLEDGES OF COMPANY SHARES REGISTERED IN THE NAMES OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF THE SHARE CAPITAL AT 31 DECEMBER 2005

7,676,892 shares held by Lagardère Capital & Management, or 5.40% of the share capital.

### 8_1_5 Stock market information

#### 8_1_5_1 GENERAL

Number of shares making up the share capital at 31 December 2005: 142,042,120

Number of shares listed on 31 December 2005: 142,042,120

Listed: Euronext Paris – *Marché Eurolist, Compartiment A*.

#### 8_1_5_2 DIVIDENDS, SHARE PRICES AND TRADING VOLUMES

**Dividends**

| Year of payment | Number of shares entitled to dividends | Net dividend (€ per share) | Tax credit (€ per share) | Gross dividend (€ per share) | Total dividends (€ million) |
|---|---|---|---|---|---|
| 2001 | 137,164,803 | 0.78 | 0.39 | 1.17 | 107.0 |
| 2002 | 135,169,410 | 0.82 | 0.41 | 1.23 | 110.8 |
| 2003 | 135,642,097 | 0.82 | 0.41 | 1.23 | 111.2 |
| 2004 | 136,461,217 | 0.90 | 0.45 | 1.35 | 122.8 |
| 2005 | | | | | |
| - ordinary dividend | 136,720,742 | 1.00 | – | 1.00 | 136.72 |
| - exceptional dividend | 136,898,627 | 2.00 | – | 2.00 | 273.79 |

Any dividend not claimed within five years from the due date lapses and is paid to the French Treasury.

## Trading volumes and changes in Lagardère SCA share price

| Year | Month | Total shares traded | Average daily volumes | Total amount traded (€ thousand) | Average daily amount traded (€ thousand) | Opening price on last trading day of month (€) | High for month (€) | Low for month (€) |
|---|---|---|---|---|---|---|---|---|
| **2002** | January | 10,995,320 | 499,787 | 499,347.20 | 22,697.20 | 44.90 | 49.75 | 43.26 |
| | February | 9,328,559 | 466,428 | 417,192.00 | 20,859.60 | 46.95 | 48.20 | 41.92 |
| | March | 10,829,870 | 541,494 | 559,174.00 | 27,958.70 | 53.65 | 54.40 | 46.61 |
| | April | 11,459,323 | 545,682 | 594,377.70 | 28,303.70 | 50.00 | 54.85 | 48.12 |
| | May | 20,731,800 | 942,355 | 1,013,130.80 | 46,051.40 | 47.27 | 51.50 | 45.10 |
| | June | 13,546,472 | 677,324 | 608,406.00 | 30,420.30 | 44.10 | 49.18 | 41.70 |
| | July | 15,759,519 | 685,196 | 653,657.70 | 28,419.90 | 41.77 | 45.29 | 37.02 |
| | August | 11,202,190 | 509,190 | 447,504.20 | 20,341.10 | 38.71 | 43.75 | 37.00 |
| | September | 10,228,122 | 487,053 | 387,731.40 | 18,463.40 | 38.95 | 40.74 | 35.50 |
| | October | 14,430,062 | 627,394 | 576,817.00 | 25,079.00 | 44.16 | 45.50 | 35.50 |
| | November | 11,391,038 | 542,430 | 501,658.50 | 23,888.50 | 45.85 | 46.71 | 40.85 |
| | December | 11,226,658 | 561,333 | 455,750.00 | 22,787.50 | 38.11 | 47.40 | 37.19 |
| **2003** | January | 12,070,912 | 548,678 | 454,082.20 | 20,640.10 | 36.80 | 41.67 | 34.80 |
| | February | 12,150,766 | 607,538 | 423,788.00 | 21,189.40 | 33.97 | 37.88 | 32.62 |
| | March | 13,278,422 | 632,306 | 444,903.90 | 21,185.90 | 31.51 | 38.07 | 29.52 |
| | April | 18,604,824 | 930,241 | 613,724.00 | 30,686.20 | 34.15 | 35.75 | 30.32 |
| | May | 34,011,065 | 1,619,575 | 1,170,852.90 | 55,754.90 | 34.26 | 35.90 | 32.59 |
| | June | 22,372,349 | 1,065,350 | 813,647.10 | 38,745.10 | 37.37 | 38.77 | 33.88 |
| | July | 15,252,850 | 663,167 | 593,312.60 | 25,796.20 | 40.20 | 40.49 | 36.36 |
| | August | 12,982,942 | 618,235 | 521,763.90 | 24,845.90 | 41.71 | 42.24 | 37.65 |
| | September | 15,187,209 | 690,328 | 638,041.80 | 29,001.90 | 39.71 | 45.00 | 38.72 |
| | October | 14,380,412 | 625,235 | 593,602.40 | 25,808.80 | 43.36 | 43.90 | 38.70 |
| | November | 14,944,642 | 747,232 | 664,760.00 | 33,238.00 | 46.40 | 46.89 | 42.72 |
| | December | 11,833,762 | 563,512 | 546,004.20 | 26,000.20 | 45.82 | 47.37 | 44.99 |
| **2004** | January | 15,879,657 | 756,174 | 761,369.70 | 36,255.70 | 47.69 | 49.89 | 45.55 |
| | February | 12,149,273 | 607,464 | 582,228.00 | 29,111.40 | 48.68 | 49.50 | 46.57 |
| | March | 15,684,343 | 681,928 | 723,221.20 | 31,444.40 | 45.70 | 49.09 | 43.60 |
| | April | 15,687,049 | 784,352 | 782,832.00 | 39,141.60 | 51.25 | 53.20 | 45.58 |
| | May | 20,380,917 | 970,520 | 1,009,012.20 | 48,048.20 | 49.88 | 51.25 | 48.10 |
| | June | 15,584,416 | 708,383 | 789,406.20 | 35,882.10 | 51.70 | 52.35 | 49.32 |
| | July | 10,331,200 | 469,600 | 518,133.00 | 23,551.50 | 49.12 | 52.10 | 48.69 |
| | August | 10,975,872 | 498,903 | 532,943.40 | 24,224.70 | 49.56 | 50.50 | 46.51 |
| | September | 9,759,045 | 443,593 | 496,720.40 | 22,578.20 | 50.90 | 52.75 | 49.17 |
| | October | 8,153,728 | 388,273 | 413,597.10 | 19,695.10 | 50.40 | 52.10 | 49.62 |
| | November | 8,871,452 | 403,252 | 471,667.30 | 21,439.40 | 54.20 | 54.70 | 50.25 |
| | December | 8,902,592 | 387,069 | 473,987.50 | 20,608.20 | 53.20 | 54.30 | 52.10 |
| **2005** | January | 9,019,494 | 429,500 | 501,106.90 | 23,862.20 | 56.90 | 57.90 | 53.00 |
| | February | 14,674,426 | 733,721 | 866,981.40 | 43,349.10 | 60.05 | 62.75 | 55.65 |
| | March | 19,393,368 | 923,494 | 1,126,681.60 | 53,651.50 | 58.60 | 59.90 | 56.80 |
| | April | 13,527,468 | 644,165 | 790,504.30 | 37,643.10 | 55.30 | 60.15 | 55.30 |
| | May | 20,723,624 | 941,983 | 1,186,982.60 | 53,953.80 | 57.15 | 58.90 | 55.45 |
| | June | 11,777,991 | 535,363 | 703,629.70 | 31,983.20 | 61.80 | 61.80 | 57.30 |
| | July | 12,230,684 | 582,414 | 722,680.10 | 34,413.30 | 60.50 | 62.40 | 57.25 |
| | August | 8,151,880 | 354,430 | 482,784.50 | 20,990.60 | 57.55 | 60.70 | 57.30 |
| | September | 14,278,709 | 649,032 | 831,136.30 | 37,778.90 | 59.00 | 59.75 | 56.60 |
| | October | 11,636,180 | 554,104 | 681,156.30 | 32,436.00 | 56.70 | 60.90 | 56.10 |
| | November | 12,257,628 | 557,165 | 712,797.90 | 32,399.90 | 60.30 | 60.90 | 56.20 |
| | December | 17,300,143 | 823,816 | 1,094,527.60 | 52,120.40 | 65.30 | 65.70 | 59.55 |
| **2006** | January | 13,248,315 | 602,196 | 865,154.70 | 39,325.20 | 64.95 | 67.15 | 62.75 |
| | February | 11,264,736 | 563,237 | 751,782.40 | 37,589.10 | 65.45 | 68.90 | 64.65 |

