Lagardère

Reference Document

Year 2006

Lagardère SCA
A French limited partnership with shares
with share capital of €870,416,509.10
divided into 142,691,231 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

Year 2006

Reference Document

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 3 April 2007 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.

Reference Document Year 2006 Contents

This English language 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.

Chapter 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

We certify, after taking all reasonable measures to this effect, that to the best of our knowledge, the information set out in this Reference Document is accurate and contains 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, 2 April 2007

Arnaud Lagardère

For ARCO:
Arnaud Lagardère - Philippe Camus - Pierre Leroy

1 - 3 Names and addresses of the Auditors

	First appointed	End of current period of office
Auditors		
Ernst & Young et Autres(*) *represented by* Mr. Jean-François Ginies 41, Rue Ybry 92576 Neuilly-sur-Seine Cedex, France	29 June 1987	2011
Mazars & Guérard *represented by* Mr. Jacques Kamienny 61, Rue Henri-Regnault 92075 La Défense Cedex, France	20 June 1996	2008
Alternate Auditors		
Mr. Gilles Puissochet 41, Rue Ybry 92576 Neuilly-sur-Seine Cedex, France	10 May 2005	2011
Mr. Michel Rosse 61, Rue Henri-Regnault 92075 La Défense Cedex, France	20 June 1996	2008

(*) New name of the audit firm Barbier Frinault & Autres.

Chapter 2

Consolidated key figures for 2006

2 - 1 Consolidated key figures

(in millions of euros)	2006			2005		
	Lagardère Media and Other Activities	EADS	Total Lagardère Group	Lagardère Media and Other Activities	EADS	Total Lagardère Group
Net sales	**8,092**	**5,907**	**13,999**	**7,901**	**5,112**	**13,013**
Recurring operating profit before associates	539	39	578	504	392	896
Non-recurring items	(40)	(31)	(71)	(67)	(3)	(70)
Income from associates	68	23	91	63	31	94
Profit before finance costs and tax	567	31	598	500	420	920
Finance costs, net	(174)	(18)	(192)	(53)	(23)	(76)
Income tax (expense) gain	(97)	12	(85)	(16)	(126)	(142)
Profit for the year	**296**	**25**	**321**	**431**	**271**	**702**
Profit attributable to minority interests	*(28)*	*(2)*	*(30)*	*(27)*	*(5)*	*(32)*
Profit attributable to equity holders of the parent	***268***	***23***	***291***	***404***	***266***	***670***

2 - 2 Per share data

(in euros)	2006		2005	
	Basic	Diluted(1)	Basic	Diluted(1)
Consolidated profit attributable to holders of the parent, per share	2.13	2.09	4.88	4.74
Equity attributable to holders of the parent, per share	34.47	34.63	31.45	33.72
Cash flow from operations before change in working capital, per share	9.58	9.42	9.52	9.23
Market price at 31 December	61		65	
Dividend	1,20(2)		1,10	

(1) Including the effect of dilutive stock options exercised by employees..
(2) Dividend to be approved by the General Meeting of Shareholders on 27 April 2007.

This page intentionally left blank.

Chapter 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;
- 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;
- market and credit risks;
- harm 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, Lagardère SCA and its divisions continue mapping their general risks, in order to rank the main risks to which the Group could consider itself exposed by seriousness, possibility of occurrence and degree of controllability.

Note: Since the contribution of Matra Hautes Technologies to Aerospatiale Matra (1999) and the creation of EADS NV (2000), 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 registration document.

3 - 1 Market risks (interest rate, exchange rate, equity and credit risks)

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 authorisation 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

Excluding the Mandatory Exchangeable Bonds which are redeemable in EADS shares (see note 2 to the consolidated financial statements in Chapter 6), bond borrowings remained stable at 35% of total borrowings.

The credit risk is not significant since debt maturing within two years (excluding Mandatory Exchangeable Bonds) amounts to €748 million, while cash and short-term investments total €1,648 million and unused credit line facilities €2,330 million.

3-1-2 Risks arising from early repayment clauses included in certain contracts

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

Lagardère SCA is subject to such covenants in respect of:
- bonds issued in January 2001 for $375 million and July 2003 for $38 million and €116 million;
- structured loans obtained in July 2003 for €70 million and December 2005 for €151 million.

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

At 31 December 2006, none of the above ratio covenants is likely to result in a substantial restriction of the Group's capacity to use its credit lines.

3-1-3 Interest rate risk

The Group does not use active interest rate management techniques in relation to any of its financial assets or liabilities.

Bank loans and bond borrowings (excluding Mandatory Exchangeable Bonds) bear interest at variable rates, either because they were originally issued at variable rates, or because they were converted at the outset from fixed rates to variable rates. The value of derivative hedging instruments corresponding to this conversion is stated in the “Borrowings” table of note 26-3 to the consolidated financial statements (see Chapter 6).

Cash and cash equivalents are invested in non-risk mutual funds, with no derivative instruments.

Cash and cash equivalents total €1,492 million. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group’s €1,473 million variable rate borrowings (excluding Mandatory Exchangeable Bonds and debt related to repurchases of minority interests). The risk of a rise in the cost of borrowings due to an increase in interest rates is offset by the higher income that would be earned on cash and cash equivalents as a result of such an increase.

3-1-4 Exchange rate risk

The Group’s exposure to foreign exchange rate risks on commercial transactions is very limited owing to the nature of its business activities in France and in foreign countries. At 31 December 2006, foreign currency transactions to hedge this exposure only comprise forward currency sales agreements amounting to €4 million, and forward currency purchase agreements amounting to €16 million.

In general, normal operating activities are financed through short-term and variable-rate borrowings denominated in the local currency, in order to avoid exchange rate risks.

For longer term borrowings used to finance assets outside France, the Group occasionally converts borrowings obtained in euros into the local currency, using currency swaps. In 2006, currency swaps were entered into for periods of less than three months, and renewed at the end of each quarter. Their market value at 31 December 2006 is zero.

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

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 2006 *(in €)*	Market value at 31 December 2006 *(in €)*
Lagardère SCA	7,420,165	61.00	452,630,065
EADS	122,223,852	26.10	3,190,042,537
Deutsche Telekom (formerly T-Online)	2,836,835	13.84	39,261,796
Viel et Cie	8,917,677	4.75	42,358,966
Newsweb	2,497,651	24.19	60,418,178

Changes in the value of directly and indirectly-held treasury stock are taken directly to equity.

As a listed company, EADS is subject to stock market changes. However, in view of the consolidation method applied for the EADS group, the value of this investment in Lagardère's consolidated financial statements is not affected by these changes. As a result of the April 2006 issue of Mandatory Exchangeable Bonds (see note 2 to the consolidated financial statements in Chapter 6), the Lagardère Group is guaranteed a price of no less than €32.60 per EADS share, for 50% of its total investment.

The Deutsche Telekom shares were received in exchange for T-Online shares and are included in Short-term investments at the amount of €39 million, or €13.65 per share, their average trading price in December 2006.

The investment in Viel et Cie is included in Other non-current assets at the amount of €42 million, corresponding to their trading price on 31 December 2006.

Newsweb securities were purchased in December 2006. They are recorded at acquisition cost (€64 million), and represent 87% of this company's capital at 31 December 2006. This investment will be fully consolidated from 1 January 2007.

3 - 2 Legal risks

3-2-1 Special regulations applying to the Group

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

In its **book publishing and distribution businesses**, 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 rights and the respect of privacy.

Furthermore, in its **distribution activities**, the Group must comply with certain specific regulations, particularly those applicable to the sale of print media, foodstuffs and tobacco or alcoholic products as well as duty free products (conventions are signed with the Customs authorities where relevant), and regulations governing transport operations. In France for example, press distribution and the legal structure of cooperatives authorised to conduct this business are subject to a specific law. Outside France, prior authorisation may be required to carry out certain distribution activities.

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 on freedom of communication is applicable to the Group's French operations in the field of **audiovisual communication**. Operation of radio and television services by the Group in France requires authorisations, which are issued for specific periods by the French broadcasting authority *(Conseil Supérieur de l'Audiovisuel* – CSA). The resultant obligations are set forth in a convention signed with the CSA, and renewed in compliance with the said law. The legislation in most other countries in which the Audiovisual Division operates is similar to the French law of 30 September 1986, and overseen by a broadcasting authority. These laws generally define the conditions for attribution of radio and TV broadcasting frequencies and radio and TV channel and programme broadcasting (these terms are also included in the licence agreements signed with the relevant broadcasting authority), the antitrust system and the broadcasting authority's powers to verify compliance and apply sanctions.

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 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'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 note 30 to the consolidated financial statements for 2006 (see Chapter 6).

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 established, where considered necessary, to cover any risks that may arise from general or specific disputes. The total amount of provisions for litigation is shown in note 25-2 to the consolidated financial statements for 2006.

To the best of the Group's knowledge, there is no other governmental legal action, litigation or arbitration in existence which has recently had or may in future have a significant negative effect on its financial position or profitability.

3-2-5 Exposure to governmental, economic, budgetary, monetary or political factors or strategies with a potentially significant influence on the Group's operations

The Lancelot Commission was set up by the French government to report and make proposals on the current media concentration situation in France. In January 2006, the Commission proposed a series of measures to simplify existing monomedia and plurimedia arrangements and bring them into line with general concentration law, recommending a more economic approach (real audience figure thresholds, the notion of determinant influence, more systematic consultation of anti-trust authorities, etc).

In its response to the public consultation organised after publication of the Lancelot Commission's report, the Lagardère Group stated that it approved the Commission's objectives of adaptation and simplification of antitrust measures. It added that although reforms are vital in the media's currently highly competitive economic environment, it is important to preserve the fundamental principles of communication law without introducing legally unclear situations into the existing rules, which would create insecurity for operators.

3 - 3 Industrial and environmental risks

The management of industrial and environmental risks 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 also to increase the specific visibility of certain emerging risks and the capacity to cope with 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 exposed to relatively low industrial and environmental risks; only activities primarily related to the warehouses of the Print Media, Book Publishing, Distribution Services and Automobile replacement parts divisions, and the printing facilities of the Regional Daily Newspapers (for a description of these operations, see Chapter 5, section 5-3-4) are potentially exposed, and the risks involved are limited and identified.

Some of the sites concerned are operated subject to authorisation or a declaration to the administrative authorities, but none of the Group's sites is classified SEVESO 1 or SEVESO 2.

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.

3-3-2 Prevention policy

The Group pays particular attention to prevention of industrial risks and protection of the environment, in order to limit the probability of an adverse event occurring (see Chapter 5, section 5-3-4). The sites where environmental risks have been identified apply the relevant 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 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.

In view of the Group's limited exposure to industrial and environmental risks, the costs related to evaluation, prevention and treatment of those risks are included in the investment and expense accounts concerned, as their relative scale is too small to warrant separate reporting. Under this policy, the consolidated financial statements for 2006 incorporate 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 totally eliminated are retained or transferred to the insurance market when such measures are warranted by their relative size, depending on the availability of coverage on reasonable terms. The Group (excluding EADS) has a captive insurance company based in the USA for certain risks of the Distribution Services division in North America. The relevant insurance policies are not substitutes for the insurance described in section 3-4-1 below, 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 high-frequency 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 this company's registration document.

3-4-1 Insurance policies

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

In 2006 and for the year 2007, Lagardère and its divisions were able to renew insurance coverage for their activities throughout the world. The Group optimises budgets in many cases through a coordinated insurance procurement policy.

The Group selects its insurers carefully and regularly reviews their creditworthiness.

3-4-2 Risk coverage

Many insurance policies are taken out at the level of the divisions and their sites. Given the wide diversity of situations, it is not possible to give full details of all ceilings.

3-4-2-1 Insurance for damage/loss and business interruption

Risks insured

Insurance policies cover the risks of fire/explosion, damage caused by lightning, water or high winds, natural catastrophes, and terrorism. When specific national legislation applies to these risks, the cover is subscribed in compliance with the relevant laws in each country concerned.

Limits to coverage

As a general rule, insurance for damage and losses or business interruption is taken out for the amount at risk (value of the assets and cost of business interruption); in some cases, the policies comprise contractual indemnity limits agreed with the insurer. The excesses are appropriate to the capacities of the divisions and their sites.

The highest insurance coverage subscribed in the Group is €400 million for certain facilities of Hachette Livre and €200 million for Daily Regional Newspapers. The other amounts insured are no higher than €100 million. Sub-limits specific to certain risks may also apply within these overall limits (for storms, earthquakes or flooding, for example).

3-4-2-2 Civil liability

Risks insured

For liability arising in connection with operations and products causing third party material damage or bodily harm, insurance cover is subscribed at the level of the division or business line.

Limits to coverage

The maximum severity of exposure to liability claims 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, with an additional €20 million after an excess of €10 million for media activities in Europe.

In the United States, the highest limit is $100 million (excluding self-insurance). Sub-limits specific to certain risks may also apply within these overall limits.

3-4-2-3 Premiums

In 2007, the global budget for the main insurance policies subscribed by the Group is an estimated €16.6 million (excluding collective insurance) distributed as follows:

• Damage/loss, and business interruption: €6.5 million.
• Civil liability: €3.7 million.
• Other (mainly automobile, transport, exhibitions, personal insurance and filming insurance): €6.4 million.

This page intentionally left blank.

Chapter 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
- Postal address:
  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)*, 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 for a term that 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 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 to form a new company called Matra Hachette. At the same time, the Company 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.

Since then, the following changes in the Group's structure have taken place:

- Operations outside the media and communication sector were sold or discontinued, as follows:
  - the Transit Systems business (the VAL light railway and railway machinery) was sold in 1994, and certain assets considered non-strategic (billboard advertising, Grolier Inc) were sold in 1999,
  - auto-making activities were discontinued in 2003 when automobile engineering activities were taken over by Pininfarina,
  - the last of Banque Arjil's businesses were sold in late 2004;
- Major alliances were entered into in the Defence and Space industries. This European alliance strategy was initiated in the early 1990s, with an important development in 1999 when Aerospatiale Matra was formed through the contribution of Matra Hautes Technologies to Aerospatiale. 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 N.V., in which Lagardère SCA indirectly held an interest of approximately 15%. This interest will be progressively reduced to approximately 7.5% over the period June 2007/June 2009, through the sale of three tranches of 2.5% of EADS capital;
- Finally, Lagardère strengthened its media and communication activities, by means of:
  - a total takeover of businesses in these two sectors, with the bid for Europe 1 Communication (audiovisual activities) in 1999, and the share exchange offer for Hachette Filipacchi Médias, followed by an offer to purchase all of the remaining minority interests (Print Media activities) in 2000,
  - several agreements signed since 2000, essentially in the audiovisual sector (in 2000, for the acquisition of a 34% interest in CanalSatellite, then in 2006 for the acquisition of a 20% interest in the pay television operator Canal+ France) and Book Publishing (acquisition in 2002/2004 of Vivendi Universal Publishing's European assets in France and Spain, purchase of Hodder Headline in the UK, and agreement in 2006 for the takeover of Time Warner Book Group. The importance of the Print Media and Distribution Services activities also increased, but through internal growth rather than external acquisitions.

In late 2006, Lagardère announced the combination of its magazine publishing activities and its audiovisual and digital activities into a new entity, Lagardère Active. Through this new division, the Group intends to achieve a position among the leading international content publishers for all media, become a worldwide "brand factory", and accelerate its migration towards digital media.

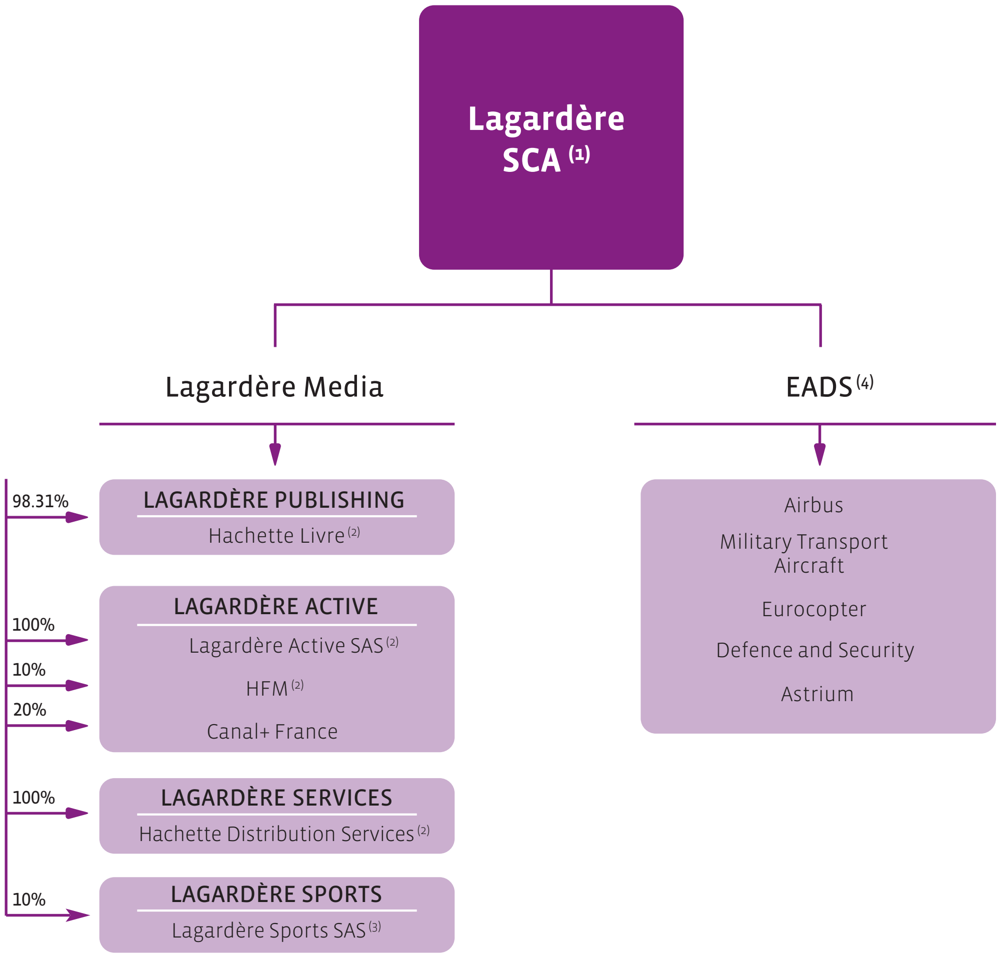
Lagardère also set up a Sports division through the acquisitions of:

- Sportfive on 24 January 2007; Sportfive acts as a partner to sporting bodies and clubs, helping them to extract maximum value from their broadcasting and marketing rights;
- Newsweb, one of France's leading Internet content publishers, and a specialist sports news provider.

4 - 3 Organisation chart

4-3-1 Simplified Group organisation chart

Lagardère's role in respect of its subsidiaries is described in Chapter 7, section 7-4 of this Reference Document, and in Lagardère SCA's corporate financial statements (including notes) as contained in Chapter 6, sections 6-4 and 6-5. Note 6 to Lagardère's consolidated financial statements also includes segment information, by division and by geographical areas.



(1) Organisation at 15 March 2007.

(2) Companies held through Hachette SA, a wholly-owned subsidiary of Lagardère SCA.

(3) This company holds 100% of Sportfive and 98.2% of Newsweb.

(4) Strategic holding of 14.98% at 31 December 2006 (see note 2-2 to the consolidated financial statements in Chapter 6).

4-3-2 Principal subsidiaries – Relations between the parent company and subsidiaries

As indicated in Chapter 7, section 7-4-1 on the Group's general organisation, Lagardère SCA is a holding company which exercises its operational business activities through its subsidiaries.
The principal subsidiaries in the media 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 businesses. Its activities will be merged with those controlled by Lagardère Active SAS to form Lagardère Active;
- **Lagardère Active SAS,** 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, radio and TV advertising airtime and space sales, etc), mainly through its 99%-owned Monaco subsidiary Lagardère Active Broadcast (e.g. Europe 1 Communication) and its 20% interest in the French company Canal+ France;
- **Hachette Distribution Services,** a French company also 100%-controlled by Lagardère SCA and the holding company for Lagardère Services division (Relay outlets, airport shops and Virgin stores);
- **Lagardère Sports SAS,** another 100%-controlled French company, set up as the holding company for the future subsidiaries that will form the new Sports division, including Sportfive.