## 8_1_6 Options granted to third parties on shares making up the share capital of certain Group companies

Some investments included in Lagardère SCA's consolidated financial statements are subject to put options for which exercise is conditional on certain events. These commitments are described in the Notes to the consolidated financial statements presented in Chapter 6 of this Reference Document. At the date of filing, there were no other put options concerning all or part of any significant investment* held directly or indirectly by Lagardère SCA.

## 8_1_7 Share ownership structure – Principal shareholders

### 8_1_7_1 CHANGES IN SHARE OWNERSHIP STRUCTURE AND VOTING RIGHTS SINCE 31 DECEMBER 2003

| | At 31 December 2005 | | | At 31 December 2004 | | | At 31 December 2003 | | |
|---|---|---|---|---|---|---|---|---|---|
| Shareholders | Number of shares | % of share capital | % of voting rights | Number of shares | % of share capital | % of voting rights | Number of shares | % of share capital | % of voting rights |
| Lagardère Capital & Management | 10,108,383 | 7.12 | 8.54 | 7,691,383 | 5.46 | 6.96 | 7,691,383 | 5.51 | 6.79 |
| DaimlerChrysler | 0 | 0.00 | 0.00 | 3,289,116 | 2.34 | 3.78 | 3,289,116 | 2.36 | 3.61 |
| French institutional investors | 39,932,873 | 28.11 | 28.27 | 36,971,761 | 26.25 | 26.75 | 39,587,023 | 28.35 | 27.22 |
| Non-French institutional investors | 70,118,509 | 49.36 | 45.05 | 67,365,641 | 47.84 | 42.40 | 62,160,440 | 44.52 | 43.27 |
| General public | 15,039,304 | 10.59 | 14.60 | 16,265,341 | 11.55 | 15.45 | 17,765,017 | 12.72 | 14.50 |
| Employees and Group Savings Plan investment funds | 3,416,928 | 2.41 | 3.54 | 4,502,340 | 3.20 | 4.66 | 4,723,726 | 3.38 | 4.61 |
| Treasury stock | 3,426,123 | 2.41 | - | 4,733,103 | 3.36 | - | 4,400,494 | 3.15 | - |
| **Total** | **142,042,120** | **100** | **100** | **140,818,685** | **100** | **100** | **139,617,199** | **100** | **100** |

Of the 2.41% of capital held by Group employees, 1.07% are held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

The Company is not aware of any other shareholder holding 5% or more of its share capital or voting rights.

At 31 December 2005, the share capital was held by 133,060 shareholders.

### 8_1_7_2 CONCERT WITH OTHER GROUPS

Since Marconi Corporation Plc (formerly GEC) and DaimlerChrysler sold their holdings in the Company, the shareholder agreements signed with Lagardère Capital & Management have been terminated and the concert between the three companies no longer exists.

* Significant investments represent a shareholding above €150 million (less than 3% of the Group's non-current assets).

### 8_1_7_3 VOTING RIGHTS

Including the double voting rights attributed to shares registered in the name of the same shareholder for at least four years (see section 8_2_6_4), the total number of voting rights at 31 December 2005 was 170,488,317.

The percentage of voting rights held by Supervisory Board members was 0.06%.

### 8_1_7_4 PRINCIPAL SHAREHOLDERS

Lagardère Capital & Management (LC&M), with 7.12% of the capital and 8.54% of the voting rights is the largest permanent shareholder in the Lagardère Group. In accordance with the Company's by-laws (see section 8_1_7_3), all the shares which have been registered in the name of LC&M for at least four years carry double voting rights.

LC&M's share capital is held by its Chairman, Mr. Arnaud Lagardère, who is also a Managing Partner of Lagardère SCA, as is Arjil Commanditée-ARCO, a subsidiary of LC&M. The appointment of Mr. Arnaud Lagardère as general partner of Lagardère SCA was approved by the meeting of 13 May 2003.

In accordance with current regulations and the by-laws, the Supervisory Board is granted the powers to ensure that no one exercises excessive control over Lagardère SCA (see section 8_2_3).

### 8_1_7_5 GROUP TO WHICH THE COMPANY BELONGS

Lagardère SCA is the ultimate holding company of the Lagardère Group. See Group organisation at 31 December 2005 in Chapter 4, section 4_3.

# 8_2 PRINCIPAL PROVISIONS OF THE COMPANY'S BY-LAWS

## 8_2_1 Corporate purpose

Lagardère's purpose is, in France and abroad:

- to acquire any form of interests or investments in all types of corporation or business, whether French or foreign, by any appropriate means;
- to manage any type of security portfolio and to carry out any related spot or future transactions, whether contingent or not;
- to acquire and license any patents, trademarks, and commercial and industrial businesses;
- and more generally, to carry out any commercial, financial, industrial, security and real estate transactions related to the above purposes or to any other purpose related thereto with the aim of aiding in the development of the Company's operations.

## 8_2_2 Managing Partners *(Gérance)*

1) The Company is managed by one or more Managing Partners *(Gérants)*.
Following the death of Mr. Jean-Luc Lagardère on 14 March 2003, the Supervisory Board, at its meeting of 26 March 2003, approved Arjil Commanditée-ARCO's proposal to appoint Mr. Arnaud Lagardère as Managing Partner for a six-year term.

Article numbers indicated in this section refer to the Company's by-laws.

On 12 March 2004, the Supervisory Board approved the general partners' proposal to renew Arjil Commanditée-ARCO's appointment as Managing Partner for a 6-year term, and agreed to the following persons' appointments as representatives of this company:

- Arnaud Lagardère, Chairman and Chief Executive Officer;
- Philippe Camus, Deputy Chairman and Chief Operating Officer;
- Pierre Leroy, Director and Chief Operating Officer.

2) Throughout the life of the Company, any new Managing Partner is appointed unanimously by the general partners, with the approval of the Supervisory Board or of the General Meeting according to the provisions of article 14 of the by-laws.

3) Each Managing Partner has the broadest possible authority to act in any circumstances in the name of the Company, within the scope of the corporate purpose and subject to the powers expressly attributed by law or the by-laws to the General Meeting of shareholders and to the Supervisory Board.

In accordance with law, each Managing Partner may authorise and grant, in the name of the Company, any sureties, warranties and undertakings which he deems reasonable.

Each Managing Partner may delegate part of his powers to one or more persons, whether or not they are employees of the Company and whether or not such persons have a contractual relationship with the Company. Such delegation in no way affects the duties and liability of the Managing Partner in relation to the exercise of such powers.

4) The Managing Partner(s) must take all necessary care in handling the business of the Company.

5) The age limit for a person who is a Managing Partner is 80 years.

6) The term of office of a Managing Partner cannot exceed six years and is renewable.

A Managing Partner who wishes to resign must inform the other Managing Partners, the general partners and the Chairman of the Supervisory Board, by registered letters with acknowledgment of receipt, at least three months before the date on which the said resignation is to take effect.

In the event that a corporate general partner which is also a Managing Partner of the Company, changes its managing partner(s), the chairman of its board of directors and/or its general manager(s), it is automatically deemed to have resigned as Managing Partner of the Company, effective immediately. This is also the case on expiry of the approval of such persons given by the Supervisory Board as described in section 8_2_3, or in the event of sale or subscription of shares which the Supervisory Board has not approved as described in section 8_2_3.

When a Managing Partner's office terminates, the management of the Company is carried out by the Managing Partner(s) who remain in office, without prejudice to the right of the general partners to appoint a new Managing Partner as a replacement, or to renew the appointment of the outgoing Managing Partner, as described in paragraph 2) above.

Where a sole Managing Partner's office terminates, one or more new Managing Partner(s) are appointed, or the outgoing sole Managing Partner is reappointed, as described in paragraph 2) above. However, pending such appointment(s), the Company is managed by the general partner(s) who may delegate all necessary powers for the management of the Company until the new Managing Partner(s) has been appointed.

A Managing Partner may be dismissed at any time on the grounds of incapacity (whether as a result of insolvency proceedings or otherwise) or for any other cause, by the unanimous decision of the general partners, after the Supervisory Board has expressed its opinion as described in section 8_2_3. A Managing Partner may also be dismissed for just cause, by decision of the courts.

## 8_2_3 Supervisory Board

### Establishment of the Supervisory Board (article 12)

1) The Company has a Supervisory Board composed of a maximum of fifteen members, selected exclusively among shareholders who are neither general nor Managing Partners.

2) The Board members are appointed or dismissed by the shareholders in an ordinary general meeting. Shareholders who are also general partners are not entitled to vote on such resolutions.

3) The term of office of members of the Supervisory Board cannot exceed six years. It terminates at the close of the annual general meeting called to approve the financial statements for the preceding year and which is held during the year in which the term of the member expires. Members of the Supervisory Board may be re-elected.

   No more than a third of the members of the Supervisory Board may be more than seventy-five years old. If this number is exceeded, the oldest member is automatically deemed to have resigned.

### Meetings of the Supervisory Board (article 13)

The Supervisory Board appoints one of its members as Chairman, and may if it wishes appoint one or more Deputy Chairmen, to preside over Board meetings.

The Board meets as often as required by the interests of the Company, and once per half year at least.

Board meetings may be convened by the Chairman or in his absence a Deputy Chairman, by at least half the Board members, or by each Managing Partner or general partner.

At least half the Board members must be present for the meeting to validly deliberate.

Its decisions are made by the majority of members present and represented. The Chairman has the casting vote in the event of a tied vote.

In calculating the quorum and majority, members attending the meeting via video conferencing technology are considered to be present.