The principal subsidiaries and affiliates of the Dutch company EADS N.V., which was formed during the restructuring of the European aeronautical industry as described in Chapter 5, section 5-2-2, are:

- **Airbus SAS,** a French company 100%-controlled by EADS N.V.;
- **Eurocopter Holding SA,** a French company 100%-controlled by EADS N.V., the holding company for the helicopter business;
- **Astrium Holding,** a company 100%-controlled by EADS N.V., the holding company for space business activities;
- **MBDA,** a company 37.5% held by EADS N.V.

A detailed list of Group subsidiaries and their locations is included in the notes to Lagardère's consolidated financial statements (Chapter 6, note 33). Details of the positions and appointments held in these subsidiaries by Lagardère SCA management are presented in Chapter 7, sections 7-2-2 and 7-2-3.

The Group's economic organisation (i.e. the distribution of activities by sector) is described in Chapter 5, section 5-1. There is no significant functional dependency between the Group's various entities.

Section 5-2 presents the businesses carried out by the principal Group subsidiaries, and the key financial information concerning these companies is reported in note 6 to the consolidated financial statements.

Finally, the amount and nature of financial transactions between Lagardère SCA and Group subsidiaries are described:

– in section 7-4-2-1 of this Reference Document and in the Statutory Auditors' Report on regulated agreements (see section 6-8) concerning the amounts paid by Group subsidiaries to Lagardère Ressources and the amounts paid by Lagardère Ressources to Lagardère Capital & Management;
– in section 7-4-3-1, C 2 concerning principles governing commitments and cash flows between Lagardère SCA and its subsidiaries.

The Group subsidiaries have no minority shareholders.

4 - 4 Major investments

4-4-1 Investment and innovation policy

4-4-1-1 Purchases of property, plant and equipment and intangible assets

In the field of the media, the innovation policy is not reflected in capital expenditure policies. The internal costs of creating a work, principally in the book publishing, print media, Internet websites and digital terrestrial television sectors, are generally not capitalised.

(in millions of euros)	**2004**	**2005**	**2006**
Lagardère Media	204	161	151
EADS	554	427	428
Other Activities	12	3	5
Total	**770**	**591**	**584**

4-4-1-2 Purchases of investments

(in millions of euros)	**2004**	**2005**	**2006**
Lagardère Media	420	62	1,024
EADS	127	151	509
Other Activities	4	22	75
Total	**551**	**235**	**1,608**

Lagardère Media's main investments in 2006 were:
– acquisition of Time Warner Book Group for €404 million;
– acquisition of shares in Canal+ France for €469 million;
– acquisition of four radio stations in Russia for €43 million.

4-4-2 Major investments in 2004

Book Publishing division – acquisition of Hodder Headline

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 digital terrestrial television licences for six channels on the grounds of the joint control of Lagardère Thématiques.

All the relevant information on these acquisitions is reported in Chapter 5 of this Reference Document and/or in the notes to the consolidated financial statements (which state the acquisition price, expenses, goodwill, and impact on the consolidated financial statements of the operation).

4-4-4 Major investments in 2006

4-4-4-1 Time Warner Book Group

See Chapter 5, section 5-2-1-1 – B 2)

4-4-4-2 Newsweb

See Chapter 5, section 5-2-1-4 – B)

4-4-4-3 Canal+ France

See Chapter 5, section 5-2-1-2 – B 2-6)

4-4-5 Major investments since the beginning of 2007

Sportfive

See Chapter 5, section 5-2-1-4 – A

Chapter 5

Information on the business activities of the Company and the Group

5 - 1 Lagardère SCA – Business activities and strategy

Operating in more than 40 countries, the Lagardère Group is a world leader in the media industry, with Media activities constituting its stable core business. Lagardère is also involved in High Technologies, and has a strategic share in the EADS group.

In 2006, Lagardère set in motion the process of decreasing its share in EADS from 14.98 to 7.5%. Today, the Group is accelerating the pace of its in-depth transformation, firstly by combining its "magazine publishing" and "audiovisual" businesses to create a high-performance business segment producing innovative contents for the digital world, and secondly, by asserting itself as a key player in the world of sports, particularly through the acquisition of Sportfive.

Lagardère therefore presents a radically different profile to the world in 2007: that of a major Media corporation still actively engaged in the news, education, culture and entertainment businesses, but with a contemporary concern for strategy adjustment to keep abreast of technological advances in the audiovisual industry.

Resolutely turned towards the future and attentive to the demands of a newly globalised market, the Group is demonstrating its capacity to reinvent itself in response to changing lifestyles in the digitally mobile age.

2006 ended with a change in Lagardère's strategy concerning the media: to ensure a smooth transition to digital, the Group announced that it was merging its **magazine publishing** and **audiovisual and digital** businesses, previously run separately by **Hachette Filipacchi Médias** (HFM) and **Lagardère Active SAS**, to form a new division called **Lagardère Active**.

The Group has thus embarked upon a process aimed at:
– Steering the "magazine" division back to profitable growth,
– Setting up the foundations of the new Lagardère Active division, whose goal is to become the leading producer of editorial contents, particularly digital contents.

A new six-point strategy was defined following a review of the strengths and weaknesses of the newly created business segment:
1. the instatement of a new management structure and implementation of a new, more marketing and digital-oriented corporate culture,
2. a policy to streamline the portfolio of business activities, including the withdrawal from publication of some magazines, the disposal of certain insufficiently profitable international operations or their replacement by licence agreements, and the sale of the photograph agency business activity and partnerships regarding regional daily newspapers,
3. the determination to enhance profitability with a view to making cost savings in the order of €70 million for a full year by the end of 2009,
4. a policy of stimulating certain traditional activities (magazines, radio, audiovisual),
5. the merger of the two advertising airtime and space brokerage companies, Interdeco and Lagardère Active Publicité, enabling the business segment to present a more complete and more innovative cross-media offer able to adapt to the evolving demand of its buyers; similarly, through the synergies created, the merger of the two entities should improve staying power in the face of the current decline in growth in the magazine publishing sector,
6. the implementation of an ambitious digital strategy, combining organic growth and external growth.

At the end of 2009, digital revenue should represent a 5% to 10% share of Lagardère Active's total revenue, depending on acquisition opportunities (compared to less than 1% in 2006).

The overall cost of restructuring operations, in cumulated data for 2007-2009, will be in the order of €80 million to €100 million.

The new management has set itself the following objectives for 2010:
– to improve the profitability of the business segment,
– to complete the transition to digital in terms of contents and sites (100 sites by 2010 compared to fifty or so today),
– to develop a strong cross-media presence on five to six editorial segments for a global audience (women, celebrities, news, cars and youth, for example).

Concerning its share in Canal+ France (the Canal+ pay television business segment), the agreement signed with Lagardère in 2006 gives it full flexibility concerning the attitude it will adopt between now and 2010 (maintaining the share at 20%, increasing it to 34% or applying the liquidity clause).

Already leader in France for television drama, the Group will adopt a common branding policy, bringing all the companies concerned together under the Lagardère Images brand name, with the aim of becoming the No. 1 producer of entertainment programmes for immediate broadcast.

In the field of **book publishing**[(1)], **Hachette Livre** has decided to position itself exclusively in the "general" sector (education, general literature, illustrated books, youth, practical guides, etc.), to the exclusion of the "professional" market.

Hachette Livre has also given priority to the three major language groups, English, French and Spanish, which together represent 60% of the world market. The largest European Publisher and third-largest worldwide, Hachette Livre is therefore one of the leading players on a market where its most powerful rivals are mainly from the English-speaking world.

The strategic evolution of Hachette Livre is typified by a deployment at international level which, beginning in 1996, first drew on the success of the "part works" business, followed by significant acquisitions, such as the takeover of the assets of Editis (Vivendi group) in 2003, Hodder Headline in Great Britain in 2004, and the Time Warner Book Group in the United States in 2006. This internationalisation strategy has allowed the Group to rebalance its markets by geographic area and by business segment. In parallel to sales growth, Hachette Livre also improved its profitability which, today, is on a par with the best global players.

The key success factors in Hachette Livre's publishing strategy reside in the combination of well-balanced positioning (geographic areas, preferential segments) and its decentralised organisation that leaves a large measure of autonomy to the different entities and "publishing houses" it comprises.

In the near future, Hachette Livre's prospects are based on expansion in certain industrialised countries (particularly the United States, Great Britain and Spain), and in the emerging markets in Asia (China, India) and Latin America (Brazil, Mexico); they are also tied in with Hachette Livre's capacity to offer products adapted to the new trends in consumer products (formats, availability on various distribution channels and media, including electronic). The arrival of digital technology and the Internet represents an opportunity; in terms of education and practical guides, for example, domains in which Hachette Livre has developed a range of interactive educational products and services available through an extranet, providing resources for teachers, and also runs websites specialised in tourist information.

In the **"distribution and services"**[(2)] business, the development strategy of **Hachette Distribution Services**, the world leader in press distribution, is focused on two business lines:
– retail sales, dedicated to services for travellers, and the sale of cultural leisure products,
– press distribution, for both national and international publications, to sales outlets.

(1) The Book Publishing Division, in the Lagardère organisation, is now called "Lagardère Publishing".
(2) The "Distribution Services" division, in the Lagardère organisation, is now called "Lagardère Services".

Regarding services to travellers, the Group is already established in 17 countries, and intends to pursue this growth through new outlets in train stations and airports: in 2006, a large number of new sales outlets (Relais H, Aelia, etc.) were opened in Germany, Spain, and several East European countries.

For the past two years the variations of the Relay brand, with Relay Services and Relay Livres, have offered travellers a range of products including emergency groceries, other products, and convenience services, in addition to the traditional range of reading materials.

In the specialised retail of cultural products, as well as strengthening its presence through a network of franchise stores in the Middle East and Turkey, Virgin is pursuing the development of its digital business by extending the catalogue on its pay-for-download music website Virginmega.fr, backed by a new business in video on demand (VOD) and a pay-for-download classical music site.

Launched in 2006, HDS Digital is an unusual entity offering surfers the possibility of downloading material from over 140 magazine sites through a virtual electronic newsstand.

With a prestigious heritage in **sports**, Lagardère signed an agreement in November 2006 with a view to acquiring Sportfive, the leading manager of European football marketing and television rights. This acquisition is part of a long-term strategy aimed at reinforcing the Group's presence in media contents with high growth potential of an exclusive nature: it is a concrete expression of the dynamic already set in motion in the sports business over the past three years, and will also have the support of the Group's international advertising space brokers. Today, Sportfive operates mainly in football, the most highly developed and most attractive sports market in the world; the company has a portfolio of rights representing over 250 clubs and 50 of the principal European sports federations and leagues, as well as the broadcasting rights for prestigious international events such as the Euro 2008 tournament matches.

Lagardère also signed an agreement concerning the control of the company Newsweb, one of the leading French Internet publishers and content producers with particular specialisation in sports news. Newsweb complements Lagardère in three respects: contents, advertising space brokerage and digital expertise.

In addition to the growth of business in sports, the Group is also implementing an active sports sponsorship policy (see section 5-3-3 below).

EADS

Although its core business is today the media, in April 2006, Lagardère concluded a contract enabling it to reduce its share in EADS by half on terms that allow it to retain all existing prerogatives as controlling shareholder in EADS alongside the French State and DaimlerChrysler (see section 5-2-2).

In the course of 2006, EADS was forced to announce further delays in the A 380 programme, which was accompanied by a sharp decline in share prices. EADS suffered the financial consequences of these delays, in an economic environment marked by increased competition and the continuing deterioration of the US dollar exchange rate.

Against this difficult background, the Management of EADS asserted its determination to take the necessary steps to bring the group back on track, drawing on its advantages and reforming its industrial model.

All orders for the passenger transport version of the A380 have been maintained and customers have reasserted their confidence by placing new orders. It was decided to stop development of the freight transport version of the A380 at the beginning of March 2007, following UPS's cancellation of its order for ten aircraft.

At the end of 2006, EADS decided to launch the A350 XWB programme. This programme is a key element in Airbus' strategic plan to prevent its major competitor from gaining an advantage on the market segment for long-haul medium capacity aircraft.

2006 was also marked for EADS by the acquisition of the 20% share BAE Systems held in Airbus. Airbus is now wholly-owned by EADS.

More generally, EADS embarked on the path of in-depth structural reform, the major lines being set down in the "Power 8" restructuring and industrial rationalisation plan. The first tangible sign of change is the clarification of the group's management structure: Louis Gallois, appointed Co-Chief Executive Officer of EADS on 2 July 2006, will now assume the functions of Chairman of Airbus. Thomas Enders, also Co-Chief Executive Officer of EADS, will lead the other divisions of the group.

The EADS group, with sales of approximately €39.4 billion and almost 117,000 employees as at end 2006, retained its leading positions on the largest, fast-expanding aerospace and defence sectors. EADS has a unique portfolio of modern, diverse products and a considerable order book, skilled employees and advanced technologies.

5 - 2 The Group's principal activities and main markets – Operations in the course of 2006

5-2-1 Lagardère Media

Media

(in millions of euros)	2002	2003	2004	2005	2006
Contribution to consolidated net sales	8,095	7,944	7,501	7,901	8,092
Contribution to consolidated operating income	385	427			
Contribution to consolidated recurring profit before associates			470	503	539
Number of employees	26,949	26,239	30,786	30,863	32,427

Segment information by division is given in note 6-1 of the notes to the consolidated financial statements.

5-2-1-1 Lagardère Publishing[1]

A) *Principal activities and main markets*

Hachette Livre is now the third largest publishing house worldwide and the largest in Europe. The Division is now in a position to equal its major competitors on each of its markets.

In 1st position in France and Great Britain, 2nd position in Spain, and 5th in the United States, since it was founded in 1826 Hachette Livre has always held 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.

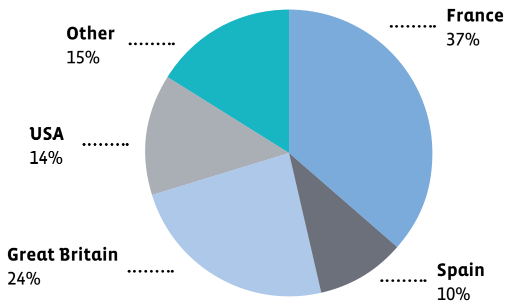
This mission is today accomplished by over 7,000 employees who contribute to the company's growth and long-term presence. (In 2006, there were more than 3,000 employees based in France, over 1,500 in Great Britain, almost 1,170 in Spain and more than 860 in the United States).

(1) The competitive positions of Hachette Livre are defined as follows:
- *They take account of the statistics provided by IPSOS panels for France*
- *For Great Britain, they are based on Nielsen Bookscan and*
- *For Spain, they are compiled from internal sources*

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 division to capitalise on the most buoyant segments and the most dynamic markets.

With this strong balance established, in 2006 the companies in Hachette Livre achieved sales of €1.975 million (base: sales contribution to Lagardère).

By geographic area, Hachette Livre sales were distributed as follows:



(Source: Internal data 2006).

Activities and structure of Hachette Livre

Hachette Livre's business model is present across the book publishing/distribution value chain: with its reputed publishing houses and brand names, Hachette Livre 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 qualified 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 in its success. Hachette Livre's divisions constitute a federation of small and medium sized independent publishing houses, each with its own native corporate culture and specific, not to say unique editorial tone.

Each publishing house is responsible for relations with its own authors. Individual relationships are of extremely high quality, enabling control of the copyright portfolio, supply to the paperback sector and licensing and character merchandising opportunities.

Central management functions allow Hachette Livre to maintain a healthy financial position and make decisions from a global point of view, in terms of balance and portfolio.

All of these assets taken together make Hachette Livre the leading publishing group in France, in the main markets in which it operates, against such prominent competitors as Editis, Gallimard, Flammarion, Albin Michel, La Martinière-Le Seuil and Media Participations.

Outside France, Hachette Livre has succeeded in moving up from 13th to 3rd position worldwide in the space of a few years, in the face of major competitors such as Pearson, MacGrawHill Education, Random House, Scholastic, De Agostini, Reed Elsevier, HarperCollins, Holtzbrinck and Houghton Mifflin.

A-1) Activities in France[1]

The *Literature* business segment of the division comprises prestigious publishing houses, which published 2,016 new titles in 2006: Grasset, Fayard, Stock, Calmann-Lévy, Lattès, Hachette Littératures, Le Livre de Poche, Harlequin. Each has its own predominant lines, but remains in competition with rival publishing groups, as well as with the Group's own publishing houses. In 2006, the Division was in second position 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, and also number one for travel guides with Hachette Tourisme and Le Routard, Hachette Illustré is also active 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 children's works, including characters such as Babar, Noddy, and Titeuf (in book form).

Hachette Livre is the leading publisher[2] of *textbooks* in France through two separate entities, Hachette Education and the Alexandre Hatier group. These entities comprise reputed publishers such as Hatier, Didier and Foucher 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 famous 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 over 55% of its sales outside France. It has become particularly well established in Latin America.

Part-works are published by the *Encyclopaedias* and *Collections* business segment, which has greatly expanded internationally, in Europe and Asia, and more particularly in Spain through the subsidiary Salvat Editores, in Great Britain, Japan, Poland and Italy (with Hachette Fascicoli). Its 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 division's *Academic* and *Professional* business segment, following the disposal of Dalloz to the ELS group in the middle of 2006, comprises Dunod and Armand Colin. Leaders on the French market, these publishing houses are carefully preparing for the digitisation of contents in the sector.

Distribution, 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 246 million copies per annum. Hachette Livre Distribution, the leading distributor in France, is also present in Belgium, Switzerland and French-speaking Canada.

A-2) Activities outside France[3]

In the **United Kingdom**, Hachette Livre is the leading publisher, with five publishing houses: Octopus Publishing, on the market for illustrated books, Orion Publishing for general literature, Hodder Headline, present in textbooks and general literature for children and adults, Chambers Harrap's in the dictionaries sector and, since 2006, Little Brown Book Group in the literature sector.

These publishing houses and their different brand names have also enabled Hachette Livre to build up a presence in Australia and New Zealand, where the division is in a leading position.

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

In **Spain**, Hachette Livre is the second largest publishing house in the country, and the leading publisher of textbooks through Anaya and Bruño. 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

(1) The competitive positions of Hachette Livre take account of the statistics provided by the IPSOS panels to which the Division subscribes.
(2) Internal estimates.
(3) Source: Internal data, based on Nielsen Bookscan in Great Britain, and internal sources in Spain.

with operations in Spain and Latin America, provides Hachette Livre with significant business in Part-works and a position as the second largest Spanish publisher of Reference works.

Worldwide, Hachette Livre is represented in more than 70 countries across all of its business lines.

With the acquisition of the Time Warner Book Group in the USA (now Hachette Book Group, see section B-2 below) in February 2006, Hachette Livre attained balanced positioning in the three key linguistic groups of French, English and Spanish.

B) *Operations in the course of 2006*

Contribution to consolidated sales 2006: €1,975 million

Distribution of sales by activity – France

	2006
Education	24.9%
General literature	19.4%
Illustrated books	16.9%
Academic and Professional	4.9%
Other	33.9%
Total sales	**100%**

Distribution of sales by geographic area

	2006
France	36.8%
Great Britain	23.8%
United States	13.9%
Spain	10.2%
Other	15.3%
Total sales	**100%**

2006 was a year of organic growth in publishing and distribution, across Hachette Livre's three principal geographic operating centres: France, the United Kingdom and Spain. The year also brought the division's geographic expansion to America with the acquisition of the Time Warner Book Group.

With sales of €1,975 million, Hachette Livre is represented in more than 70 countries, and generates approximately 63% of its sales outside France.

B-1) France

In *Literature*, following an exceptional year in 2005, with Grasset, Stock and Fayard winning literary prizes and the success of Dan Brown's bestsellers for Lattès, 2006 was marked by continuing brisk business levels, sustained by the ongoing success of Dan Brown's bestsellers published by Lattès, and by best-selling titles at Fayard and Grasset such as *"La Touche Etoile"* by Benoîte Groult. Grasset won the Prix Médicis for *"Une promesse"* by S.Chalendon, the Prix Interallié for *"Marilyn, dernières séances"* by M.Schneider and the Fémina Essai Prize for *"Qui dit Je en nous"* by C. Arnaud. The year also saw a return to growth for the Livre de Poche.