The deliberations are recorded in minutes of the meetings.

### Powers of the Supervisory Board (article 14)

1) The management of the Company is placed under the permanent supervision of the Supervisory Board as provided by law. In accordance with law, the Board prepares a report for each annual general meeting called to approve the financial statements of the Company. This report is made available to the shareholders at the same time as

the Managing Partners' report and the financial statements.

In the event of one or more Managing Partners being dismissed by the general partners, the Board must give its opinion. For this purpose, the Board is notified by the general partners at least fifteen days in advance, and it must give its opinion within ten days of such notice, which is given by registered letter addressed to the Chairman of the Supervisory Board.

The Supervisory Board draws up a report on any proposal to increase or reduce the Company's share capital.

The Supervisory Board may, if it deems it necessary, after having informed the Managing Partner(s) in writing, call an ordinary or extraordinary general meeting of the shareholders, in compliance with the legal provisions relating to notices of meetings.

The Supervisory Board has, by law, the right to receive from the Managing Partners the same documents as are made available to the Statutory Auditors.

2) The appointment or reappointment of any Managing Partner must be approved by the Supervisory Board. Should Arjil Commanditée-ARCO be appointed as Managing Partner, the Supervisory Board's approval will have to be obtained, not in respect of ARCO itself, but in respect of its chairman and general managers.

The Supervisory Board must grant or refuse its approval within twenty days of receiving notice from the general partners of the proposed appointment.

If the Supervisory Board twice refuses to approve an appointment within a period of two months, in respect of two different candidates, while the Company is left without a Managing Partner and it is managed on an interim by the general partners under article 10-6 of the by-laws, approval may be given by a majority vote of the shareholders in an ordinary general meeting called by the general partner(s) and at which only one of the two candidates is put forward.

In the absence of approval from either the Supervisory Board or the general meeting in accordance with the above, the general partner(s) designate a third person. If the Supervisory Board fails to approve the appointment of the said third candidate, the appointment is submitted to the shareholders in an ordinary general meeting which may only refuse the candidate by a vote of a two-third majority of the shareholders present or represented.

3) Should ARCO become a Managing Partner of the Company, and as from its appointment to such office, no person may become a shareholder in ARCO either by acquiring shares in ARCO or by subscribing to an increase in its share capital, exercising share warrants or through the conversion or redemption of bonds, without the prior agreement of the Supervisory Board, which must approve or refuse this proposal within twenty days of receiving notice, either from ARCO or from those shareholders who intend to transfer their shares.

If such a transaction takes place without the approval of the Supervisory Board, ARCO, by virtue of the third paragraph of article 10-6 of the by-laws, is automatically deemed to have resigned from its office as Managing Partner, effective immediately.

4) Any transaction for the transfer of ARCO shares or the issue of securities by ARCO, which might alter its control immediately or in the future, must obtain the prior approval of the Company's Supervisory Board, which must

make a decision within twenty days of receiving notice, either from ARCO or from those shareholders who intend to transfer their shares.

If such a transaction takes place without the approval of the Supervisory Board, ARCO, by virtue of article 18-5 of the by-laws, automatically forfeits its status of general partner, effective immediately.

5) The approval of the Supervisory Board required in paragraphs 3) and 4) above is automatically deemed to have been given, if the acquiring or subscribing candidate makes a valid public tender offer for all of the company's shares. Such approval is not required in the event of a transfer of ARCO shares by way of inheritance.

## 8_2_4 General partners (article 18)

1) The general partners *(associés commandités)* are:
   - **Mr. Arnaud Lagardère**
     domiciled at 4, rue de Presbourg - 75116 Paris, France
   - **Arjil Commanditée-ARCO**
     a French corporation with share capital of €40,000,
     having its head office at 121, avenue de Malakoff - 75116 Paris, France
     and registered in the Commercial Register under number: 387 928 393 RCS Paris.

2) The appointment of one or more new general partners is decided by the shareholders in an extraordinary general meeting, upon the unanimous recommendation of the existing general partners or partner.

3) The Company is not wound up in the case of the death or incapacity of a person who is a general partner, nor in the event of liquidation of a general partner which is a corporate entity.

4) A person who is a general partner and is also a Managing Partner loses his status as general partner, automatically and effective immediately, if the person is dismissed as Managing Partner for just cause under the terms of article 10-6 of the by-laws.

5) Any corporate entity which is a general partner automatically loses such status effective immediately, in the event that it effects a sale or subscription of shares which is likely to change its control, in the absence of consent to such a transaction by the Supervisory Board, as provided in article 14-4 of the by-laws.

In both cases the by-laws are automatically amended to reflect this change. The amendment is recorded and published by a Managing Partner, or in the absence of a Managing Partner, by a general partner or by the Supervisory Board.

Arjil Commanditée-ARCO unconsolidated financial statements for 2005 are as follows:

(in thousands of euros)

## Balance sheet

| | |
|---|---|
| **Assets** | |
| Accounts receivable | 11,095 |
| Cash and cash equivalents | 5 |
| **Total assets** | **11,100** |

| | |
|---|---|
| **Liabilities and shareholders' equity** | |
| Shareholders' equity | 10,994 |
| Accounts payable | 106 |
| **Total liabilities and shareholders' equity** | **11,100** |

## Statement of income

| | |
|---|---|
| Operating revenues | – |
| Operating expenses | 21 |
| Operating loss | (21) |
| Financial income | 2,143 |
| Financial expenses | – |
| Net financial profit | 2,143 |
| Non-operating profit | – |
| Income tax expense | (718) |
| **Net profit for the year** | **1,404** |

## Rights of the general partners (article 18 bis)

General partners who are not also Managing Partners *(commandités non gérants)* do not participate directly in the management of the Company, except as described in article 10-6 of the by-laws (absence of Managing Partner).

They exercise all the prerogatives attributed to their status by law and the by-laws.