In *Education*, the two entities increased their market share in a textbook market that was expanding for the primary school sector but more especially the high school sector, boosted by State provision of free text books in the Greater Paris Area. Hachette Education performed well, particularly in middle and high schools, but also on the market for encyclopaedias, while Alexandre Hatier had a record year, with sharp growth in primary schools and high schools for Hatier, and in middle schools for Didier. The Children's sector continued to expand, with new collections at Rageot and resounding successes at Didier Jeunesse with new CDs and Albums.

On the market for Illustrated Books for the general public, *Hachette Illustré* maintained a stable level of business, despite a significant decline in business at Disney Jeunesse related to the absence of a major Christmas film and increased competition in the declining tourism market. The editorial strategy demonstrated its relevance in the practical sectors, with further successes for Hachette Pratique and Marabout and in Children's works, which benefited from the impact of commercial operations celebrating the 150th anniversary of the French children's books Bibliothèque Rose. New series and the development of "Fantasy" works in hard cover format were also highly successful.

In *Reference works* (Encyclopaedias) and *Dictionaries*, 2006 was a transition period with a sharp fall in business at Larousse. Corrective measures were defined at both organisational and editorial levels.

In the *Academic and Professional* sector, in 2006 the disposal of Dalloz to Editions Lefebvre Sarrut was completed, Armand Colin continued its expansion in the book market through an attractive editorial programme, and Dunod had a mixed year in a declining academic market.

In *Distribution*, 2006 was marked by the successful integration of new publishers, at Group level, with Larousse, and outside the Group with Payot-Rivages and Tonkam, and preparations for the integration of the academic business segment from 1 January 2007.

B-2) Outside France

In **the United Kingdom**, for *Literature*, 2006 was a year of strong growth for Hodder Headline on the General Literature market, and in the Children's sector, following the successful merger with Watts. Orion and Little Brown Book Group (acquired as part of the takeover of Time Warner Book Group, see below) also gave fine performances.

In *Education*, Hodder Headline strengthened its position through the acquisition of Philip Allan, in spite of the disposal of its periodicals business.

On the market for *Illustrated Books*, 2006 was a year of reorganisation at Octopus to withstand the decline in the market for greeting cards and co-editions in foreign languages.

In March 2006, the acquisition of British textbook publisher Philip Allan Updates for £14 million allowed Hodder Headline to strengthen its positions in the Education market.

Business in **Australia** enjoyed strong expansion in 2006, with Watts and Octopus included in distribution, and a large number of bestsellers.

In **Spain**, Anaya gave an excellent performance in *Education*, with the market for textbooks growing, particularly due to the extension of free text,books in the region of Andalusia.
The distribution and support services of Brunõ were transferred to Anaya in the course of the year.

In the **United States**, in February 2006, Hachette Livre acquired the Time Warner Book Group, which publishes general literature, with a number of best-selling authors such as Nelson DeMille, Nicholas Sparks, James Patterson, David Baldacci and Malcolm Gladwell; it also publishes illustrated books, religious works, children's literature and audio books. In addition, it is a major distributor for third-party publishers, including Disney and Microsoft.

The newly acquired publishing houses Warner Books, Little Brown Books, Hachette Audio, Faithwords, Springboard Press and Center Street have since 1 April formed Hachette Book Group USA; Little Brown Book Group UK joined the British Division of Hachette Livre.

For its first year as part of Hachette Livre, Hachette Book Group USA exceeded its objectives and placed more than 70 titles on the bestseller lists, with good performances from flagship authors such as James Patterson, Nicolas Sparks, David Baldacci and Michael Connelly. Hachette Book Group was also active in the United Kingdom, Australia and New Zealand, and this acquisition allowed Hachette Livre to attain a leading position in these three countries.

On the markets for *Part-works*, 2006 was once again a record year with successful development in the German, Spanish, Japanese and Latin American markets, adding to the performance of the "backlists" in the company's traditional geographic operations. The strategy of repeating the major European successes on new emerging markets is bearing fruit.

B-3) Disposals of assets

As announced at the end of 2005, Hachette Livre disposed of Editions Dalloz to Editions Lefebvre Sarrut (ELS) at 31 May 2006 for a total of €145 million, after completing the operations necessary for the company to attain operating autonomy. Dalloz was deconsolidated at 1 January 2006.

Hodder Headline disposed of its Journals business in the field of professional periodicals in May 2006.

Hachette Livre sold RCS its 50% share in Rizzoli Larousse, a joint venture with RCS.

Le Livre de Paris disposed of its door-to-door sales operation and Hazan disposed of its greeting cards business.

B-4) Outlook

Following the operations of 2006, enabling Hachette Livre to achieve its position as the third largest book publisher worldwide, the strategy announced over the past few years remains in force:

- To reap the benefits of synergies made possible by the recent acquisitions, its new size and its diversity, particularly by coordinating international resources to take advantage of hitherto inaccessible opportunities, with priority given to English and Spanish.
- To develop operations within the language areas where Hachette Livre is already active.
- To expand the Group's reach to new geographic frontiers in growth markets.
- To implement an aggressive strategy in the digital market.

These directions for growth will allow Hachette Livre to continue its ascension in the global publishing landscape and confirm its positions on all the markets and languages in which it operates.

5-2-1-2 Lagardère Active

On 13 September 2006, Lagardère announced the creation of a new entity, bringing together the businesses of magazine publishing on one hand, and audiovisual production and distribution, and digital media, on the other hand; this business segment, under the responsibility of Didier Quillot, is named Lagardère Active.

Lagardère Active's ambition is to become a leading player in content production - especially digital - and content aggregation in all the markets where the Group operates. Combining existing talents, resources, contents and brands will enable the company to create a large portfolio of assets, including on an international level. An ambitious digital strategy will be implemented, comprising a mixture of internal growth making use of the large portfolio of contents produced by the Group, and external growth as opportunities arise.

In addition, the merger of the advertising sales businesses of Interdeco and Lagardère Active Publicité, specialising respectively in audiovisual and press businesses, will create the second-largest advertising sales network in France in terms of advertising revenue, and enable the new entity to meet the changing requirements of advertisers, media and advertising consultants by building an enriched cross-media offering and innovative media solutions.

Cost synergies will also be achieved through the merger of the businesses of Hachette Filipacchi Médias and Lagardère Active SAS. These savings should be a contributing factor in improving the profitability of the new entity.

A) *Principal activities and main markets*

A-1) Print Media – Hachette Filipacchi Médias

The Print Media division of Lagardère Active (Hachette Filipacchi Médias (HFM)) publishes magazines for the general public in France and internationally, in Current affairs, Automobile, Interior decor, 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 (almost 260 titles published) and international operations (present in 41 countries) representing over a billion copies and more than 130,000 pages of advertising.

Interdeco, the French leader in sales of press advertising space, 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 third position in Italy(3) and Russia(4), fifth in the United States (where it is the leading foreign magazine publisher)(5), sixth in Great Britain and is leading foreign magazine publisher in Japan(6) and China(7).

The Magazine business comprises Magazine Publishing in France, Supplements (including *"Version Femina"*, the most widely distributed women's magazine in Europe – 3.7 million copies are distributed by 38 daily newspapers all over France) and International Magazine Publishing. This activity represents 87% of total sales (of which 64% are generated outside France) and 77% of the workforce of the Print Media business segment.

HFM also has a Regional Daily Newspapers division comprising the Nice Matin, Corse Presse and La Provence groups. Partnerships are currently under consideration concerning this Division.

In addition to publishing, HFM has developed complementary activities such as Licensing, which handles variations of the *"Elle"* brand name, particularly in fashion, through licence holders all over the world.

HFM has reviewed its strategy of diversification and decided to focus on magazine publishing. As the Photo business segment (with Photo Agencies comprising several prestigious names such as Gamma, Rapho, and Hoa Qui in the fields of Current affairs/Reportage, Celebrities, Celebrity portraits and Illustrations) had ceased to be a strategic business, a disposal agreement was signed in January 2007.

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 a 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 distribution and TNS-MI for advertising.
(2) Source: Total sales published by INFO ADEX. Total number of copies sold (OJD); Total number of readers (EGM).
(3) Source: Accounts officially published by the publishers (total sales).
(4) Source: Sales, distribution at retail price (distributors).
(5) Sources: Ad Age Top Consumer Magazine Company (total sales); TNS Media Intelligence Report (advertising sales).
(6) Source: Tax Office, Tokyo.
(7) Classification of foreign publishers entitled to "copyright cooperation" with direct control.

HFM's market shares as a publisher of magazines were:

	Distribution market share(*) (%)	Advertising market share (%)
France	23.3 (Top 6: 63.8)	22.5 (Top 6: 67.5)
United States	2.9 (Top 5: 35.3)	6.0 (Top 5: 54.2)
Spain	20.5 (Top 5: 61.5)	16.2 (Top 4: 42.8)
Italy	7.4 (Top 5: 78.0)	13.2 (Top 5: 74.2)

(*) Distribution = total number of copies distributed over the year/ Advertising = in value
Sources: Interdeco Expert, IGA, PMI.

38% of HFM's sales come from the sale of magazines and daily newspapers (a quarter of which are sold by subscription), 58% from the sale of advertising pages and 4% from other activities and discount merchandise add-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, with an apparent stability resulting from continuous renewal of the magazine titles on sale. HFM also launched and withdrew a number of 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. In Russia, through its subsidiary IMG, HFM is the leader on the market for TV Guides (14 million readers).

As regards the magazine advertising market, 2006 ended with significant growth in media investments, in contrast to 2005, which was a mediocre year for many markets.

The return to a certain degree of economic dynamism encouraged buyer expenditure. However, exceptional expansion in the Internet sector was the driving force behind media investments: more than half of global advertising revenue growth was achieved on the single medium of the Internet.

Most of the world's major mature markets experienced an essentially good year in terms of advertising revenue and considerable annual growth, generally well in excess of 2005. Nonetheless, upward trends in magazine publishing were weaker than for all media taken together.

Regarding China and Russia, emerging countries in terms of media, results were much stronger, registering respective annual growth rates of 19% (25% for magazines alone) and 27% (18% for magazines alone), although it should be remembered that these figures benefited from the positive effect of high inflation, as well as the appreciation in value of the ruble against the dollar.

	Total advertising investments		Consumer Magazines	
	2006/2005 Growth	2005/2004 Growth	2006/2005 Growth	2005/2004 Growth
France	3.8%	2.2%	– 0.8%	– 1.2%
Italy	3.3%	2.9%	2.9%	4.5%
Spain	6.2%	8.2%	0.5%	– 0.2%
UK	2.2%	4.0%	– 1.0%	0.7%
Japan	2.2%	2.0%	– 0.8%	– 0.6%
United States	5.6%	3.1%	2.4%	4.9%
W7	3.8%	2.5%	1.0%	1.6%
China	18.6%	19.9%	25.0%	22.1%
Russia	26.7%	31.3%	18.0%	23.5%

For the first time, in 2006 in the USA, the Internet passed the symbolic mark of 10% of total net advertising investments (the United Kingdom and Japan are expected to follow suit in 2007).

Market shares of Consumer Magazines and the Internet of total advertising investments

	Consumer Magazines		Internet	
	2005	2006	2005	2006
France	14.3%	13.7%	3.5%	4.8%
United States	8.6%	8.3%	9.1%	10.9%
Italy	12.8%	12.8%	1.3%	1.7%
Spain	8.1%	7.7%	1.7%	2.3%
UK	11.5%	11.2%	6.5%	8.9%
Japan	8.9%	8.7%	6.4%	8.1%
China	3.3%	3.4%	3.3%	4.8%
Russia	13.1%	12.2%	1.3%	2.0%

Against a background of a flat market in magazine publishing and the steep rise in advertising investment on the Web, in 2006 HFM re-directed its strategy towards a cross-media approach (print media and the Internet), which will be actively pursued in 2007.

A-2) Lagardère Active SAS

Today, Lagardère Active SAS 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 shareholding in the Canal+ France Group (see below, section B-2-6).

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

- In Radio broadcasting in France, Lagardère Active Broadcast strengthened the positioning of each of its three networks and currently proposes a commercial offer that is powerful and consistent across the board of target advertising buyers.
  Outside France, Lagardère Active Radio International (LARI) has withdrawn from countries where it was making losses or had not attained critical size. Today, LARI is focusing on the countries in which it holds a leading position and where the growth prospects 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, Lagardère Thématiques focused on the domains in which it is leader: children's channels 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 was acquired in 2001 and merged with Muzzik, MCM Belgium launched in 2002, MCM Top and MCM Pop in 2003). Lagardère Active SAS also used its expertise in these fields to expand its operations in the new broadcasting media, in particular digital terrestrial television (DTT), with the launches of the freeview channels Gulli and Europe 2 TV in 2005, and the broadcasting of Canal J as a pay channel since November of the same year.
- Lagardère Images has always had a key presence in the production of prime-time drama. While reinforcing this historic business line, and adapting it to 52-minute formats, 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.
- Over the past few years, Lagardère 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 area of new media, when the Internet bubble burst, Lagardère Active Broadband refocused on mobile phone services, in France and Germany, then, from mid-2004, in the United States: these services were combined under Cellfish Media in 2006. In order to meet the funding requirements the development of these activities demands, a share in the capital of Cellfish Media was opened to North American investors in September 2006. Since that date, taking account of Lagardère Active SAS's lower investment in the activities of Cellfish Media, this company has now been accounted for under the equity method.

A-2-1) A very broad radio offer both in France and abroad

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

- *Europe 1* is a non-specialist radio station, remaining faithful to its values of liberty, rigour and innovation. It broadcasts dynamic news and discussion programmes. As 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 4.5 million listeners aged 13 and over[1].
- *Europe 2 "Nothing but rock, nothing but pop"* is the motto of this 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 schedule that provides a real alternative to "ready-made commercial music".

(1) Source: Médiamétrie Survey 126,000 radio 13+ age group, Nov-Dec 2006.

- *RFM,* whose motto is *"The best of the music from the 80s till today"*, is a music station aimed at the contemporary adult. The format was chosen after in-depth studies and research into music programming, while maintaining a specific identity with Jean-Luc Reichmann's morning programme and Bruno Robles in the afternoon.

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

At the end of 2005, Lagardère Active Broadcast held 556 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 (FM+ plan). As at 31 December 2006, around forty additional broadcasting permits had already been granted by the CSA, for a scheduled start-up in 2007.

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.

Outside France, Lagardère Active Radio International (LARI) makes full use of the radio broadcasting skills of Lagardère Active SAS in seven countries (Eastern Europe, Germany and South Africa). Its 20 radio stations, musical for the most part, attract 27 million listeners each day. These activities, which enjoy strong, steady growth in terms of both sales and profitability, constitute a growth engine for the Audiovisual business segment.

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 almost 7 million daily listeners, is the third largest private radio station in the country in terms of audience[(1)]. The Russian advertising market, expected to more than double in volume between 2005 and 2008[(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 over 8 million listeners each day[(3)].

Lastly, Lagardère Active SAS 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-2-2) Leadership positions in television

Lagardère Active SAS broadcasts ten special interest channels in two fields:

- Music, with an outstanding musical offering through six channels, including one Digital Terrestrial Television (DTT) channel:
  - 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 Belgium, the leading Belgian music channel,
  - Europe 2 TV on DTT, broadcast free, launched in October 2005,
- Children and teenagers, 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.

With this offer, Lagardère Active SAS occupies the leading position in France for music and children's channels[(4)]. More specifically, one year after its launch, Gulli is the leading DTT channel for children over four whose households are equipped with a DTT adapter, with a 4.1% share of audience. Including the terrestrial channels, it is in 5th position, ahead of France 5, Canal+ and Arte[(5)].

(1) Source: TNS Gallup Media.
(2) Source: Zenith Optimedia Survey June 2006.
(3) Source: SMG / KRC.
(4) Source: MédiaCabSat Survey December 2005 – June 2006.
(5) Source: Médiamétrie Survey September–October 2006.

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, teenagers and young adults.

Lagardère Active SAS therefore intends to seize every opportunity, particularly in terms of technology, to reinforce its leadership positions in France on the themes of youth and music. The company is also involved in the development of DTT, with the broadcasting of its free channels Gulli and Europe 2 TV, and the pay channel Canal J.

In the film and TV production and distribution business, Lagardère Active SAS supplies all the terrestrial channels with programme archives (drama, documentaries, animation) and programmes for immediate broadcast (features, light entertainment, prime-time access), through its subsidiary Europe Audiovisuel. In 2006, Lagardère Active SAS 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. Lagardère Active SAS's reputation as a producer, 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), and their capacity to adapt to changes in demand (for example, *David Nolande*, a 52-minute programme format broadcast by France 2) ensure long-term partnerships with the major broadcasters.

A-2-3) A powerful advertising offer on multiple media

In France, Lagardère 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 commercial audience share of 33.6% in the 13 plus age group[(3)]: Europe 1, Europe 2, RFM, Les Indépendants (a network of 12 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 Lagardère Active SAS, the channels of the AB group, including RTL9, representing a total of around twenty special interest channels.
- Advertising sales on the Internet: Club Internet, SeLoger.com, Le Guide du Routard, etc.
- Lastly, Lagardère Active Publicité made an entrance into advertising airtime sales on the terrestrial channels, under a marketing contract signed with Arte in 2005.

A-2-4) A major player for the content and production of mobile phone services

Lagardère 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, Lagardère 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, Lagardère 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: Écran Total.
(2) Source: Écran Total.
(3) Source: Médiamétrie Survey 126,000 radio 13+ age group, Nov–Dec 2006.

B) *Operations in the course of 2006*

B-1) Print Media – Hachette Filipacchi Médias

Contribution to consolidated sales 2006: €1,896 million

Distribution of sales by activity

	2006
Magazine publishing France + Advertising	28.7%
Magazine publishing outside France	55.6%
Regional daily newspapers	11.7%
Supplements for regional daily newspapers	3.0%
Other activities	1.0%
Total sales	**100%**

Distribution of sales by geographic area

	2006
France	44.4%
USA	18.4%
Asia Pacific	7.3%
Italy	7.5%
Spain and Portugal	6.8%
Russia	6.4%
Other countries	9.2%
Total sales	**100%**

2006 was a year of transition, marked by stability and, in some countries, a reduction in Magazines, and a rise in the Internet media.

The Print Media business segment instigated action to recover profitability in the short term, and to prepare the way for inevitable transformation in a sphere where digital technology is becoming a necessity:
- streamlining of the portfolio of magazine titles (withdrawal of more than 20 titles since mid-2005),
- rationalisation of its geographic presence: acquisition, in July 2006, of "Quote Media" (historic partner for the Dutch JV): HFM therefore became the fourth largest magazine publisher in the Netherlands; combination of activities in Poland with Burda (creation of a company owned 49% by HFM, and 51% by Burda),
- partnership in non-strategic activities: discussions are currently being finalised regarding Regional Daily Newspapers, and disposal of the Photo Agencies was finalised in January 2007,
- acceleration of the development of the Internet media (redesign of Elle websites, creation of new portals, acquisition of a Web agency in France – Thotnet – designer of the website Infobébés.com). This transformation will be intensified in 2007 as part of the more global strategy defined by Lagardère Active.

Advertising sales in the Print Media business segment remained stable thanks to strong growth in the emerging countries (mainly Russia), which offset the effect of the restructuring of the magazine title portfolios, which has been under way for 18 months, and the sluggishness of magazine advertising markets in the mature countries (where the second half of the year was better than expected). The market trends diverge on the different segments: a considerable decline in men's magazines and hobby magazines; stable figures and in some cases an increase in the women's magazines and celebrity segments.

Newsstand sales followed the same trends, but with a stronger downward movement in certain countries (France for men's magazines, the USA, Italy, Japan, etc.); rates of growth in the emerging countries remained strong.