By reason of the unlimited joint and several liability they assume, general partners who are not also Managing Partners have right of access to all books and documents of the Company and to ask the Managing Partners any questions concerning the management of the Company, in writing. The Managing Partners must answer such questions in writing as promptly as possible. In addition, in consideration for their unlimited joint and several liability, general partners are entitled to specific remuneration calculated in accordance with the provisions of article 25 of the by-laws.

## Decisions of the general partners (article 18 ter)

1) The general partner(s) take decisions either in meetings or by written consultation (ordinary letter, telex, telegram, fax, etc.).

2) In the event of a written consultation, each general partner has a period of fifteen days to inform the Managing Partners of his decision on each of the draft resolutions. A general partner who does not reply within this period is considered to have voted against the resolution.

3) Decisions taken by the general partner(s) are recorded in minutes stating, inter alia, the date and method of consultation, the report or reports made available to the general partner(s), the text of the resolutions and the result of the voting.

The minutes are drawn up by the Managing Partners or by one of the general partners, and signed by the general partner(s) and/or the Managing Partner(s), as the case may be.

Copies or extracts of the minutes are validly certified as true copies either by the Managing Partner, or by one of them if there are more than one, and by the general partners.

## 8_2_5 Requirements for changing shareholders' rights

Any change in the rights of shareholders as defined in the Company's by-laws requires:

- unanimous decision by the general partners;
- a decision by the extraordinary shareholders' meeting, passed by a two-thirds majority of the votes of shareholders present or represented.

## 8_2_6 General meetings of shareholders

### 8_2_6_1 GENERAL (ARTICLE 19)

General meetings are called either by the Managing Partners or by the Supervisory Board, or by any other person having the right to do so by virtue of law or the by-laws of Lagardère.

General meetings are held at the head office or at any other place as indicated in the notice of meeting. Notices of meeting are issued in the manner and within the time period provided by law and regulations.

General meetings are chaired by the Managing Partner or one of the Managing Partners if there are several of them. If the meeting is called by the Supervisory Board, it is chaired by the Chairman or by a member of the Supervisory Board appointed to this effect. Where the meeting has been called by any other person legally empowered to do so, the meeting is chaired by the person who called the meeting. If the person entitled or appointed to chair the meeting fails to do so, the meeting itself elects its chair.

The vote tellers *(scrutateurs)* are the two shareholders having the greatest number of shares, either directly or by way of proxy, and who are present and accept to be tellers.

The vote tellers thus designated constitute the officers of the meeting *(bureau)*, and appoint a secretary who need not be a shareholder.

The officers of the meeting verify, certify and sign the attendance sheet, ensure that discussions are properly held, settle any differences which may arise in the course of the meeting, count the votes cast, verify that voting procedures are properly observed and that minutes of the meeting are drawn up.

Minutes recording the deliberations of each meeting are entered in a special register signed by the officers of the meeting. The minutes, drawn up and recorded in this form, are considered to be a true transcript of the meeting. All copies of or extracts from the minutes must be certified by one of the managing partners, by the Chairman of the Supervisory Board, or by the secretary of the meeting.

### 8_2_6_2 ORDINARY GENERAL MEETINGS (ARTICLE 20)

The annual general meeting examines the management report prepared by the Managing Partners, the report of the Supervisory Board and the reports of the Statutory Auditors; it discusses and approves the Parent Company financial statements for the previous year and the proposed allocation of net profit, in accordance with the law and the by-laws. In addition, the annual general meeting and any other ordinary general meeting may appoint or dismiss the members of the Supervisory Board, appoint the Statutory Auditors and vote on all questions within its authority and placed on the agenda, with the exception of those matters defined in article 21 of the by-laws as being exclusively within the authority of an extraordinary general meeting.

No resolution can be adopted by the ordinary general meeting without the unanimous prior agreement of the general partner(s), with the exception of resolutions concerning the election, resignation or dismissal of members of the Supervisory Board and the appointment of a Managing Partner, where the Supervisory Board has exercised its right of veto twice within two months (see section 8_2_3 – Powers of the Supervisory Board, paragraph 2). The agreement of the general partner(s) must be obtained by the Managing Partners prior to the ordinary general meeting.

All resolutions are adopted by a majority of the votes cast by the shareholders present or represented, including votes cast by mail, except as expressly provided in the last section of paragraph 2) of section 8_2_3 – Powers of the Supervisory Board.

### 8_2_6_3 EXTRAORDINARY GENERAL MEETINGS (ARTICLE 21)

The extraordinary general meeting may validly decide on:

- any amendment of the by-laws for which the approval by an extraordinary general meeting is required by law, including, but not limited to, and subject to the provisions of the by-laws, the following:
  - increase or reduction of the Company's share capital;
  - changes in the terms and conditions of share transfers;
  - changes in the composition of ordinary general meetings or shareholders' voting rights at ordinary and/or extraordinary general meetings;
- changes in the purposes of the Company, its duration or its head office, subject to the powers granted to the Managing Partners by the by-laws to transfer the Company's head office;
- transformation of the Company into a company having another legal form, such as a corporation *(société anonyme)* or a limited liability company *(société à responsabilité limitée)*;
- winding-up of the Company;
- merger of the Company;
- and all other matters on which an extraordinary general meeting may validly decide in accordance with law.

No resolution can be passed by the extraordinary general meeting without the unanimous prior agreement of the general partner(s). However, where there are several general partners, a resolution to transform the Company into a company having another legal form requires the prior agreement of only a majority of the general partners.

The agreement of the general partner(s) must be obtained by the Managing Partners, in advance of the extraordinary general meeting in question.

### 8_2_6_4 ATTENDANCE AND REPRESENTATION AT MEETINGS, PROXIES, DOUBLE VOTING RIGHTS (ARTICLE 19)

Any shareholder has the right to attend general meetings and to take part in the discussions, either personally or through a proxy, subject to proof of identity and providing his name has been recorded in a shareholders' account at least five days before the meeting.

Subject to inclusion of the relevant decision by the Managing Partners in the public notice of a meeting and the notice sent personally to shareholders, shareholders may participate in general meetings by means of video conferencing technology, and vote by telecommunication (e.g. through the Internet). It is the Managing Partners' responsibility to fix the practicalities of this method of attendance and voting after consulting the Supervisory Board. The technologies used must guarantee vote confidentiality and security and shareholder identity authentication.