B-1-1) *Magazine publishing in France*

In terms of circulations, compared to 2005, a sharp decline in newsstand sales was observed (in the order of –10%), related to:

- the downturn in the market for Men's magazines: a 40% fall in sales of *"Choc"* and 25% for *"Entrevue"*, and withdrawal of *"Maximal"* in July following these difficulties;
- news magazines were less buoyant than in 2005 against increased competition in the market for Celebrities and News Pictures; *"Paris Match"* ended the year down 9.5%, *"France Dimanche"* down 8%, *"Ici Paris"* down 10.3%; in these difficult circumstances, *"Public"* continued to progress (up 5%) and strengthened its success with young readers;
- the downward trend in the Television Press; newsstand sales were down 7%, *"Télé 7 Jours"* nonetheless increased its leadership in large TV magazines, by means of a change in format and editorial management.
- Women's magazines remained buoyant and the Group's magazine titles recorded good performances, particularly *"Parents"* (up 6.5%) and *"Elle"* (up 5%, including the impact of the 60 year special edition at the end of 2005).

In Advertising, the market remained stable or even declined (-0.8% compared to 2005); HFM experienced a drop in sales, mainly related to decisions to withdraw titles. The situations were nonetheless divergent depending on the segment:

- good performances of the major weekly magazines such as *"Elle"* (+3,5%) and *"Paris Match"* (+3.6%), but especially *"JDD"* (16%), which had the advantage of a leadership bonus;
- excellent growth for *"Public"*, whose good circulation performances are beginning to bear fruit in terms of advertising revenue (+43%) ;
- a considerable increase for *"Psychologies Magazine"* (+13.4%) and the monthly Interior Decor magazines such as *"Elle Décoration"* (+13.2%);
- a contrasting significant fall in advertising revenue for *"Entrevue"* (-29%), related to the downturn observed on the Men's magazine market;
- difficulties for the monthlies and hobby magazines, which are in competition with the rise of other media such as the Internet (*"Pariscope", "Première"* decreased).

B-1-2) *Magazine publishing abroad*

Business in Print Media was marked, in several countries, by the rising 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, 2006 was marked by the withdrawal of titles (*"For Me", "Elle Girl"*), and by a decline in advertising revenue (for *"Car books", "Première"*, etc.) and in circulation (particularly *"Woman's Day"*). The American subsidiary of HFM is penalised today by the reduction in its size relative to its major competitors, who have grown considerably through successive acquisitions and through in-depth re-structuring of the news media, where the Internet now plays a significant role, assisted by the generalisation of access to high-speed connections. HFM is thus stepping up the development of its Internet activities, particularly in the women's magazine segment (with the *"Elle"* website) and in the automobile segment (*"Car&Driver"*). These developments should pave the way for a global solution to be offered to the various advertising buyers in the future.

In Italy, the restructuring of Hachette Rusconi significantly improved results, and advertising revenues showed increases (excluding discontinued titles), particularly for *"Elle", "Elle Décor"* and *"Marie Claire"*. On the other hand, circulation sales were once more down on the previous year, particularly for the weekly magazine *"Gente"*, which was adversely affected by competition.

Performance levels in Spain were down, both in terms of sales and profits. Note that these results include the positive impact of the withdrawals of *"Xtreme Tuning"* and *"Maxim"*, an increase in advertising sales (particularly for women's magazines), major DVD pairing operations for *"Diez Minutos"* and an increased margin for *"Psychologies Magazine"* (2nd year of launch). Circulations, on the other hand, declined, mainly for Men's magazines, television magazines and interior decor; the legal prohibition on TV competitions weighed heavily on the margin from Telephone Publishing.

In Japan, the context was still tense regarding circulation (-5%, on a like-for-like basis, for HFM's titles); however, the advertising market remained stable in 2006. Hachette Fujingaho maintained its results through rationalisation operations (discontinuation of *"30 Ans"* and *"Gentry"* in February, continued control over costs and restructuring of the sales and management organisation).

In the United Kingdom, the situation remained difficult in the teenage magazine press: the titles *"B"* and *"Elle Girl"* were discontinued and *"Sugar"* was adversely affected by an escalation of free add-ons. Following this rationalisation of the portfolio, the subsidiary undertook an in-depth restructuring plan. The women's magazines *"Elle"* and *"Red"* continued to stand their ground against new launches in the sector.

The strong economic growth in Russia and China continued to benefit HFM's subsidiaries, two countries where the Group is continuing to expand, 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 in China in July 2006. Investments in promotional operations and editorial contents were also required to support the leading products in these countries, to accompany the strong growth in advertising. The reinforcing of support structures and activities (Finance, Distribution and Control), launched in 2005, continued in 2006.

B-1-3) *Daily newspapers and Supplements*

For the regional Dailies, 2006 was a year of transition, with, in particular:

- the examination of the possibility of a merger with the regional daily newspaper activity of the Le Monde group;
- the modernisation of the newspapers, with the launches, in April, of *"Nice Matin"* and *"Var Matin"* in tabloid format and, in June, the launch of *"Corse Matin"* in the Berliner format (printed on the new Corsican printing press) as well as the completion of the site for replacement of the rotary presses in Marseilles (the 1st printing of *"La Provence"* in the Berliner format took place on January 10, 2007);
- a tense situation in circulation: an average decrease of 3.3% compared to 2005; however, the development of home delivery services and the rise in sale price of *"La Provence"* partially offset the fall in newsstand sales;
- a slowdown in advertising: this trend was more marked on the Riviera than in Marseilles;
- a strike by Corsican newspaper carriers, in April and May, which had a seriously adverse effect on the results of Corse Presse.

As far as weekly supplements are concerned, 2006 was a year of growth. *"Version Femina"* saw a recovery in advertising revenue (+6.5% in volume) and in circulation sales, thanks to an adjustment of the rates invoiced to the Regional Dailies.

"TV hebdo", which has been able to evolve in a profoundly changing market, with competition from bi-monthlies, by introducing a new formula in June, also had a very good year in terms of advertising: in a slow-growing market, the title increased 11.6% in advertising pages sold and reached its highest-ever level.

B-1-4) *Other activities*

Licensing revenues continued to grow, particularly thanks to a dynamic market in Asia, despite difficulties in Europe.

The Photo Agencies business segment experienced a decline in sales compared to 2005, which had been a good year in terms of news items, but operating profits were slightly up, due to restructuring operations. Following strategic refocusing, a disposal agreement was finalised in January 2007.

B-1-5) *Outlook*

The situation is morose for both advertising and circulation and so streamlining of the portfolio of activities will be intensified in 2007 with, particularly:
- examination of the discontinuation of magazines that generally present a combination of negative sales growth and operating losses;
- the possible disposal of certain operations abroad that are too small and generate insufficient profits.

Meanwhile, the segments with the highest potential will benefit from a revitalisation policy, and the pace of the transition to digital media will be stepped up.

B - 2) Lagardère Active SAS

Contribution to consolidated sales 2006: €593 million

Distribution of sales by activity

	2006
Television	39%
Radio	49%
New Media	12%
Total sales	**100%**

Distribution of sales by geographic area(*)

	2006
France	74%
Outside France	26%
Total sales	**100%**

(*) The way in which Cellfish Media was consolidated changed at 1 October 2006, see below.

With a diversified portfolio of activities, in 2006 Lagardère Active SAS made the most of the opportunities afforded by each of its markets in France and in the rest of the world. The Audiovisual segment therefore achieved a satisfactory level of performance in all its business activities, through a combination of a capacity to innovate, mastery of key skills in its various business lines, commercial strength and rigorous management.

B-2-1) *Radio*

One year after Jean-Pierre Elkabbach's arrival at the head of Europe 1 and the reworking of the programme grid, the programmes remain focused around current affairs, news and discussions. Podcast and blog initiatives continued in 2006 in order to make Europe 1 a radio of its time.

Europe 2 caused a sensation in September 2006, with the arrival of Nagui and Manu as presenters of a new morning slot (7 am – 10 am). Of all the music radio stations, the morning programme with Nagui and Manu showed the greatest increase over the year, both in cumulated audience and audience share. The positioning – *"Nothing but rock, nothing but pop"* – enabled Europe 2 to increase its audience in the core age group of 20-to-40 year olds[1].

With a contemporary music format: *"The best of the music from the 80s till today"* and DJs Jean-Luc Reichmann and Bruno Robles, RFM has become the No. 1 adult music radio station, with a 7% share of audience among 35-to-49 year olds. In 2006, it was the only such music station to increase its audience over 2005.

Outside France, Lagardère Active Radio International (LARI) continued to increase its audience in all seven countries where it operates. Its radio stations attracted over 12 million daily listeners in Russia[2], more than 8 million in Poland[3], 3 million in Romania[4], 2 million in Germany[5] and 1 million in the Czech Republic and South Africa, representing some 27 million listeners for all its countries[6].

Continuing to implement its strategy, at the beginning of 2006 LARI acquired 100% of four radio stations mainly owned by the Warburg Pincus investment fund (two radio stations in Moscow – Radio 7 and Melodia Moscow, and two in Saint Petersburg – Eldoradio and Melodia Saint Petersburg). At the end of 2006, LARI continued to expand in Poland with the acquisition of a new radio station. LARI's historic presence in these countries has enabled it to continue extending its networks, obtaining 27 new broadcasting licences in 2006, mainly in the Czech Republic.

B-2-2) *TV channels*

In the field of special interest TV channels, 2006 was marked by the finalisation of the refocusing on the Children and Music slots, with the disposal of the weather TV channel, La Chaîne Météo.

Following this disposal, Lagardère Active SAS now broadcasts 10 special interest channels. The excellent audience ratings[7] obtained confirm the high performance of the Group's channels, despite increasingly fierce 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. The MCM offer (MCM, MCM Pop and MCM Top) represents a 2.4% share of audience in the 15-34 age group.
- Canal J, TiJi and Filles TV together represent a 39% 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 1.1% share of the audience in the 4+ age group, and TiJi moved up one place to become the 6th largest cable and satellite channel with a 1% audience share. Gulli is now the leading channel on DTT.

B-2-3) *Film and television production and distribution*

Through its film and television production and distribution activities, Lagardère Images is a major partner of the terrestrial channels for prime-time drama and programmes for immediate broadcast (features, light entertainment programmes, etc.) with approximately 880 hours of programmes produced in 2006 and 12 of the 100 best prime-time audience ratings in 2006, for all programmes taken together[8], attracting between 9 and 10.9 million viewers.

(1) Source: Médiamétrie Survey 126,000 radio 13+ age group, Nov–Dec 2005 et Nov–Dec 2006.
(2) Source: TNS Gallup Media Dec 2005 – April 2006.
(3) Source: SMG/KRC Oct 2006.
(4) Source: IMAS Oct 2005 – April 2006.
(5) Source: AG.MA Jan – June 2006.
(6) Other sources: AC Nielsen, Szonda-GFK, Median + GFK Prague.
(7) Source: MédiaCabSat Survey December 2005 – June 2006.
(8) Source: Mediamétrie/Médiamat on the 4+ age group.

In the field of prime-time drama, for the fifth year running Lagardère Images was the premier producer in 2006[1] with 94 hours of programmes broadcast over the 2005/2006 season. Lagardère Images excels in the production of individual episodes and series of prestige drama, and the production of mini-series: *De Gaulle* (GMT Productions for France 2), *Joseph* (GMT Productions for TF1).

To meet the expectations of viewers who make these programmes such a success, Lagardère Images is also a major producer of flagship series with a recurrent hero, such as *Julie Lescaut* and *Diane Femme Flic* (GMT Productions for TF1), *Joséphine ange gardien* (DEMD Productions for TF1), *Père & Maire* (Aubes Productions for TF1), and is also expanding in the field of the 52-minute format with *Mafiosa* (Image & Compagnie for Canal+) and *David Nolande* (GMT Productions for France 2, which won drama awards at the Saint-Tropez festival: best prime-time series, best production and best artistic contribution for photography and special effects).

Lagardère Images 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).

B-2-4) *New Media (Lagardère Active Broadband)*

At the beginning of 2006, Lagardère Active Broadband combined its mobile phone operations in America (Lagardère Active North America), France (Plurimedia) and Germany (Legion) into new entity called Cellfish Media.

Cellfish Media, now a world leader in content publishing and distribution for mobile phones, is located in New York. With French and American production studios, the company creates original brands and contents specially designed for consumption through mobile phones, such as musical ring tones, screen backgrounds, animations, games and community services.

- In the United States, Cellfish Media is already one of the leading publishers of mobile phone personalisation products (logos, ring tones and chat). Cellfish Media's contents, particularly through the BlingTones label, are distributed through the major mobile phone operators including Sprint, Cingular, Nextel and Verizon.
- In France, Cellfish France (formerly Plurimedia) is one of the top players in content publishing and distribution for mobiles, leader on the most popular services for mobiles (personalisation of mobile phones, life style, chat, news, culture, etc.). Since the end of 2005, Cellfish France has become the leading buyer of advertising space in the printed press in the sector of mobile phone personalisation. With over a hundred services for the three national operators, taking particular advantage of the growth of Mobile Internet (Wap and i-mode sites), Cellfish France is one of the top three content publishers for download (logos and ring tones).
- In Germany, Legion GmbH is the leading supplier of interactive mobile phone services for the media, particularly for television and radio. Legion GmbH, which had already been the leading supplier of vocal mobile phone services for many years, has now also become a major player in the supply of interactive services (SMS).

To foster development of these activities, Lagardère Active SAS opened the capital of Cellfish Media to a group of North American institutional investors who provided funding of $50 million. Following this operation, the new partners owned almost 30% of the capital of Cellfish Media which, since 1 October 2006, has been accounted for under the equity method by Lagardère Active SAS.

(1) Source: Ecran Total No. 576, 14 September 2005.

B-2-5) *Outlook*

In France, development of the radio business will depend on the advertising market, for which it is difficult to forecast the 2007 performance at this time.

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

- In France, in application of the Law of 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 and debate, known as "FM +", concerning the reorganisation of the hertzian frequency band and development of a new frequency grid for FM radio; this reorganisation was well under way in 2006 and will continue to completion in 2007 and 2008 with the last calls for applicants;
- Furthermore, in the autumn of 2006, the *Direction du Développement des Médias* (Media Development Department) and the CSA also launched public consultations on the standards and roll-out of digital radio. These will be followed in 2007 by the first 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 operating in competition with Lagardère Active SAS. However, digital radio should also be an opportunity to reinforce both brands and contents, through a streamlined portfolio of stations and an optimised cost structure;
- Lastly, the development of new modes of listening (the Internet, web radios, mp3 players equipped with FM receivers, etc.) accelerated in 2006 and should be taken into account in audience ratings.

Meanwhile, from 1 January 2007, radio stations in France will have to contend with the fact that supermarket advertisers are now authorised to broadcast their advertising messages (excluding special promotional operations) on terrestrial television channels, which was previously prohibited. In 2007, part of the advertising revenue from this sector may be redirected towards television, to the detriment of radio and other media.

Outside France, LARI is well-placed to take advantage of expected growth in the countries where it operates. The company will continue to apply its strategy of rationalising geographic locations, to concentrate resources in the countries where further reinforcement of its leadership is possible.

The roll-out of Digital Terrestrial Television continued throughout 2006, and DTT is expected to cover 80 to 85% of the population of mainland France by the end of 2007. Analogue broadcasting will be discontinued in 2011. The three Lagardère Active SAS channels broadcast on DTT will therefore continue to take advantage of the faster penetration by DTT to strengthen their leading positions in music channels and channels for young people.

In late 2006 and early 2007, the *Direction du Développement des Médias* (Media Development Department) and the CSA launched public consultations on high-definition television services and Personal Mobile Television services. Importantly, on 22 February 2007 the French Parliament definitively adopted the draft law on modernisation of audiovisual broadcasting and the television of the future. This law, which allows for the gradual transition from analogue to digital broadcasting and establishes the framework for the development of Personal Mobile Television and high-definition television, will be reviewed by the Constitutional Council following its adoption. The Lagardère Group, in the public consultation organised before the parliamentary debate, reaffirmed its commitment to these new technologies, which should be given a legal framework in compliance with the founding principles of audiovisual broadcasting legislation, that is to say, the allocation of authorisations to operators of the frequencies, free of charge.

In the coming years, Lagardère Active SAS 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 Lagardère Active SAS will endeavour to seize, by making use of its responsiveness and the expertise of its teams, while applying the rigorous analysis that is characteristic of a major group.

B-2-6) *Merger between Canal+ and TPS*

Vivendi, TF1 and M6 had signed a protocol on 6 January 2006 (the "**TF1-M6 protocol**") defining the terms of a project in which (i) Télévision Par Satellite SNC (TPS) and its direct and indirect subsidiaries, and (ii) the publishing and pay television distribution services of Canal+ Group on the territories of France (including overseas territories) and other French-speaking countries, would be merged to form Canal+ France, a new company exclusively controlled by Vivendi in which TF1 and M6 would together hold a 15% investment (9.9% for TF1 and 5.1% for M6). The TF1-M6 protocol stipulated that the merger operation should involve zero net cash effects.

On 14 March 2006, Lagardère, Vivendi and Canal+ Group signed an investment protocol (the "**Lagardère protocol**"), mainly concerning the acquisition of exclusive control over TPS and CanalSatellite by Vivendi and Canal+ Group. Under the terms of this protocol, Lagardère Active SAS undertook to acquire a 20% interest in Canal+ France by transferring its 34% shareholding in CanalSatellite (with no dilution of the shareholdings of TF1 and M6) and paying an amount of €525 million in cash, less 34% of the net cash of CanalSatellite and 16.66% of the net free cash of the EIG Numérique Canal+/CanalSatellite, plus 20% of the net cash of Canal+ France (all net cash positions being calculated at 31 August 2006).

Canal+ France essentially comprises 100% of CanalSatellite, multiThématiques, MediaOverseas and TPS, and 49% of Canal+ SA.

On 30 August 2006, this merger was authorised by the French Finance Ministry, subject to respect of the commitments made by Vivendi and Canal+ Group.

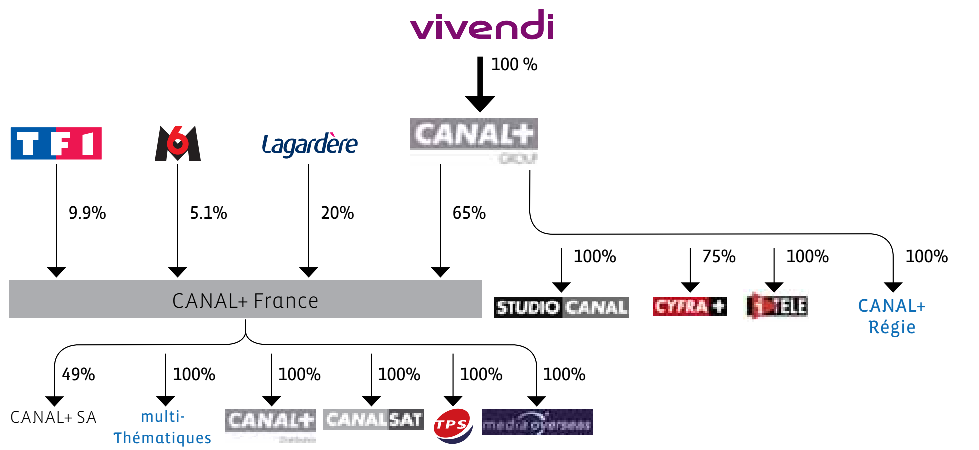
The operation was completed on 4 January 2007 after the following preliminary transactions:

- On 30 November 2006, Canal+ Group contributed to Canal+ France (with the principal exception of MediaOverseas, which had previously been sold to Canal+ France) all its assets and businesses in the fields of publishing and pay television distribution services on the territories of France (including overseas territories) and other French-speaking countries, mainly comprising 100% of multiThématiques and Canal+ Distribution, 66 % of CanalSatellite and 49 % of Canal+ SA. The recapitalisations provided for under the TF1-M6 protocol to bring net cash positions to zero were carried out by TF1 and M6, and Canal+ Group.
- On 19 December 2006, Canal+ Group sold Lagardère Active shares in Canal+ France representing 7.08% of the company's capital at the time, for a total price of €469 million, subject to the condition that Canal+ France should receive 100% of TPS from TF1 and M6 and 34% of CanalSatellite from Lagardère Active SAS by 15 January 2007 at the latest. The sale price corresponds to €525 million, calculated based on zero net cash, less 34% of the net cash of CanalSatellite and 16.66% of the net available cash of the EIG Numérique Canal+/CanalSatellite, plus 20% of the net cash of Canal+ France, in application of the Lagardère protocol (all net cash positions being calculated at 31 August 2006, and Lagardère Active SAS having received a total of €102 million in dividends from CanalSatellite between January and August 2006). To guarantee the return of this amount by Canal+ Group to Lagardère Active SAS should the deadline condition not be met, Vivendi arranged an independent first-demand bank guarantee with a financial institution to the benefit of Lagardère Active SAS. In connection with this guarantee, Vivendi established a cash collateral account of an equivalent term and amount, guaranteeing Vivendi's obligation, should the guarantee be called in, to reimburse the bank for any amounts paid to Lagardère Active SAS. The independent guarantee and cash collateral account terminated on 4 January 2007.

Following these preliminary transactions, the merger took place on 4 January 2007 as follows:

- TF1 and M6 made a contribution in kind to Canal+ France of 100% of the capital of TPS Gestion, which itself holds 100% of the capital of TPS. Canal+ France shares were received in return for this contribution, representing 9.9% of the capital for TF1 and 5.1% for M6 after all contributions.
- Lagardère Active SAS made a contribution in kind to Canal+ France of 24% of the capital of CanalSatellite and 100% of the capital of Lagardère Télévision Holdings SA, which holds 10% of the capital of CanalSatellite. Canal+ France shares were received in return for this contribution; with the shares acquired on 19 December 2006, these brought Lagardère Active SAS' investment in Canal+ France to 20% after completion of all contributions.

After all these operations, the new group structure is as follows:



Put options held by TF1 and M6

TF1 and M6 each benefit from a put option for sale of their holding in Canal+ France to Vivendi. This option can be exercised in February 2010 at the market price determined by an independent expert, with a minimum price of €1,130 million for 15% of Canal+ France (based on a value of €7.5 billion for 100% of Canal+ France).

Lagardère's call option

Under the Lagardère protocol, Lagardère holds a call option for a number of shares enabling Lagardère to raise its investment to 34% of the capital of Canal+ France, exercisable in October 2009, after the exercise (or expiry) of TF1 and M6's put options. These options will be exercised at market price as determined by an independent expert (this market price will be identical to the exercise price for the put options held by TF1 and M6 if either or both have been exercised), with a minimum of €1,050 million (for 14% of Canal+ France), based on a value of €7.5 billion for 100% of Canal+ France.

Shareholder agreement between Vivendi, TF1 and M6

Under the shareholder agreement signed on 4 January 2007, TF1 and M6 benefit from a tag-along right in the event Vivendi/Canal+ Group transfer exclusive control of Canal+ France, and also have the right to sell their shares in priority on the market in the event of an IPO of Canal+ France. TF1 and M6 are not represented on the Supervisory Board of Canal+ France and have no rights of any kind over the management of the company.

Shareholder agreement between Vivendi, Canal+, Lagardère and Lagardère Active SAS

The CanalSatellite shareholder agreement signed in 2000 between Lagardère and Canal+ Group became null and void on 4 January 2007.

The Canal+ France shareholder agreement signed on that same date gives Vivendi exclusive rights of joint control over Canal+ France, even if Lagardère exercises its call option. Lagardère's rights are intended to preserve its economic interests, and depend on its level of investment in Canal+ France. The main provisions of the agreement are as follows:

- The Chairman, and all the members of the Canal+ France Executive Board, are appointed by the Supervisory Board, whose members are mostly appointed by Canal+ Group. Canal+ Group and Lagardère have, respectively, seven and two representatives on the Supervisory Board, its other two members being an independent member and an employee representative. The number of Lagardère representatives on the Board will be raised to three in the event Lagardère's investment is increased to 34%.
- Lagardère holds rights to veto certain operations (IPO of Canal+ France, external investments in Canal+ France or its principal subsidiaries in certain circumstances), and certain rights (a tag-along right and anti-dilution rights) designed to protect its economic interests.
- In the event control of Canal+ France is transferred, Lagardère would hold a pre-emptive bid right entitling it to acquire Canal+ France if Lagardère is the highest bidder.
- Vivendi has a pre-emptive right exercisable in the event Lagardère sells its shares in Canal+ France, and a drag-along right that could force Lagardère to sell its investment in Canal+ France should Vivendi accept an outside offer for acquisition of at least 95% of the capital of Canal+ France (subject to prior application of Lagardère's pre-emptive bid right).
- Between 2008 and 2014, as long as Lagardère holds 10% at least and 20% at most in the capital or voting rights of Canal+ France, and has waived its right to exercise the call option enabling it to raise its investment in Canal+ France to 34% (or the option has expired), Lagardère will have a liquidity right exercisable between 15 March and 15 April of each calendar year. Under this liquidity right, Lagardère will be able to request an IPO for Canal+ France. In this event Vivendi/Canal+ Group would be entitled to acquire all of Lagardère's investment in the company.
- The financing of Canal+ France has been structured through a mechanism which includes shareholders' loans and the delivery of parent company guarantees. This mechanism gives Lagardère the option to participate in such financing and guarantee arrangements in proportion to its level of ownership in Canal+ France. From 2011, after the reimbursement of any shareholder loans to which Lagardère has not contributed in proportion to its ownership level, and subject to compliance with certain indebtedness ratios, Canal+ France will distribute a dividend equal to its available cash flow not required for the financing of its operations, provided that Lagardère owns at least 34% of the share capital of Canal+ France.
- Vivendi and Canal+ Group, and Lagardère and Lagardère Active SAS, have not entered into any non-competition commitments to each other or to Canal+ France.

5-2-1-3 Lagardère Services

A) *Principal activities and main markets*

Hachette Distribution Services (HDS) is the world's leading player in print media distribution, 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 2006, HDS achieved consolidated sales of €3 681 million, of which 61.9% were earned outside France.

In 2006 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 specialist distributor of communication products. In the course of 2006, HDS also launched a platform for downloading magazine publications: HDS Digital.

A few key figures:

- HDS has built up a unique network of 4,000 stores in 18 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 16 countries serve a million customers every day.
- Virgin Megastore is the third largest cultural and multimedia store chain in France.
- Virginmega.fr recorded 7 million music downloads in 2006.

HDS' development focuses on 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

HDS is the world leader in retail sales dedicated to travellers, with companies such as Relais H, Newslink and Aelia, and has set up new sales outlets in airports and train stations in the 17 countries where its store signs are present. With Relay, HDS currently runs the largest international network of press retail stores. Taking advantage of the new sales outlets opened in Germany, Spain, Poland, the Czech Republic, Romania and Russia, Relay offers an increasing number of customers a wide range of products for consumption while travelling: newspapers, magazines, books, confectionery, souvenirs, food products, 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 wide range of emergency groceries and other products, and convenience services.

In airports, in addition to the Relay outlets, which are present in around eighty international airports, and the Newslink stores in Australia and Singapore, HDS also has duty-free sales and specialist store operations through Aelia, France's no. 1 company for retail sales in airports (based on sales figures for 2005). 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 and Swiss Airlines, and operates sales outlets in the United Kingdom, at Belfast and Luton airports.

In train stations and airports, HDS also operates a large number of stores selling music, reading materials and small electronic devices under the Virgin name (in France, Australia, Germany and the United States). Lastly, the “Découvrir” stores in France, America and Australia sell tourist products that promote local culture and regional produce.

Competition in the field of press retail outlets in travel areas is mainly local: Hudson News, 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), Aldeasa, Heinemann and Dufry, while the European market includes players such as Aelia and World Duty Free (BAA group).

A-2) Specialist trade in cultural leisure products

HDS manages 33 multimedia cultural stores under the Virgin Megastore sign in France. In addition, the "Le Furet du Nord" stores in the North of France, and "Payot Libraire" with 12 stores and over a third of the book sales market in the French speaking part of Switzerland, are the benchmarks in their regions.

More than eleven million customers visited stores in the Virgin Megastore chain in 2006 and enjoyed more than one hundred concerts and signing sessions, which the chain organises regularly. In 2006, Virgin Megastore welcomed a large number of artists and authors, including Mary Higgins Clark, Marc Levy, Amélie Nothomb, Jonathan Littell, Deep Purple, Patrick Bruel, Toto, Johnny Hallyday and Fabrice Luchini.

Virgin continues to develop the website Virginmega.fr, the second largest website for the legal purchase and download of music in France, after iTunes, with almost 7 million downloads purchased in 2006 and a catalogue of 1.5 million music titles. In 2006, Virginmega.fr extended its offer with the launch of Video on Demand (VoD) and the new website Virginmegaclassic.fr dedicated to classical music downloads.

Meanwhile, Virgin is extending its geographic reach through the development of a network of franchise stores outside France, in the Middle East (Kuwait, Lebanon, Egypt, the United Arab Emirates and Saudi Arabia), Turkey and Reunion Island.

In the course of 2006, HDS also launched a platform for the download of magazines: HDS Digital. A virtual digital newsstand making use of various commercial sites (Relay.fr, Virginmega.fr), the website offers surfers a choice of over 140 fully digitalised magazines for download.

A-3) National press distribution and press imports and exports

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

The world's leading national press distributor, HDS is the largest distributor in the United States, Belgium, the French-speaking part of Switzerland, Spain and Hungary, and is also active in Poland. In many countries, HDS supplies 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 this world region, runs a network of independent wholesalers and manages the sale of press titles to the major retail sale chains. Market share decreased in 2006 to 40%(1). Competitors are major 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, Midesa, is similar in size. HDS has no significant competitors in Hungary, Belgium or Switzerland.

HDS is also a leading enterprise in the import and export of international press, with operations in twelve countries (Belgium, Bulgaria, Canada, Spain, the United States, Hungary, the Czech Republic, Romania, Russia, Serbia-Montenegro, Slovakia and Switzerland).

(1) Source: internal study.
(2) Source: internal study.

B) *Operations in the course of 2006*

Contribution to consolidated sales in 2006: €3,681 million

Distribution of sales by activity

	2006
Retail	67.7%
Distribution	32.3%
Total sales	**100%**

Distribution of sales by geographic area

	2006
France	38.2%
Europe	52.7%
North America	6.0%
Asia/Oceania	3.1%
Total sales	**100%**

In 2006, HDS consolidated its positions throughout the world and met the goals it had set itself: to strengthen the business activities in traditional retail sales and electronic sales via the Internet, to develop new sales concepts, to win new contracts and to renew existing contracts for concessions in travel areas, and strengthen its positions in Asia/Oceania.

At end 2006, the retail sales and press distribution activities represented respectively 67.7% and 32.3% of HDS' consolidated sales, which once again reflects an increase in the relative share of retail operations (62.7% at the end of 2005).

The market environment in 2006 was marked by the continuing recovery of air traffic, tempered by the increased security procedures in airports leading to terminals becoming crowded with passengers, which discourages customers from making purchases. In 2006, print media and music markets continued to decline.

B-1) Retail sales dedicated to travel areas

In France, Relais H achieved stability in its business activities (+1%) through the good performance of non-press products (including foodstuffs (+12%), books (+1.7%) and souvenirs (+13%)) sustained by an innovative sales policy of product diversification and the creation of new concepts (such as Départ Immédiat, a quick-service area near the store entrance for customers in a hurry). These increases suffered the negative impact of the decline in press sales (-2.9%) and telephone product sales (-7.9%), while tobacco sales were stable (+0.3%). Relais H also renewed the key franchise for sales outlets at the Eiffel Tower.

In the rest of Europe, trends were divergent. Business in Germany increased significantly by 9.4% due to the opening of sales outlets, particularly at Berlin's new central train station. Belgium also experienced a 1.8% rise in sales through the acquisition of new sales outlets, bringing the total number of outlets in the network to 283 at the end of 2006.

In Switzerland, business was relatively stable (–0.5% at constant exchange rates). The Naville brand name fared well against a flat market for press (decrease of 5.6%) and telephones (–8.7%), particularly due to an exceptional year for sales of road tax disks and the good performances by the lottery tickets business.

Spain, on the other hand, had a difficult year (8.2% fall in business) despite significant gains with contracts on the railway networks at the end of 2005 and the opening of 10 new sales outlets at Madrid Barajas airport's new terminal in February 2006. New legislation restricting tobacco sales led to the closure of more than thirty sales outlets, mainly in the underground train network and shopping centres, bringing the network down to 194 sales outlets.

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

- Poland (sales increased 19.1% at constant exchange rates): 62 sales outlets were opened in 2006 (a network of 422 sales outlets in total)
- Czech Republic (sales increased 24%): 21 new sales outlets in 2006: 11 following the acquisition of an independent network and 10 new openings. 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 "Inmedio" store signs (323 sales outlets) which brought growth to 10.6% in 2006.
- Romania (sales increase of 86%): in 2006, business was consolidated with 55 sales outlets.

Despite the recovery in air traffic in North America, retail sales fell slightly in 2006 at constant exchange rates, mainly due to a decrease in business at sales outlets in Canadian tourist spots (an activity adversely affected by the reinforced security measures between the United States and Canada).

In Asia/Pacific (Australia and Hong Kong), HDS enjoyed a sharp overall increase in sales (more than 50%, but for a non-comparable scope) particularly due to the acquisition of all WHSmith sales outlets in Australia and Hong Kong (5 and 10 sales outlets respectively) in the last quarter of 2005.

Aelia was able to achieve significant growth in 2006 (+8%), partly due to the increase in air traffic at Paris airports and by winning concessions in Marseilles airport and Roissy T3 terminal (Paris), and partly through the development of recent concessions in the United Kingdom, in Luton and Belfast airports.

Aelia maintained its position as leader in France for retail sales at airports and renewed the concession at Orly airport, which is now a part of the company SDA, in partnership (50/50) with the Paris airports authority Aéroports de Paris. SDA operates the spirits/tobacco/perfumes concessions at the Paris airports Orly Sud and Ouest and Charles de Gaulle (T1, T2, T3) and gourmet shops at certain terminals. Aelia also stepped up business activities in the fashion sector.

B-2) Specialist retail in cultural leisure products

In 2006, Virgin opened a sales outlet in Saint-Denis, whereas its store in Nantes ceased trading. At the 33 Virgin stores (including four Music Railway stores) and the twelve Furet du Nord sales outlets, specialising in books, music, video and multimedia products, sales were down 2.7% compared to 2005: sharp declines in music sales (-10.5%) and video sales (-5.9%) were partially offset by books (+0.9%), stationery (+17.2%) and technical products (+4%) which benefited from new product offers at the end of the year (mp3 players, wii consoles, etc.).

Books have now become the leading product for Virgin stores, accounting for 28.3% of sales, ahead of music (27.8%) and video (22%).

Virginmega.fr, the pay-for-download music website which went online in 2004, recorded nearly seven million download sales. It now offers some 1.5 million tracks and is the 2nd largest French legal online music service.

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 Germany) as well as 20 sales outlets in airports: twelve in France, two in Spain, five in North America and three in Australia. The Virgin Megastore chain benefited from the sustained growth of franchise activities, particularly in the Middle East, Turkey and Reunion Island.

In Switzerland, business was stable in 2006 (-0.2% at constant exchange rates) for Payot bookshops.

B-3) National press distribution and press imports and exports

In 2006, the Press Distribution business saw a slight decline across the board.

In Spain, the distribution business experienced a fall in sales (-4.5%). This decrease is mainly due to a clear decline in Part-works (-8.7%) related to a reduction in the number of launches and the smaller success of the collections, as well as a decline in sales of telephone cards (-35%). Magazines were subject to negative market trends, but the signing of the Edipresse contract for national distribution of monthly magazines, in particular, helped drive sales up.

In Belgium, 2006 was marked by the return of the principal magazine publisher Sanoma (representing a quarter of the business). AMP distribution activities as a whole saw a decline in sales, particularly in magazines, telephone cards and books. On a like-for-like basis, consolidated sales fell by 4.8% in 2006. AMP has drawn up an extensive plan to reorganise and modernise its activities, to be implemented in 2007.

The erosion of press sales also affected Naville's distribution activities in Switzerland, with sales down 5.3% and volumes adversely affected by the launches of two free daily newspapers in French-speaking Switzerland.

At the beginning of 2006, HDS disposed of its share in the German distribution company Saarbach to its historic partner, DPV, subsidiary of the G+J group.

However, there was marked growth in Hungary in 2006 (+15.5% at constant exchange rates), particularly due to the positive impact of a reduction in VAT on daily newspapers (1 January 2006) and magazines (1 July 2006), as well as a sharp increase in sales of non-press products (telephone cards and tobacco).

In the United States, consolidated sales fell by 7.1%, mainly due to the discontinuation of a large contract, combined with the downward trend in newsstand magazine sales.

B-4) Outlook

Once more, HDS' prospects for business expansion in 2007 partly depend on how airport traffic levels evolve, and these are affected by constraints related to the reinforcement of security measures.

Nonetheless, throughout 2007 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 retail trade is concerned, goals will focus on:
- continued development of activities in Asia/Oceania and Central Europe,
- development of specialist sales outlets (airports) particularly outside France,
- adaptation of sales concepts in travel areas,
- emergence of new activities in electronic sales.

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 Lagardère Sports

The Lagardère Group implemented an acquisition strategy in 2006 targeting companies operating in the sports sector. Two projects were set in motion during the year - for the acquisition of Sportfive and Newsweb.

These two companies were not included in the Lagardère consolidation in 2006.

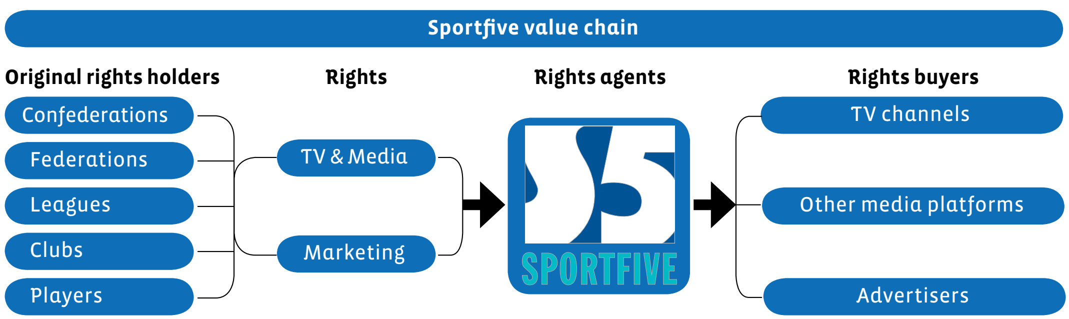
A) *Sportfive*

On 19 November 2006, Lagardère and S5 Hattrick SARL (a company indirectly owned by Advent International, RTL group and Goldman Sachs Private Equity) signed an agreement under which, subject to certain conditions, Lagardère will become the owner of 100% of the shares and voting rights of Sportfive Group SAS, which heads the Sportfive group, for an enterprise value of €865 million. This operation required the approval of the relevant competition authorities, which was received on 18 January 2007.

As all the conditions stipulated in the agreement of 19 November 2006 were fulfilled, the closing operations took place on 24 January 2007, at which date Hachette SA became the owner of Sportfive.

A leading manager of television broadcasting and marketing rights for European football, Sportfive works in partnership with sports bodies and clubs to help them draw maximum benefit from their rights. These rights comprise broadcasting rights, which are bought by television channels and other content distribution platforms (including Internet and mobile phones) and the "marketing" rights that enable advertising buyers to communicate through various channels and materials (players' shirts, signs and stadium sponsoring).

Sportfive is the European leader in the management of sports broadcasting and marketing rights, with a positioning essentially geared towards football rights. In 2006, it registered sales of approximately €500 million (before application of Lagardère's rules for recognition of sales revenues). It places its experience and unique skills in professional sports management at the service of clubs, federations and sports events.



A-1) TV & Media rights

Sportfive has an efficient structure particularly geared towards the management and marketing of sports TV & Media rights. The company's executives work directly with media decision makers from their headquarters in Hamburg and Paris or through their offices all over the world.

Many sports clubs, federations and event hosts depend on this network of subsidiaries, which has access to experienced partners and staff, providing them with guaranteed optimum media exposure and high media revenue.

The TV & Media rights managed are mostly second party and third party rights (rights which do not include the broadcasting of matches in the host country) from qualifying matches to international competitions, but also the rights for certain friendly matches.

Football is the most popular sport in the world, and is both the starting point for Sportfive's success and the core business around which the company's activities gravitate. Although Sportfive has become the European leader for the marketing of TV & Media rights relating to football events, the company's portfolio has been considerably extended over the years and today includes various popular sports such as handball, boxing, rugby and ski jumping.