A shareholder who does not personally attend the meeting may choose one of the three following options:
- to give a proxy to another shareholder or to his or her spouse; or
- to vote by mail; or
- to send a blank proxy form to the Company without appointing a proxy, in accordance with the applicable laws and regulations.

In this last case, the Chair of the general meeting will cast a vote in favour of all draft resolutions presented or approved by the Managing Partners and a vote against all other draft resolutions. In order to cast their votes differently, shareholders must choose a proxy holder who agrees to vote as instructed by them.

At each meeting, shareholders have a number of votes equal to the number of shares they own or represent, as evidenced by the share register on the fifth working day prior to the meeting. However, double voting rights – two votes for each share – are attributed to all those shares which are fully paid-up and which have been registered in the name of the same shareholder for at least four years. In addition, shareholders entitled to double voting rights on the date on which the Company was transformed into a limited partnership with shares, retain their double voting rights.

Furthermore, where the Company's share capital is increased by incorporation of reserves, profits or issue premiums, a double voting right is granted, from the date of issue, in respect of free registered shares distributed to the holder of shares which originally carried double voting rights.

Transfer of title to a share results in the loss of the double voting right. However, transfer as a result of inheritance, liquidation of community property between spouses or inter vivos gift to a spouse or relative automatically entitled to inherit under French law does not cause existing double voting rights to lapse, nor does it interrupt the four-year period referred to above. Similarly, the merger or demerger of the Company has no effect on the double voting rights which may be exercised within the resulting company or companies if the by-laws of the said companies recognise these rights.

Voting rights are exercised by the owner even if the shares are pledged, and by the usufruct owner *(usufruitier)* at ordinary general meetings and by the bare owner *(nu-propriétaire)* at extraordinary general meetings.

## 8_2_7 Requirements for a change in control of the Company

As stated at the beginning of Chapter 7, section 7_1, a limited partnership with shares has two categories of partner: general partners and limited partners (or shareholders).

Any change in control of the Company thus implies a change in the composition of both categories of partner. As the Company is listed on the stock exchange, it would be possible for a third party to take control of the capital and associated voting rights through a public takeover bid. However, it would not be possible to take control over general partners' meetings, and consequently, no third party could single-handedly modify the Company's by-laws.

As any new managing partner must be appointed by unanimous decision of the general partners subject to approval of the Supervisory Board*, the person or entity taking control over the capital and associated voting rights would be unable to appoint new managing partners.

Therefore, appointment of any new managing partners and modification of the by-laws without the consent of general partners are impossible.

In view of these measures, no change in control of the Company could take place without the consent of the general partner(s).

## 8_2_8 Disclosure of holdings exceeding specific thresholds

Without prejudice to the provisions of article L. 233-7 of the French Commercial Code, any shareholder holding directly or indirectly, as defined in said article L. 233-7, 1% or more of the voting rights, must, within five days following registration to his account of the shares that brought his holding to or above such threshold, disclose to the Company, by registered letter with acknowledgment of receipt, addressed to the head office, the total number of shares and voting rights he holds.

Disclosure must be renewed in the conditions described above every time a threshold of a further 1% is exceeded.

In the absence of disclosure in the conditions described above, all shares in excess of the threshold for which disclosure should have been made may lose their voting rights in respect of any shareholder meeting that may be held within a two-year period following the date on which the declaration is finally made, upon request of one or more shareholders holding together 5% or more of the share capital, such request being duly recorded in the minutes of the general meeting.

In these same circumstances, voting rights attached to such shares for which proper declaration has not been made cannot be exercised by the shareholder at fault, nor may he delegate such rights to others.

In accordance with legal regulations applicable, the Company has the right to obtain at any time from the clearing agent the name, or corporate name in the case of a corporate shareholder, the nationality and address of holders of securities carrying immediate or deferred voting rights at its own general meetings, together with the number of securities held by each of them and the restrictions, if any, that may apply to those securities.

* See section 8_2_3 – Powers of the Supervisory Board, paragraph 2) dealing with the appointment or reappointment of a Managing Partner.

# 8_3 MAJOR CONTRACTS

## 8_3_1 Major contracts binding the Group

In the two years immediately preceding publication of this Reference Document, the Company signed the following major contracts (other than those entered into in the normal course of business):

### Sale of assets to Wendel Investissement

Following the acquisition on 20 December 2002 of Vivendi Universal Publishing's European and Latin American publishing assets and the European Commission's decision of 7 January 2004 authorising Lagardère to take over certain editorial assets of Editis, the Lagardère Group put up for sale the assets it had undertaken to resell (hereafter referred to as the "Assets Transferred") as required by the terms of the Commission's decision.

Lagardère therefore reached an agreement with Wendel Investissement on 28 May 2004 concerning the sale of the Assets Transferred.

Actual transfer of ownership of the Assets Transferred to a Wendel Investissement group subsidiary, which at the time of the transaction took the name Editis Holding, took place on 30 September 2004 once all the relevant competition authorities had approved the transaction.

The acquisition price for the Assets Transferred was based on an enterprise value (i.e. net of debts and cash) of €660 million. This price was adjusted according to balance sheet items, and the final outcome of the price adjustment procedure in October 2005 was an increase of approximately €5.194 million in the transfer price.

### Acquisition of Hodder Headline Limited

Hachette Livre signed a draft agreement on 2 August 2004 with WHSmith for the acquisition of Hodder Headline Limited. Once the British competition authorities and WHSmith's shareholders had given their approval, the purchase of Hodder Headline by Hachette Livre was completed on 24 September 2004.

The acquisition price was based on an enterprise value of £210 million (€313 million). This price was adjusted according to balance sheet items, and the final outcome of the price adjustment procedure in February 2005 was an increase of approximately £2.726 million in the transfer price.

### Acquisition of Time Warner Book Group and planned investment in Canal+ Group

The agreements signed for the acquisition in 2006 of Time Warner Book Group by Hachette Livre and Lagardère's investment in Canal+ Group are described in Chapter 9, section 9_1 of this Reference Document.