A-1-1) *Football*

• Federations
Sportfive today manages a portfolio of over 40 international federations. These 40 international federations include the French Football Federation, (French national team, women's team and under 21s and the Coupe de France) but also those of Greece, the UK, Holland and Switzerland.

• Clubs
Sportfive handles the TV & Media rights of more than 270 clubs. Sportfive is the European leader in management of football clubs' rights relating to qualifying matches for the Champions' League, the UEFA cup, Intertoto cup, and also for friendly matches.
The clubs whose rights are managed by Sportfive include Hamburg SV, Hertha Berlin SC, Olympique Lyonnais, Paris Saint-Germain, FC Kopenhagen, Fenerbahce and Galatasaray.

• Leagues
Sportfive is also in charge of marketing the TV & Media rights for the major European football leagues to broadcasters in more than 180 countries. These leagues, which include the Italian A Series (sales of international TV rights) and the Spanish premier league (exclusive sales of international TV rights of the Liga in Asia - except Japan - , Eastern Europe and Sub-Saharan Africa), have engaged Sportfive to optimise the sale of their rights on all media platforms (television, the Internet and mobile phones).

• UEFA Euro 2008™
UEFA appointed Sportfive as its agent for the sale of Euro 2008 broadcast rights throughout Europe and in various markets outside Europe, such as Sub-Saharan Africa, Asia (except the Indian subcontinent and Hong Kong), Oceania, South America, Brazil and other markets (free TV only), Central America and the Caribbean (Cuba and other markets (free TV only)). Sportfive established a dedicated project team for the purpose in Geneva, Switzerland, to negotiate on behalf of UEFA with prospective broadcasters.

• African competitions
Sportfive is also the commercial partner of the African Football Confederation for the exclusive sale of global media rights to the African Cup of Nations, the Confederations Cup and the CAF Champions League.

A-1-2) *Rugby*

Rugby has become a key item in Sportfive's business portfolio. The increasing popularity of the sport throughout the world makes it a major vehicle for strategic development. Sportfive has been increasing its presence in rugby over the past few years, in particular through signing partnerships with the sport's most prominent personalities.

• Fédération Française de Rugby
Sportfive manages the sale of the international TV rights of the French national team XV de France (test matches).

- Six Nations Tournament
  Sportfive manages the TV rights for the 6 Nations Tournament (excluding host countries).

In addition, Sportfive manages the TV & Media rights (and also Marketing rights) for the Argentinean rugby championship and for the national team, the “Pumas”, as well as those of the Uruguay national team.

A-1-3) *Other sports*

- Basketball
  Sportfive holds the TV rights of the International Basketball Federation for Asia for the World Basketball Championships and Asian Basketball Championships (2009-2011).

- Handball
  Sportfive holds the TV rights of the International Handball Federation (IHF) for the men’s and women’s World Handball Championships for the ten-year period 1999 to 2009.
  Sportfive is the exclusive agent for the handling of rights for the 2007 men’s World Championship in Germany and the 2007 women’s World Championship in France.

- Rally
  Sportfive holds the marketing rights for TV rights to the World Rally Championship; this Championship is divided into 16 different circuits located in 16 countries around the world. The global audience has increased by over 44% since 2002, and the cumulated audience for the entire duration of the 2005 Championship reached 800 million viewers in 186 countries.

Sportfive also holds a certain number of other important rights, primarily in fields such as boxing, tennis and ski jumping.

A-1-4) *TV production and coordination*

The vast portfolio of broadcasting rights to sports events held by Sportfive requires first-class TV production standards.

Sportfive provides a digital platform to optimise exploitation of the media rights of the original rights holders: multiple-channel archiving and broadcasting.

Specific expertise and the use of the latest technology are imperative to supply international broadcasters with the best possible pictures of a match.

For the management and monitoring of licence agreements, Sportfive has the capacity to supply satellite broadcast facilities appropriate to the customers’ needs along with English-language commentary and graphics for each type of event.

A-2) Marketing rights

Today, sponsoring is the form of advertising which involves the largest sums of money after TV and press advertising. Sponsoring is an efficient brand communication instrument. The main objectives of sponsoring – in addition to increasing brand recognition and sales – are to amplify brand image, develop the loyalty of existing customers (by means of B-to-B communication) and to act as an incentive in employee motivation.

After the Olympic Games, football is the sport that generates most interest around the world. It therefore receives a corresponding amount of attention in the media, and the extent of its TV presence makes it the most extensive marketing platform in the world. The TV audiences and TV market shares of football exceed those of any other sport.

A-2-1) *Football*

• Clubs
Sportfive manages the global marketing rights of more than 30 clubs in Europe, including Hamburg SV, Hertha Berlin SC, Olympique Lyonnais, Paris Saint-Germain, FC Kopenhagen, Fenerbahce and Galatasaray.

In this configuration, Sportfive acts as exclusive agent for the clubs and manages their rights with the sponsors. This concept meets market expectations, since the clubs deal with a single contact person and do not have to manage commercial constraints themselves.

The clubs can also draw on the Sportfive's skills in the following areas of expertise:
– Marketing: strategies for brand building, product innovations, identification of new forms of advertising.
– Market research: conducting media impact studies, affinity studies, evaluation of sponsoring and football data.
– Stadium development/consulting: optimisation of stadium organisation.

Through Sportfive's local and central divisions, it is possible to tap additional resources, create higher added value and achieve significant cost reductions for the clubs.

• French national football team
Sportfive holds the marketing rights of the French men's National Football Team, the French women's National Football Team and the French U21s National Team.

• French national football cup
Sportfive manages the marketing rights for all the French Cup matches.

• African competitions
The marketing rights for the Africa Cup of Nations and the CAF Champions League are in the hands of Sportfive.

A-2-2) *Rugby*

• 2007 Six Nations Tournament
Sportfive holds the commercial rights related to the French Rugby Federation hospitality village for the 2007 Six Nations Tournament.

• 2007 Rugby World Cup
The Rugby World Cup, staged every four years, is the biggest rugby event in the world and is considered one of the top five global sporting events. Rugby World Cup 2007, the sixth Tournament, will take place in France in a six-week festival of rugby featuring the world's top players from all corners of the globe. The Tournament's 48 matches will be played across France, with selected matches also held in Cardiff and Edinburgh.

A-2-3) *Other sports*

• Handball
Sportfive holds the marketing rights of the Men's Handball Champions League.

• Tennis
Sportfive holds the marketing rights to the Moselle Open tennis tournament.

• Rally
Sportfive holds the marketing rights to the World Rally Championship.

• Basketball
Sportfive holds the International Basketball Federation marketing rights for Asia and the Middle East for the Asian basketball Championships.

A-2-4) *Advertising instruments*

• Sponsorship packages

Sportfive offers various types of partnerships (official partner, premium partner, member of enterprise club, public relations, event-based) which respond to different objectives and types of customer commitment.

• Stadium advertising

The advertising opportunities in Europe's football stadiums are extremely varied. Apart from panel advertising, the traditional form of stadium advertising, numerous innovative advertising vehicles are available which, effectively and creatively packaged, can be used to produce well-targeted sponsor exposure. In the field of panel advertising, stadiums offer a number of possibilities that mainly differ in their positioning: within view of the TV cameras, or "off panels" visible only to stadium spectators. Panels also exist in a number of different types, such as static panels and rotating panels. Another frequently used technique offering sponsors maximum exposure is to position their logo on two panels positioned one behind the other. Due to the viewing angle of the lead camera, the two panels merge to result in a very powerful sponsor presence on the TV screen.

Another form of stadium advertising, only visible to TV viewers, is the 3D billboard positioned to the left and right of the goal posts, which at the right camera angle appear three-dimensional. Other sponsoring instruments are available in the stadium, such as corner spaces, electronic visual displays, product presentation cases, etc.

The new state-of-the-art video screens in the stadiums can also integrate commercials, illustrating the convergence of sponsoring commitments and conventional advertising techniques.

• Shirt sponsoring

The shirt sponsor is present with the club at all tournaments and matches, whether national or international, home or away games and usually "extends" its involvement through stadium panel advertising. The main sponsor and the club form a partnership on all levels, and the sponsor is present on all of the club's advertising materials:

– on the shirts of the licenced teams, youth and amateur teams
– on the official press conference wall
– in the mixed zone area
– on the team bus
– in the club magazines
– on the club's website
– on the gear/kit of the coaching team
– in the match programme
– on the TV panels
– on the coach and player bench.

• Naming rights

The latest form of football club sponsoring is to acquire the naming right for the stadium (e.g.: AOL Arena, Hamburg). Following initial resistance, from the media in particular, granting of the naming right is now generally accepted and its impact undisputed. As with shirt sponsoring, the naming right is, by virtue of the limited number of stadiums and clubs available, a highly exclusive right and a highly attractive communication instrument due to nationwide media presence. The sponsor is not perceived exclusively in terms of the sporting successes of the club that bears its colours. A sponsor who acquires naming rights, benefits more particularly from a permanent, positive association in the public's mind with an exceptional work of architecture and an avant-garde stadium, symbols of values such as functionality, quality and true love for the game. Since 2001, Sportfive has successfully assisted five sponsors in acquiring naming rights.

- Public relations
  In B to B communication, the relationship between the club and the enterprise goes beyond a simple partnership: in this case, the sponsor is the host and offers customers a unique experience. The quality of services is directly related to the stadium's reception potential. However, even in a stadium without the most modern infrastructures, the benefits of such operations are undeniable.
- Events & promotion
  For spectators in the stadiums, brands can be brought to life in a tangible way: through a wide variety of promotional activities, sponsors can convey information and create a product experience generating emotional ties, resulting in long-term improvement of their brand image.
- Official website
  The Internet can be used to position a direct link to the sponsor's homepage on the club's official website, and display the brand using interactive banners.

B) Newsweb

On 12 December 2006, the Group signed agreements with certain Newsweb shareholders (in particular, the members of the Executive Board, the founders and a number of institutional shareholders), to acquire shares amounting to approximately 75.2% of the capital and voting rights of Newsweb.

The acquisition took place, in exchange for a payment from the Group to the previous owners of a global amount of €53.05 million (representing the price of €24.70 per share), corresponding to a transaction price of €74 million for 100% of Newsweb.

Following this initial acquisition, Lagardère proceeded to make further acquisitions relating to approximately 12.8% of the capital and voting rights of Newsweb (the acquisition price was also €24.70 per share).

In accordance with French stock market regulations, as Newsweb has been listed on the Alternext market since 23 January 2006(1), on 1 February 2007 Lagardère filed a standing market offer with the Autorité des Marchés Financiers for the remaining Newsweb shares not acquired under the agreement at €24.70 per share, the same price as for the controlling interest.

When the standing offer closed, Hachette SA held more than 98.19% of the shares of Newsweb, and requested the delisting of Newsweb shares from Alternext, which will occur on 29 March 2007.

Founded in 1999, Newsweb's principal activity is the production and distribution of various content through Internet and mobile communication media, and it is currently the leader in the male target audience in four main areas: sports news, financial information, automobile news and entertainment.

These four areas are covered by Newsweb through five Internet websites:
- Sports.fr: a general sports site, launched in 2000, with editorial content based on real time sports news, results, classifications and live matches;
- Sport4fun.com: free sporting bets and games, acquired by Newsweb in December 2004;
- Football.fr: a specialist football site launched in January 2006;
- Autonews.fr: an automobile news site, launched in June 2006;
- Boursier.com: financial information, covering the French and American markets, acquired by Newsweb in January 2006.

These five sites attracted 2.4 million separate visitors during the month of October 2006.

(1) On 23 January 2006 Newsweb was listed in the EA group (private investments) of Alternext, before being transferred to the E1 segment (public share trading) on 4 August 2006.

Newsweb earns its revenues through the sale of advertising space (advertising, sponsored links, sponsoring, etc.), its primary source of sales, and also through the sale of editorial content on its websites, the sale of premium services (subscriptions) and database rental.

In 2006, Newsweb achieved sales approaching €8.7 million (before application of Lagardère's rules for recognition of sales revenues).

***

Sportfive and some of Newsweb's business activities will join the Lagardère Sports division, which covers the Lagardère Group's interests in this business sector in a single management structure. The Group intends to develop this sector further in the coming years. Lagardère has several motivations for diversifying and investing in the field of sports.

First of all, contrary to some of the Group's other business activities, which have reached a certain maturity (publishing, press, etc.) the business possibilities surrounding the world of sports have high growth potential.

Furthermore, Lagardère considers it particularly important to invest in the sector of contents (the same content may be resold to various distributors for broadcasting on multiple media) rather than remaining exclusively focused on the activities of publishing and broadcasting.

With this in mind, Sportfive represented a first-rate investment opportunity when it was put up for sale by its former owners (Advent International, RTL group and Goldman Sachs Private Equity), as it combined the appeal of its business (content marketing, which is in line with Lagardère Group strategy) with an attractive business sector (sports, which has a high potential for business growth).

Newsweb presented the Lagardère Group with an opportunity to acquire a community of professionals with extensive experience and recognition in new media, particularly in the sports sector. This acquisition will therefore enable the Lagardère Sports division to extend its presence and enhance its know-how in the field of digital contents.

5-2-2 EADS

The organisation of the EADS group strictly complies with the founding principles of EADS N.V. as defined in 1999 by the French government, Lagardère SCA, DaimlerChrysler AG and the Spanish government (via the holding company SEPI), which are the following:

Principle of parity

- In the structure of the controlling body: this principle of parity is primarily reflected in the French holding company, the limited partnership Sogeade, held 50% by the French government-owned company Sogepa and 50% by Désirade. These percentages are due to increase and decrease respectively between June 2007 and June 2009 following Lagardère's plans to reduce its holding in EADS announced in April 2006; see below).

  The principle of parity is also visible in the Dutch "Contractual Partnership" empowered to exercise the voting rights of Sogeage, DaimlerChrysler and SEPI at EADS shareholders' meetings, in accordance with the shareholder agreement. Sogeade and DaimlerChrysler each hold a strictly identical percentage in this partnership.

- At managerial level: Sogeade has four directors on EADS' Board of Directors, appointed after nomination by Lagardère, and DaimlerChrysler appoints the same number of directors. The Board also has two independent members, one nominated by Sogeade and one by DaimlerChrysler.

In compliance with these principles, EADS' shareholders' meeting of 11 May 2005 appointed the Board members 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 also appointed at the same shareholders' meeting.

EADS' Board of Directors, which is responsible for devising the group's strategy, continues to operate under two Chairmen, 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: Thomas Enders and Louis Gallois were appointed to these positions by the Board for the duration of their term as directors, on 25 June 2005 and 2 July 2006 respectively.

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

Principle of consistency

- In compliance with the wishes expressed when the company was founded, EADS has only one single General Management (even though the function is performed by two CEOs), one Financial Division, one 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 twelve members.

***

Changes in the shareholder structure of EADS N.V.

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

Having observed in 2005 that the EADS portion of Lagardère's market capitalisation was becoming excessive in view of the configuration of its other activities, with a resulting adverse effect on its share price, Lagardère decided in the final quarter of 2005 to begin a process to gradually reduce its holding in EADS from some 15% to 7.5%.

Studies were undertaken to determine the most appropriate arrangement for this operation given the constraints inherent to its execution.

Lagardère SCA decided to apply the solution proposed by IXIS Corporate & Investment Bank and Nexgen Capital Limited, and on 6 April 2006 concluded a contract for subscription of Lagardère bonds exchangeable for EADS shares subject to an adjustment mechanism (Mandatory Exchangeable Bonds).

Under this contract, Lagardère issued a bond with nominal value of €1,992,186,000, exchangeable for a maximum of 61,110,000 existing EADS shares, in three tranches concerning a maximum of 20,370,000 shares each, on 25 June 2007, 2008 and 2009.

When the bonds are exchanged, Lagardère SCA will be entitled to receive the full benefit of any rise in the EADS share price up to a maximum of 115% of the reference price set at €32.60 per share, by reducing the number of EADS shares to deliver to bondholders to a number no lower than 53,139,130 shares. Conversely, Lagardère cannot be obliged to deliver more than 61,110,000 EADS shares in the event the share price declines to below the reference price.

61,110 Mandatory Exchangeable Bonds were issued on 11 April 2006 at the price of €32,600 each, paying an annual coupon of 7.7%.

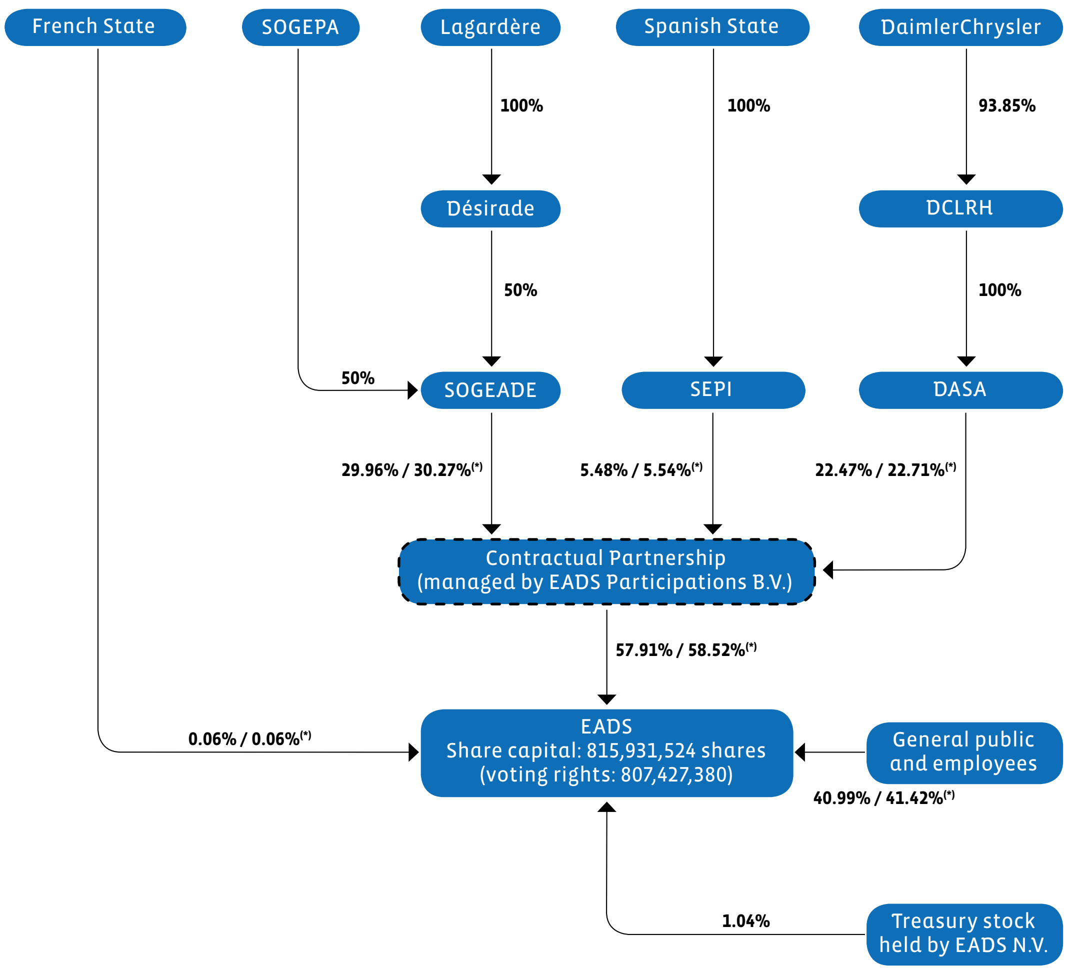
As a result of this operation, Lagardère SCA will:

- Retain full ownership of its 15% interest in EADS until June 2007 (while obtaining cash for half of that interest) and thus remain entitled to the corresponding dividends. The transfer of the 7.5%. ownership will only take place progressively from June 2007 and will only be completed in June 2009;
- Report no change in net indebtedness. The final amount of the bond issue will be included in the debt recognised in the Lagardère SCA balance sheet and the issue proceeds will be recognised as cash, giving a zero impact on the Group's net debt;
- Be able to benefit from any rise in the EADS share price above the reference price, thanks to the adjustment mechanism built into the bond issue;
- Maintain its role as core shareholder in the controlling ownership structure of EADS; this operation has no impact on the balance of power in the control of EADS, which remains unchanged between the French government and Lagardère on the French side, and between the French and German sides.

The Lagardère transaction took place in conjunction with another transaction entered into by DaimlerChrysler, involving a market placement of 7.5% of the capital of EADS which immediately reduced DaimlerChrysler's share in EADS from approximately 30% to 22.5%.

On 13 March 2007, DaimlerChrysler initiated a plan to transfer the equivalent of 7.5% (one third of its current holding) in the capital of EADS to private and public German investors, while retaining the attached voting rights. In 2010, if DaimlerChrysler decides not to renew this arrangement, it will be entitled to sell the 7.5% stake concerned directly to the said investors, and in such a situation Sogeade and the German government (provided it is a signatory to the EADS shareholder agreement) would then each benefit from a pre-emptive right, which if exercised would enable them to ensure an equal French-German balance of control in EADS. DaimlerChrysler is expected to continue to exercise the voting rights attached to the EADS shares acquired by the German government, which will only be transferable as stipulated in the EADS shareholder agreement.

EADS share ownership structure at 31 December 2006



(*) % of share capital / % of voting rights.

	2002	2003	2004	2005	2006
Contribution to consolidated net sales(*)	4,339	4,510	4,795	5,112	5,907
Contribution to consolidated operating income(*)	63	232			
Contribution consolidated recurring profit before associates(*)			350	392	39
Number of employees(*)	15,665	16,409	16,707	16,921	17,497

(*) Based on Lagardère's percentage interest (14.98% in 2006).

5-2-2-1 Principal activities of the Group and main markets[1]

With total sales of €39.4 billion in 2006, 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 2006, EADS achieved approximately 75% of sales in the civil sector and 25% in the military sector.

EADS comprises five major Divisions: (1) Airbus, (2) Military Transport Aircraft, (3) Eurocopter, (4) Defence and Security and (5) Astrium. In addition to these five divisions, the operating units ATR, EADS EFW, EADS Socata and EADS Sogerma have been placed in the category "Other activities", which, in themselves, do not constitute a complete division of EADS.

A) *Airbus*

Airbus, now wholly owned by EADS (100%), is one of the world's two leading suppliers of commercial airliners of more than 100 seats, 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.

From its foundation in 1970 up to the end of 2006, Airbus received 7,097 orders for aircraft from approximately 250 customers all over the world. In terms of worldwide aircraft deliveries, its market share grew from 15% in 1990 to 52% in 2006. At 31 December 2006, orders booked (2,553 aircraft), estimated at catalogue prices, represented more than 80% of the total amount of orders received by EADS. Net of cancellations, the firm order book stood at 790 aircraft in 2006.

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. The market for commercial passenger transport jets is largely dependent on the demand for 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 2006, Airbus forecast growth in air transport of 4.8% per year over the period from 2006 to 2025.

(1) Classification sources internal to EADS.

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, and the A330/A340 family, which will be replaced by the new A350 from 2013, 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 2006, the Airbus Division of EADS achieved sales of €25.1 billion, representing 63.7% 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 $42.2 billion.

The division also manufactures and sells mission aircraft 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 $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 €2.2 billion, representing 5.6% of EADS total revenues in 2006. 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 2006, Eurocopter had 50% of the world market for commercial helicopters and 12% of the market for military helicopters.

In 2006, the world helicopter market was estimated at over €8.6 billion, a figure which, according to the Management of Eurocopter, should reach €14.6 billion by 2009. According to various surveys carried out, particularly by Teal, Honeywell and Rolls Royce, between 5,200 and 5,800 commercial helicopters and 5,500 to 6,000 military helicopters will be manufactured in the world between 2006 and 2015. 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. The Management of Eurocopter expects the value of commercial helicopter shipments to increase at an average rate of 10% over the next three years. The market data indicates that world shipments of commercial turbine-powered helicopters remained stable at 680 aircraft in 2006.

In the commercial segment, the principal competitor of Eurocopter worldwide is the American company Bell Helicopter, a division of Textron Inc, but Agusta-Westland and Sikorsky have increased their market share.

The Management of Eurocopter believes that it 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 €3.8 billion, which is 9.6% of the total consolidated revenues of EADS.

D) *Defence and Security*

The Defence and Security 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 €5.8 billion in 2006, representing 14.7% of EADS' total revenues.

E) ***Astrium***

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, renamed Astrium, designs, develops and manufactures satellites, orbital infrastructures and launch vehicles, chiefly through its subsidiaries Astrium Satellites and Astrium Space Transportation ("EADS ST"), and supplies space services through its subsidiary Astrium 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 a highly competitive market, 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). Astrium holds approximately 15% to 20% of this market.

While the telecommunication satellite segment is currently declining owing to the consolidation of satellite operators, the Management of Astrium 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, in order 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 2006, Astrium's contribution to EADS consolidated sales was €3.2 billion, representing 8.1% of the total.

F) *Other activities*

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 2006, the world market for turbo-prop aircraft with 40 to 70 seats still in production was dominated by two players: ATR and Bombardier. In 2006, ATR booked 63 orders for new aircraft, and delivered 24 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 and Elbe Flugzeugwerke GmbH ("EFW").

On January 10, 2007, EADS Sogerma sold two of its maintenance subsidiaries —Sogerma Services and Barfield— to TAT Group. As a consequence, the principal activity of EADS Sogerma is the customization of aircraft and aerostructures, essentially for Airbus.

5-2-2-2 Operations in 2006

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

EADS group (Figures published by EADS)(*)

(in millions of euros, except where otherwise indicated)	2005	2006
Revenues	34,206	39,434
– including: Defence sector	7,700	10,039
EBITDA(1)(4)	4,365	2,033
EBIT(2) (4)	2,852	399
Self-financed research and development	2,075	2,458
Net income(3)(4)	1,676	99
Earnings per share *(in €)*	2.11	0.12
Free cash flow	2,413	2,029
Free cash flow before customer financing	2,239	869
Dividend per share *(in €)*	0.65	(5)
Order intake(6)	92,551	69,018
Order backlog(6)	253,235	262,810
– including: Defence sector	52,363	52,933
Net cash position	5,489	4,229
Number of employees	113,210	116,805

(1) Operating profit before interest, tax, depreciation, amortisation and exceptionals.
(2) Operating profit before interest and taxes, pre goodwill amortisation and exceptionals
(3) EADS continues to use the term Net income. It is identical with Profit for the period attributable to equity holders of the parent as defined by IFRS rules.
(4) For 2006, EADS changed its accounting policy for pensions from the corridor approach to the equity approach, i.e. all actuarial gains and losses are recognised in the balance sheet as pension provision thereby reducing equity. Therefore, changes in actuarial gains and losses recognised as expenses under the corridor method must be reversed. In 2006, this change contributes €45 million to EBITDA and EBIT(*), €25 million to net income and €0.03 to earnings per share. This has no impact on prior year figures due to their non-material nature.
(5) Dividend to be approved at the EADS General Meeting of Shareholders on 4 May 2007.
(6) Contributions from commercial aircraft activities to EADS order intake and order book are based on list prices.
(*) EADS uses EBIT pre goodwill impairment and exceptionals as a key indicator of its economic performance. The term "exceptionals" refers to such items as depreciation expenses on fair value adjustments relating to the EADS merger, the Airbus combination and the formation of MBDA, as well as impairment charges thereon.

A) *Airbus*

On 13 October 2006, EADS acquired BAE Systems' 20% share in Airbus for €2.75 billion. The valuation was established by an independent expert during the Put Option process launched by BAE Systems in June 2006. EADS paid the full amount in cash from available internal sources and is now the sole owner of Airbus.

Despite management changes and industrial problems related to the A380, the Division achieved a strong sales performance in 2006, with a record number of aircraft shipments: a total of 434 aircraft, including 339 single-aisle aircraft, nine A300 cargo aircraft and 86 A330/A340 aircraft.

The net order intake for Airbus for 2006 was for 790 aircraft, which is the second best score in its entire history, following the 1,111 orders booked in 2005. The majority of orders were for the single-aisle category of aircraft, with a total 673 orders from 47 customers, including a record order from the Chinese company CASGC for 150 aircraft in the A320 family.

At the end of 2006, Airbus' order book stood at 2,533 aircraft, representing a rise of 17%, and corresponding to 51% of the total orders for the sector. This record level offers Airbus "visibility" for approximately five years.

Despite industrial difficulties related to the electrical wiring of the cabin, which caused delays in the delivery schedule of the programme, the A380 successfully completed its trial flights. The aircraft obtained A380-type certification in December, demonstrating its technical excellence. Most customers for the A380 have maintained their orders, with some placing additional orders, showing their confidence in the aircraft. The first delivery of the aircraft to Singapore Airlines in the last quarter of 2007 is a critical objective for the Management of Airbus.

In December, Airbus received authorisation to begin production of the new A350 XWB family of long-haul aircraft of innovative design. The A350 XWB has a passenger capacity of 270 to 350 seats and the first aircraft are scheduled to enter service in 2013.

To meet the very substantial challenge of the weak US dollar, increased competitive pressure, and the financial burden related to the A380 delays as well as meet its other future investment needs, Airbus launched a restructuring and rationalisation plan, "Power 8", comprising nine modules. This transformation process will unfold progressively over a period of several years.

The Management of Airbus will implement considerable cost reduction plans and optimised cash flow management expected to generate a €2.1 billion annual contribution to EBIT(*) from 2010 and an additional €5 billion in cumulative cash savings from 2007 to 2010.

To ensure the exhaustive, sustainable implementation of "Power 8", Airbus has put in place a robust system monitoring tangible cost and cash impact indicators until their effect is visible in the financial statements.

Breakdown of Power 8 EBIT(*) contribution by module

	EBIT(*)
Develop faster	6%
Smart buying	31%
Lean manufacturing	16%
Reduce overheads	32%
Maximise cash	–
Restructure industrial set up / focus on core	12%
Streamline final assembly lines	3%
Total	**100%**

(*) See note on opposite page.

B) *Military Transport Aircraft (MTA)*

In 2006, the Military Transport Aircraft (MTA) Division focused on the industrial management of its two new programmes, which are in critical phases. The A330 Multirole Tanker Transport (MRTT) aircraft with the new systems and in-flight refuelling boom is scheduled to enter service in 2009. The first shipment of the A400M is scheduled for the same year, with the final assembly line due to start up in 2007. In 2006, the A400M completed four industrial stages, in compliance with the contractual schedule. Nonetheless, EADS performed an internal review of the programme in order to validate its current state of advancement and ensure transparency for the customer. The review was able to confirm the fact that the A400M programme is progressing according to the contractual schedule. However, the challenges facing the programme up to the first delivery in 2009 were deemed considerable. In particular, the audit identified several areas representing a critical risk: the design of certain systems (particularly the electrical wiring), the maturity of several military mission systems, engine modifications and the end of refitting work on the final assembly line. On a commercial level, the Malaysian contract for four A400M was signed, adding 188 orders to the existing total. MTA also received orders for 19 light and medium capacity military transport aircraft, including a contract for 12 C-295 for the Portuguese Air force.

C) *Eurocopter*

In 2006, Eurocopter maintained its leading position worldwide in civil and para-public helicopters with a record 381 new deliveries, representing a 50% share of the global market. With orders booked also at a record high of 615 aircraft, the order book amounted to a historic €11 billion. In 2006, Eurocopter took a decisive stride into the American Defence market by winning the contract with the United States Army for the supply of the new Light Utility Helicopter. In the long-term, LUH requirements amount to 322 helicopters, representing a potential global value of $2 billion for the duration of the programme. 42 aircraft have already been ordered and the first three have been delivered. In addition, Eurocopter won an order for 34 NH90 helicopters from Australia and received confirmation of the order for nine NH90 from New Zealand. This brings the total orders booked for the tactical transport helicopter to 400. On an industrial level, Eurocopter extended its presence in Russia with the inauguration of Eurocopter Vostok, and at the same time, operations in Spain were expanded with a new plant in Getafe.

D) *Defence and Security*

The Defence & Security Division continued to improve profitability through improved performance in terms of operating profits from military air systems, a greater contribution from professional mobile radio communications and the capital gain achieved on the sale of EADS/LFK to MBDA. These improvements were partially offset by the effects of the dollar exchange rate and the scheduled costs of restructuring within the Defence and Communication Systems Operating Unit. Sales increased 4% to €5.8 billion, mainly due to the increased pace of production at Eurofighter and security activities.

With the addition of LFK, MBDA confirmed its position as the leading manufacturer of missile systems worldwide. LFK's integration is currently under way and will enable an enhancement in operational performance levels. The first Meteor missile, a second generation air-to-air missile, was successfully fired in the course of the year, demonstrating its high speed and long-range capacities. MBDA received notification from the French defence procurement agency, the DGA (Délégation Générale pour l'Armement), of the development and production contract for 250 SCALP Naval missiles, the naval cruise missiles destined to equip the French Navy's FREMM multi-mission frigates and Barracuda submarines. DCS' digital radio activity, PMR (professional mobile radios) booked more than 20 orders for secure communications networks including the BOSNet contract from the German authorities.

Lastly, EADS and ThyssenKrupp finalised the acquisition of Atlas Elektronik. Both groups will pool their competencies in platforms, electronics and systems in the naval field with Atlas, in which EADS and ThyssenKrupp hold a 40% and 60% share respectively. In addition, EADS acquired the French company Sofrelog. These two acquisitions reinforced EADS' presence in the naval sector.

E) Astrium

Drawing the full benefit of five years of industrial re-structuring, Astrium performed robustly in 2006. Margins improved due to the substantial cost reductions achieved and the Division's strong position as major prime contractor in the European space sector.

The increased pace of production and the progress of military communications satellite systems such as Skynet 5 and SatcomBw were the driving forces behind this success. The Division also attracted a further seven orders for telecommunications satellites.

5-2-2-3 Strategy: innovation, internationalisation and improvement

To maximise shareholder value and balance the product range, EADS' Management (the "Management") intends to place EADS in the position of leading global company in the Aeronautics and Defence industries. Beyond the response to current operational issues, EADS will continue to offer higher value to its customers through innovative products and services.

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

In spite of the difficulties encountered in 2006, EADS will continue to aim for leadership in the civil aviation market, in terms of both product innovation and customer satisfaction. In particular, it will endeavour to offer customers a complete portfolio of products, and at the same time develop international partnerships. Total control of Airbus makes it possible to achieve better integration in EADS and should, in the long-term, offer prospects of enhanced profitability.

Develop strong growth engines to improve business balance

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. The Management intends, in particular, to increase the presence of EADS in the services sector.

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. The group will also seek to reduce its exposure to fluctuations in the euro-dollar exchange rate by means of a policy of purchasing and industrial activities in certain countries.

Return to profitability and conserve financial capacities in the long term

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. Given the present deterioration in the position of Airbus, the successful implementation of Power 8 and the building of solid foundations for a "New Airbus" will be the principal challenge to be met to achieve this profitability goal. In addition to actions aimed at reinforcing Airbus, measures to enhance operational efficiency will be taken across the group.

To achieve these strategic objectives, a strengthening of the group's operational integration is crucial. Consequently, the group will develop a common sales approach and stress the importance of sharing technologies and processes in order to stimulate growth and generate savings. The Management has therefore identified the three guiding principles behind growth and profitability: innovation, internationalisation, and continuous improvement.

A) *Innovation*

At the core of group strategy, innovation will define EADS' future. With business cycles becoming shorter and new competitors emerging on all the markets it operates in, EADS must maintain technological excellence and cover a wide spectrum of skills in order to sustain its leading position on these markets.

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 2006, EADS invested approximately €2.4 billion in self-financed R&D, representing 6% of sales. EADS also reinforced technological management with the appointment of a new Chief Technical Officer who reports directly to the Executive Presidents and has a seat on the Executive Committee.

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 monitoring of key new technologies and accelerate its processes to keep ahead of competitors. EADS is also determined to double the number of joint technology programmes in which it is involved in partnership with international academic and industrial institutions.

In the defence sector, the new demands of the American and European armed forces and 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 system integration skills and its capacity to provide service solutions.

EADS wishes to extend its expertise in terms of programme monitoring and control, by proposing service solutions. Drawing on a number of successes, EADS intends to develop its outsourcing services to the armed forces.

B) *Internationalisation*

While EADS has already established a decisive presence in several non-European markets, it will continue to invest efforts to increase its global reach. These efforts are orchestrated at corporate level to take advantage of the cohesion and synergies between the group's operating units. In some countries, a local industrial establishment is a requisite condition for access to the market.

Following this approach, EADS intends to establish its presence as a strong player in the key markets of 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 the markets, while taking advantage of their growth potential, technological skills and cost structures, natural exchange rate hedging, and the sharing of risks.

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. EADS has signed several key partnership agreements: 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 programme. Eurocopter was selected for this programme, which represents a decisive step towards expansion in the American market.

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 and 2006 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 has selected a site in China to set up the final assembly line for the Airbus single-aisle aircraft. 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, Eurocopter is developing 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 (approximately 7% of the order book). 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.

C) *Continuous improvement*

Transforming record orders of over €210 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.

The delays experienced in the production of the A380 have drawn attention to the need for improvement.

In addition, the weakening of the dollar against the euro makes improvement an even more urgent necessity. The implementation and execution of improvement plans across the group as a whole will therefore be a priority in the years to come.

The Management announced the implementation of Power 8, a plan designed to examine all aspects of operations to reduce costs and streamline structures. As part of this plan Airbus will increase the integration of its internal processes and at the same time seek better integration into EADS. Power8 aims to generate sustainable annual savings of at least €2 billion from 2010 onwards and an additional €5 billion of cumulative cash flow by 2010.

5-2-3 Other business activities

5-2-3-1 NMPP

Despite the implementation of restructuring operations corresponding to the major lines of the strategic plan adopted to preserve NMPP's role as leader in press distribution, the business once again experienced a significant decline in 2006 with a 3.6% fall in volume and 3.8% in terms of value. There were strong variations depending on the publication frequency, with bi-monthly and monthly publications particularly hard hit (- 8%), and non-press products also affected (- 6.5%).

As a consequence, the company incurred an operating loss, despite the restructuring operations undertaken. Including financial income and State aid to support the distribution of daily general information and political information publications, the net result is now in deficit.

Among the most important subsidiaries, SPPS (-€24 million) and SAD (-€1.50 million) experienced the same trends, while AAP slightly improved sales and net profit.

NMPP is now in a difficult financial situation, which is involving risks to the future of the company. The decline of the Press market is continuing to generate a marked decline in business. Without the implementation of an ambitious strategy to reverse the trend, results will deteriorate considerably by 2012, generating a financing requirement that could only be met by the addition of capital from outside sources.

Against this background, NMPP presented a new Strategic Plan to counteract the effects of this situation. This Plan is based on four main components:

- an aggressive policy to reconquer sales, through the development of sales networks, the strengthening of network motivation, and the development of services to publishers;
- achievement of significant savings through in-depth restructuring of the distribution organisation;
- capitalising on the skills and know-how of NMPP in terms of logistics and running of the networks, through diversification;
- matching the product offer and pricing.

To be successful, the Plan clearly requires total commitment, including financial commitment, from all the players concerned by the future of NMPP (including the public authorities), as well as adjustment of the rules governing its operation. These are the prerequisites that will encourage an investor interested in becoming the operator of NMPP to agree to implement the Plan and provide part of the funding required for its success.

5-2-3-2 Matra Manufacturing & Services (formerly Matra Automobile)

For Matra Manufacturing & Services, 2006 was the second full year of implementation of its industrial conversion strategy, based on the design, manufacture and distribution of light electric vehicles (particularly bicycles) aimed at offsetting the gradual reduction in the spare parts business for Renault.

The spare parts business in 2006 experienced the decline anticipated, with sales of €61.7 million.

The light electric vehicles business in 2006 focused on developing the network of sales outlets, acquiring technological resources (Wavecrest processes) the cost of which was recorded as an expense, and progressively increasing the volume of products, mainly intended for major accounts, such as La Poste.

The net cash position of Matra Manufacturing & Services nonetheless improved over the previous year and amounted to €64 million as at 31 December 2006.

Due in particular to the action taken by Matra Manufacturing & Services, the Romorantin employment area has seen the creation of 1,953 jobs since the business was discontinued, and the creation of almost 600 additional jobs is expected in the period between 2007-2008.