### 8_3_2 Contracts involving major commitments for the whole Group

Lagardère and/or its subsidiaries have also entered into a certain number of major contracts (other than those entered into in the normal course of business) that confer an obligation or major commitment on the whole Group. The contracts concerned are the financing contracts referred to in Chapter 6, in notes 20 and 26 to the consolidated financial statements for 2005, particularly the following:

- On 22 June 2005, Lagardère SCA signed a syndicated loan contract with a group of 22 French and foreign banks for an initial term of 5 years, for an amount of €2,200 million. This syndicated loan replaces two credit lines set up in June 2001 and July 2003 for €1,350 million and €700 million respectively. The amount used bears interest at variable rates and depends on the occurrence of the Group's needs; at 31 December 2005, drawings totalled €250 million.
- On 21 January 2001, Lagardère SCA signed a financing contract with a group of private US investors for an amount of US$500 million in three tranches, converted into euros. On 24 July 2003, a further tranche of €150 million was subscribed. These loans are similar to bond issues and are classified as such for accounting purposes. They are redeemable over periods of 5 to 10 years, and the original fixed rates were immediately swapped to variable rates.

## 8_4 REAL ESTATE PROPERTY

The total cost of property, plant and equipment (land, buildings, machinery and equipment, assets under construction) is €5,392 million (€1,627 million excluding EADS and €3,765 million for EADS).

#### Lagardère's property, plant and equipment excluding EADS

This includes the cost of land (€153 million) and buildings (€548 million). The book value of land and buildings is €424 million, i.e. less than 5% of the balance sheet total excluding EADS. Lagardère property, plant and equipment mainly comprises a real estate development with book value of €80 million at 31 December 2005, rented under an operating lease to the NMPP group.

#### EADS property, plant and equipment

The cost of these items includes €909 million for land and buildings, while book value is €471 million, i.e. less than 5% of EADS' balance sheet total.

As might be expected from the nature of Lagardère and EADS business activities, real estate property is not significant at Group level.

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# 9

# Recent developments and outlook

# 9_1 RECENT DEVELOPMENTS (SINCE 1 JANUARY 2006)

## 9_1_1 Significant events

### 9_1_1_1 DRAFT AGREEMENT BETWEEN LAGARDÈRE/VIVENDI UNIVERSAL/CANAL+ GROUP

Lagardère, Vivendi Universal and Canal+ Group announced a draft agreement on 17 February 2006. Under the terms of this agreement, Lagardère, which is already a partner of Canal+ Group through CanalSat, is to join Canal+ Group, TF1 and M6 in holding Canal+ France[1], a new company combining all the French pay TV assets of Canal+ Group and TPS.

By becoming the second-largest shareholder of Canal+ France, Lagardère would significantly strengthen its pay TV operations in France.

The new company would be owned:
- 65% by Canal+ Group,
- 20% by Lagardère,
- 9.9% by TF1,
- 5.1% by M6.

Vivendi Universal would have exclusive control of the new company through Canal+ Group.

This draft agreement will be subject to consultation with the labour relations and employee representative committees concerned, and the French television regulatory authority (*Conseil Supérieur de l'Audiovisuel)*. It also requires the approval of the competent anti-trust authorities.

The draft agreement stipulates that:
- Lagardère is to acquire a 20% interest by transferring its 34% shareholding in CanalSat and paying an amount of €525 million[2] in cash.
- Lagardère will also benefit from a call option covering a further 14% of the new company, exercisable three years after completion of the transaction. The exercise price of this option will be equal to market value, with a floor of €1.05 billion corresponding to a valuation of €7.5 billion for 100% of Canal+ France.
- Lagardère will hold rights to veto certain operations (IPO of Canal+ France, external investments in major Canal+ France subsidiaries), and governance rights (two members of the Supervisory Board would be appointed upon Lagardère's proposal). In the event control of Canal+ France is transferred, Lagardère would hold a pre-emptive bid right guaranteeing the power to acquire Canal+ France if Lagardère is the highest bidder.
- Lagardère will also have a liquidity clause (as long as it holds only 20% of Canal+ France) to expire eight years after completion of the operation, allowing it to proceed to a stock exchange listing for Canal+ France. If Lagardère wishes to exercise this option, Vivendi Universal would have a pre-emptive right over the shares held by Lagardère.

(1) Canal+ France would essentially comprise all the following assets: CanalSat, Canal+, Canal+ Distribution, TPS, multiThématiques, MediaOverseas, Sport+ and Kiosque. StudioCanal, Cyfra+, the advertising company, PSG and i>TELE are not part of Canal+ France and would continue to be held by Canal+ Group.
(2) At the time these transactions are completed, €150 million of CanalSat's accumulated undistributed profits are due to be transferred to Lagardère.

#### 9_1_1_2 ACQUISITION OF TIME WARNER BOOK GROUP

On 6 February 2006, Time Warner Inc, Hachette SA, Hachette Livre SA and Hachette Livre UK Limited signed an agreement for a takeover by the Lagardère Group of 100% of the shares of Time Warner Book Group Inc and Time Life Entertainment Group Limited.

Completion of the transaction is subject to the approval of the competent anti-trust authorities.

The acquisition price of US$537.5 million is based on the enterprise value (excluding debts and cash), and will be adjusted according to certain balance sheet items.

Time Warner Book Group is a major trade publisher with many bestselling authors, and also publishes illustrated, religious, children's and audio books.

It is also a major distributor for other publishers such as Disney and Microsoft. Time Warner Book Group also operates in the UK, Australia and New Zealand.

The agreement sets the sale completion date as the last business day of March 2006 at the earliest.

## 9_1_2 Major changes in the Group's financial and commercial position

None.

## 9_1_3 Current trends

#### 9_1_3_1 LAGARDÈRE MEDIA

##### A Book Publishing

For Hachette Livre, the early months of 2006 were in line with forecasts. Sales increased in France, owing mainly to General Literature titles, and new partnerships from 1 January in Distribution with external publishing houses (Payot-Rivages and Tonkam) and Larousse France. Encyclopaedias and Collections also enjoyed considerable growth in Spain and worldwide.

The agreement signed on 6 February 2006 for the acquisition of Time Warner Book significantly expanded Hachette Livre's reach, reinforcing its market position in the English-speaking sphere, and making Hachette Livre the third largest publishing house worldwide. This agreement is subject to the approval of the American anti-trust authorities.

##### B Print Media

Magazine circulations were rather hesitant at the beginning of the year, given the lack of major news events in 2006 compared to the wealth of events of early 2005. For the time being, advertising sales are in a favourable position compared to 2005. Prices for our principal raw material, magazine paper, showed a general increase, especially taking into account the increase in advertising pages. Prices are expected to remain stable in Japan in 2006, whereas in China prices will take advantage of the maturing local paper industry and the resultant lower costs. Hachette Filipacchi Médias (HFM) will continue to give precedence to a policy of long-term contracts, which will help to smooth out the increases.

In January 2006, the Hachette Filipacchi Médias and Burda groups signed an agreement to combine their publishing companies in Poland, subject to the approval of the competition authorities. Closer collaboration between these two companies, which have complementary portfolios of publications, would ensure their joint expansion.

Since the beginning of the year, HFM has been reflecting on the future of the Daily Regional Press in the South of France, with a view to merging Nice Matin, La Provence and Le Midi Libre as part of a partnership with Le Monde.

**C Distribution Services**

Hachette Distribution Services' prospects for growth in 2006 depend once again on how airport traffic levels evolve. Concerning retail sales, in the first few months of 2006, air traffic enjoyed continued growth. This growth could nonetheless be weakened by the consequences of the threat of avian flu on traffic flows. The main trends at the beginning of 2006 also reflected the continued decline in sales of print media and tobacco products, and the shift away from traditional trade channels for video, telephone cards and music, whose outlet sales continued to decline, with a decrease of some -13% compared to 2005. Regarding press distribution activities, two key publishers terminated their distribution contracts, one in Belgium and the other in the United States. Globally over the first two months of the year, consolidated sales rose slightly compared to 2005, at unadjusted exchange rates.

Nonetheless, in the course of 2006 and beyond, Hachette Distribution Services intends to maintain steady growth in its core businesses and at the same time penetrate new markets through internal growth, or acquisitions wherever justified by complementarities with existing activities. In retail activities, efforts are focused on consolidating operations in the Asia/Pacific area following the acquisition of WHSmith stores in Asia, ongoing consolidation of business under the Virgin brand in France, development of specialist sales outlets, particularly outside France, and the adaptation of distribution concepts in travel areas.

**D Lagardere Active**

***D1 Lagardere Active Broadcast***

In the first two months of 2006, advertising airtime sales on both television and radio were up slightly compared to the previous year, in France and worldwide. However, as the weight of the months of January and February in annual sales are generally underestimated, and visibility remains poor, these initial results cannot be taken to indicate any kind of trend for the remainder of 2006.

Lagardere Active continued to implement its development strategy by concentrating the allocation of resources on business lines and countries where it has a real opportunity to reinforce its leadership. As an illustration, in February 2006 Lagardere Active Radio International acquired four radio stations in Russia, to become the leading private radio group in Moscow and Saint-Petersburg. Lagardere Active now has 22 radio stations broadcasting worldwide to some 33 million listeners.

The immediate success of Digital Terrestrial Television, launched in the course of 2005, is an encouraging sign for Lagardere Active's channels. Although several years' operation are required before profitability can be achieved, given its deployment across practically the whole of France, DTT offers Lagardere Active a real opportunity to expand effectively in free television.

***D2 Lagardere Active Broadband***

In the first two months of 2006, Lagardere Active Broadband continued to develop its business activities in the fields of service production and distribution and editorial contents for mobile phones.

- In Germany, where Legion GmbH is the leading supplier of interactive services (vocal and mobile) for the media, particularly for television and radio, business at the start of the year is perceptibly in line with the high level achieved for the same period in 2005.
- In France and the United States, the beginning of 2006 saw continued growth in mobile phone business activities. Lagardere Active North America in the United States, which created the BlingTones label in 2005, and produces contents for major mobile phone operator customers, produced a variation on this label at the beginning of 2006 by launching its first games for mobile phones called BlingGames.

#### 9_1_3_2 EADS

Information on current trends for EADS was published in the EADS press release dated 8 March 2006 (www.eads.net).

## 9_2 OUTLOOK

### 9_2_1 Lagardère Media

In these early months of the year, visibility of Lagardère Media's various business activities is quite limited as in previous years.

However, given that the start of the year has been slightly better than the same period in 2005, a further year of increased recurring operating profit before associates can be expected for Lagardère Media, excluding the impact of investments in Digital Terrestrial Television.

### 9_2_2 EADS

The outlook for EADS was published in the EADS press release dated 8 March 2006 (www.eads.net).

## 9_3 EARNINGS FORECASTS

None.

# 10

# Documents available to the public

# 10 DOCUMENTS AVAILABLE TO THE PUBLIC

## DOCUMENTS AVAILABLE TO THE PUBLIC

The persons responsible for this Reference Document certify that during the validity of this Reference Document the following documents are freely accessible on the Company's website (www.lagardere.com) under Financial Information/Presentations/Corporate and Financial Reports and Annual General Meetings.

- By-laws of the Company.
- Reference documents for the last five years.
- Annual General Meeting Documents for the last three fiscal years, ie:
  - agenda;
  - reports of the Managing Partners;
  - reports of the Supervisory Board;
  - reports of the Statutory Auditors;
  - consolidated financial statements;
  - Parent Company financial statements;
  - draft resolutions;
  - results of votes.
- Interim report for the last fiscal year.

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# 11

# Cross-reference index between the Reference Document and the schedule established by European legislation

# CROSS-REFERENCE INDEX

The index below provides details of disclosure requirements listed in Annex I of EC regulation 809/2004 and the sections of this Reference Document where such information can be found.

## Information


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