5-2-3-3 Le Monde

Lagardère's global share in the capital of Le Monde SA has remained the same as at 27 October 2005, 17.27%.

Le Monde SA heads a group that owns 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.

Following the signing, in 2005, of a contract for support, management and commercial cooperation between magazine advertising space brokers Publicat (Le Monde group) and Interdeco (Lagardère Group), Lagardère is scheduled to take over advertising sales brokerage for the *Le Monde* newspaper in 2007 from Publicis, through a majority share in an ad hoc company.

Furthermore, an in-depth study is under way to examine how the Lagardère Group and Le Monde group could merge their regional newspapers in 2007, in the framework of a structure controlled by Le Monde.

The main results of Le Monde group in 2006 show a considerable turnaround, with operating profits in the order of €4.2 million, an increase of approximately €4 million compared to 2005, although overall, with the adverse effect of high financial costs and exceptional, non-recurring items, net losses of the consolidated companies amounted to approximately €14 million.

5 - 3 Corporate social responsibility and corporate citizenship – Ethics

The Group's commitment

"The Lagardère Group's industrial ambition is part of a long-term strategic vision. Sustainable Development, which is based on the same forward-thinking logic, is an approach with which the Group identifies today and to which it intends to contribute.

Regarding people, Lagardère endeavours to create a work environment that favours the personal development of employees. In a business sector like the media, encouraging creativity and independence becomes a key factor for success. The skills mobilised by Lagardère take on the value of a competitive edge.

The essential vehicle for the Group's social commitment is the business itself. Book publishing, the press, radio, television, distribution - through these various channels for information and knowledge, Lagardère encourages a wide range of opinions and ideas and promotes the most precious aspect of culture: its diversity. Added to this is a strong social commitment, expressed through the action of the Jean-Luc Lagardère Foundation and in the promotion of all types of sports activities.

Concerning environmental questions, practically all of the manufacturing processes are outsourced. However, the Group launched initiatives a number of years ago with the aim of improving control and limiting the impact of its business activities on the environment.

For Lagardère, the idea of Sustainable Development also implies a determination to carry out its business activities honestly and impartially, in compliance with its code of conduct and principles of business ethics, while at the same time honouring universal values and fundamental rights."

5-3-1 Lagardère's corporate social responsibility (CSR) approach

5-3-1-1 Implementation of the approach

A) *The CSR committee*

Lagardère applies the key principle of autonomy for the divisions – Lagardère Publishing, Lagardère Active, Lagardère Services and Lagardère Sports – and their subsidiaries. The operating units and their respective managements are responsible for defining labour, social and environmental policies, in order to integrate the concepts and corresponding instruments into the daily life of the various companies within the Group.

A cross-division Steering Committee (the CSR committee) was set up by the Managing Partners to formalise the Group's position regarding its labour, social and environmental responsibilities, initiate discussions and implement the resulting actions, in cooperation with the divisions.

The CSR committee is run by the Group's Legal Division and comprises representatives of the Human Resources and Finance Divisions. The committee's mission is to:
- Provide information, raise awareness and motivate a network of divisional correspondents in subjects relative to the Group's labour, social and environmental responsibilities;
- Oversee continuous improvement of the Group's actions in this respect, and particularly:
  - promote and organise the sharing of good practices
  - reflect on ways of improving existing actions
  - act as a source of proposals for launching new initiatives
  - encourage the creation of workgroups on given themes or for specific one-off situations
- Implement, coordinate and improve reporting;
- Communicate with the CSR ratings organisations and respond to their queries regarding labour, social and environmental issues

B) *Human resource divisions*

The Human resource divisions of the different entities and their teams are responsible for their own "human resource" policies and for labour-related and social information reporting. The Group Human Relations Division and the Human Resource Directors of each division examine the Group's labour-related and social issues at bimonthly meetings. The Group's strategy is discussed, defined and formalised in cooperation with the operating managers of each division, who tailor it for implementation under their authority.

C) *The general secretaries and the technical departments*

In cooperation with the CSR committee, the General Secretaries and the Technical Departments of the divisions are in charge of the continuous improvement of environmental actions and play an active part in environmental reporting.

D) *The Group procurement division*

The Group Procurement Division implements environmental actions, in particular through Procurement Coordination, which involves all of the divisions. Sustainable Development criteria are also being progressively incorporated into contracts with suppliers (see section 5-3-1-3)

5-3-1-2 Data reporting methodology

A) *Scope of reporting*

Labour and social information is collected by means of a reporting system deployed in all the subsidiaries within the scope of consolidation which are operationally managed by the Group, with the exception of:

- entities that were disposed of or deconsolidated in the course of the financial year,
- certain entities acquired in the course of the year, for which the reporting system will be implemented gradually as they are integrated into the Group, and
- certain entities which have fewer than five salaried employees.

The labour and social data presented below (with the exception of data pertaining to changes concerning the total number of Lagardère employees) therefore covers 175 Group companies, representing more than 92% of Lagardère's total workforce. The rate of coverage is almost 100% for Hachette Distribution Services, 94% for Hachette Livre and 87% for the Audiovisual and Press business activities. Geographic coverage varies from 90% to 100% of employees depending on the area.

In 2006, the Group integrated into its financial data consolidation system certain environmental data items concerning water and energy consumption. The corresponding data covers 100% of **Lagardère's consolidated subsidiaries**, representing more than 500 companies. The full list is appended to the consolidated financial statements.

B) *Variations in scope*

Changes in the scope of **labour-related and social** reporting are related to the development of the Group's business activities over the past few years, principally through external acquisitions, and internal legal reorganisation. Variations in scope between 2005 and 2006 were related to the following:

- integration of new companies following the acquisition of the Time Warner Book Group by Lagardère Publishing in the United States, radio stations in Eastern Europe (Moscow, Saint Petersburg) for Lagardère Active and a retail network in Hong Kong by Lagardère Services
- mergers of certain activities which lead to legal reorganisation within the Group.

As **water and energy consumption indicators** have been incorporated into the financial reporting system, changes in the scope of this system are identical to changes in the financial reporting scope (companies acquired in the course of the year are integrated into the scope for the entire year in which the acquisition took place, and companies disposed of are removed from the scope from the date of disposal, the relevant data being taken into account up to the actual disposal date).

C) *Choice of indicators and reference base used for reporting*

Labour-related reporting meets the needs of the Group's Human Resource policy, while taking into account the specific needs of each business line and geographic area. In 2006, out of a concern for continuous progress, the Group improved the indicators used by refining the range of selected indicators in order to obtain a greater level of detail and a greater degree of precision. The definition of certain parameters was also modified to enable their application across the board of Lagardère's global scope.

The reference base for labour-related and social reporting can be accessed through the Intranet by the 158 staff contributors; this reference base specifies the procedures for the collection and reporting of data, as well as the definition of the selected indicators, and the calculation formula used, to ensure satisfactory, uniform comprehension by all contributors. The data is entered for each Group subsidiary that falls within the reporting scope, and then validated either by the Human Resource Director, where relevant, or by the subsidiary's management; a second level of validation by each division is planned. Consistency checks are run on the data entered, including comparison with the data for previous periods and a systematic alert requiring explanation when the variances are deemed significant. These consistency checks ensure the integrity of the data and therefore contribute to the reliability of the information system.

Regarding environmental reporting:

- The data reference base relating to water, energy and paper consumption specifies the definition of the selected indicators and the procedures relative to data collection and reporting. This reference base is communicated to all the employees involved in the reporting such information. Data is input by a contributor in each subsidiary in the Group's consolidation scope. A data presence check is run and a consistency check is implemented (the data is compared to data from previous periods, with a systematic alert whenever a variance is deemed significant, requiring explanations from the contributor).
- The other environmental indicators selected correspond to the specific environmental issues of each business division; the corresponding data is consolidated and verified at the level of the business divisions, on the basis of the information communicated by their subsidiaries.

The methodologies relative to certain labour-related and environmental indicators may present restrictions due to:
- difficulties in interpreting the data by some contributors, due to the absence of internationally-recognised definitions;
- the necessary use of estimations, or the practicalities of data collection and entry.

5-3-1-3 Awareness-raising

Lagardère plays a fundamental role in raising awareness of Sustainable Development issues with respect to:

- **the general public:** through editorial contents and its distribution activity, the Group aims to raise awareness in the general public of Sustainable Development issues: among the contents produced or delivered (whether books, magazines, newspapers, radio and television programmes or film and television productions) a number deal with the subject of Sustainable Development, making the general public conscious of the related issues.
- **suppliers:** the Group promotes Sustainable Development practices in its suppliers; in particular, since 2006 it has been progressively incorporating ethical, labour-related, social and environmental criteria into both calls for tender and into the general terms of new contracts and framework agreements.
- **employees:** in 2006 Lagardère began Development of an "area" on its Intranet dedicated to Sustainable Development; the aim of this mini-site, which went online in March 2007, is to raise Group employees' awareness of Sustainable Development issues and encourage them to become involved; it is also intended to present the Group's commitments and action in terms of Social and Environmental Responsibility.

5-3-2 Labour information

The high performance levels of the Lagardère Group owe much to the skills of its staff. For optimum deployment of human resources that takes into consideration the specific features of the Group's various business lines, the operating units manage human resources independently. Nonetheless, the **principal concerns guiding human resource policies** have been defined and formalised by Lagardère, in agreement with the Human Resource Directors of the divisions. The principal concerns for the Group are as follows:

- **preserving balance in the workforce,** in a fair environment based on the principle of equitable employment practices (5-3-2-1);
- **fostering personal creativity and fulfilment,** particularly through skills development and internal career development (5-3-2-2);
- **providing an attractive remuneration package** that is fair, based on the recognition and reward of merit and performance (5-3-2-3);
- **promoting dialogue between the workforce and management** (5-3-2-4), and
- **improving health and safety at work** (5-3-2-5).

In addition to the information given below, labour-related indicators are reported in the appendix (5-3-2-6).

5-3-2-1 Preserving balance in the workforce

One of the major lines of the "labour" policy in each of the Group's divisions is the search for balance in all its forms:

- Employee numbers appropriate to the needs of the business line
- A balance between youth and seniority
- A proportion of supervisory staff appropriate to the business line
- Cultural diversity

A) The Group's employees

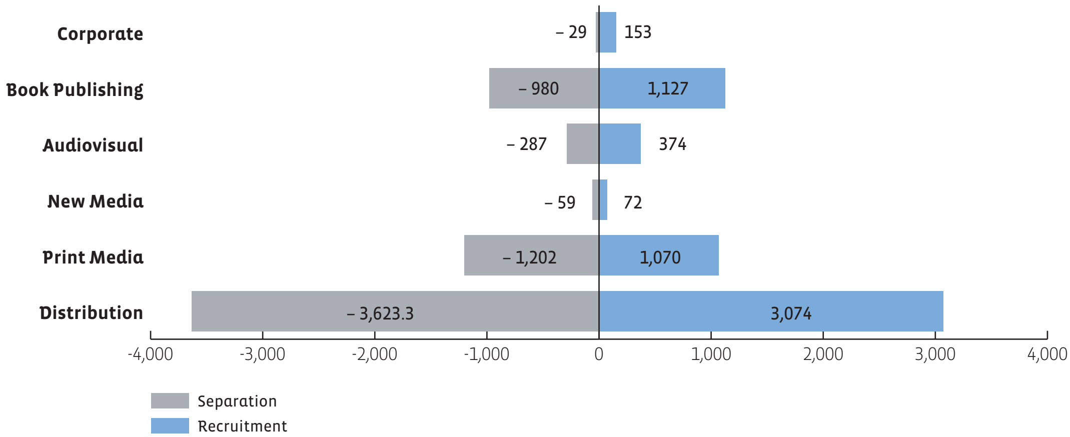
Changes in the workforce

At 31 December 2006, the permanent workforce totalled 30,487 compared to 29,003 at the end of 2005. The increase is mainly due to acquisitions such as the Time Warner Book Group by the Book Publishing division, radio stations in Eastern Europe (Moscow, Saint Petersburg) by the Audiovisual segment, and a retail concession in Hong-Kong by the Distribution division.

Changes in permanent and temporary workforce (in full-time equivalents or FTE)

	2001	2002	2003	2004	2005	2006
Lagardère Media	27,774	27,147	26,600	31,126	31,324	31,522

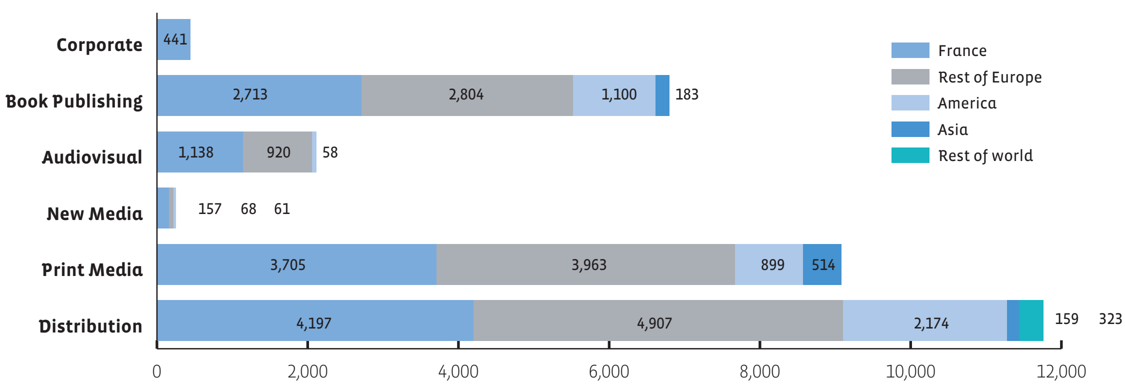
Recruitment and separation of permanent workforce by division



Breakdown by geographic area

The Group's international presence, with operations in 29 countries, is reflected in the workforce: at the end of 2006, 60% of the workforce was based outside France. Hachette Livre, for instance, has a significant presence in English-speaking countries and in Spain. Hachette Distribution Services is the most international division, a situation accentuated in 2006 by the development of distribution in Eastern Europe and China in particular. The Group remains predominantly French-based, however, with 40% of the total workforce in mainland France.

Permanent workforce at 31 December by division and by geographic area

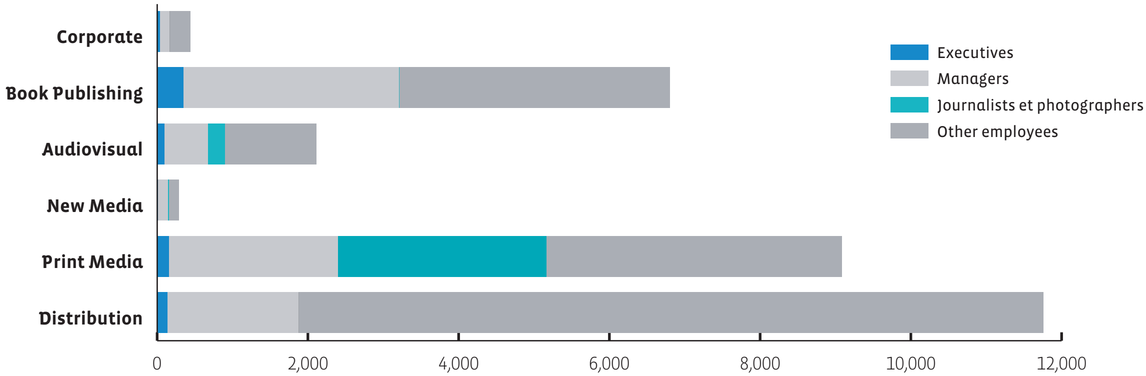


Breakdown by occupational group

In 2006, Lagardère reviewed the definition of certain parameters in order to apply them to the entire scope of the Group. The cadre/non cadres (executives/non executives) classification, which was specific to France, has been replaced by a classification distinguishing between executives/managers and other employees/non managers. The workforce of Lagardère is now divided into four occupational groups: Executives (Cadres Dirigeants), Managers, Journalists (including photographers) and Other Employees.

The breakdown of the workforce by occupational group varies from one division to another, and reflects the diversity of the Group's activities and business lines. At Hachette Distribution Services, for instance, the proportion of managers is 16%, which can be explained by the large number of unskilled positions inherent to retail trade; in the other divisions, this proportion is between 40 and 60%, due in particular to the nature of editorial content publishing: journalists and photographers at Hachette Filipacchi Médias, editors at Hachette Livre, information technologies at Lagardère Active, etc.

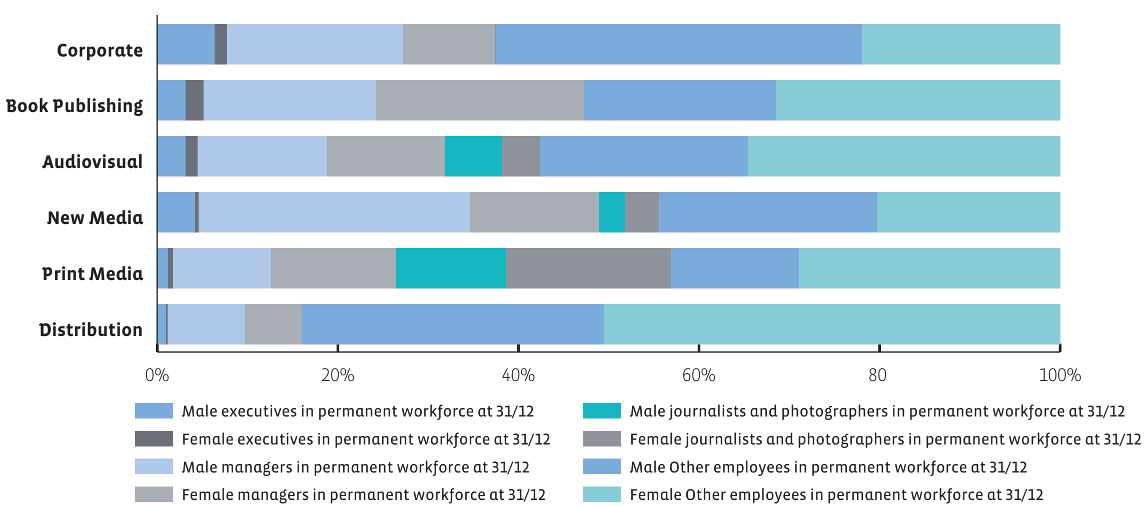
Permanent workforce at 31 December by occupational group



A predominantly female workforce

Women are in the majority in the total workforce of Lagardère. In 2006, they represented more than 60% of total recruitments. Women account for 30% of executive job positions, 51% of managers and 59% of journalists and the proportion of women in the "other employees" group is 61%.

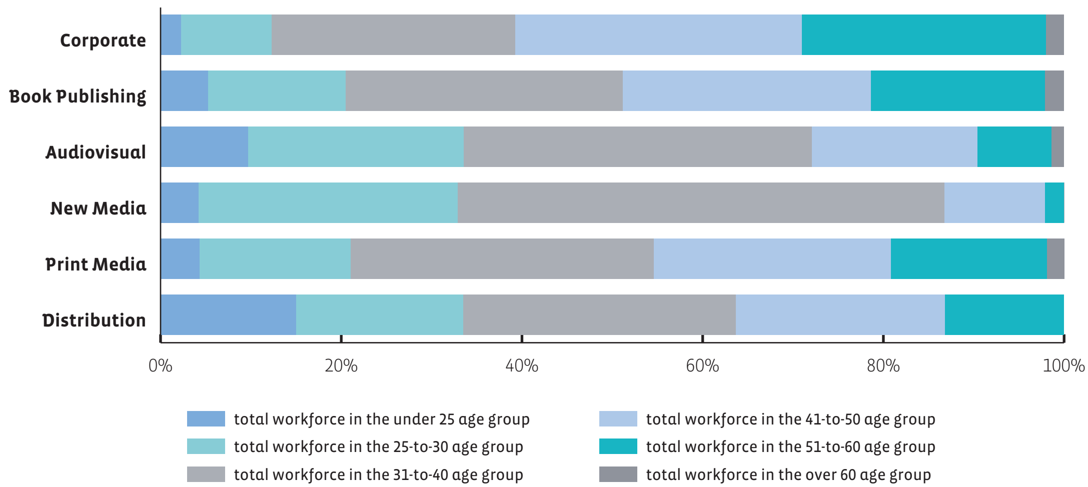
Permanent workforce at 31 December by occupational group and by division



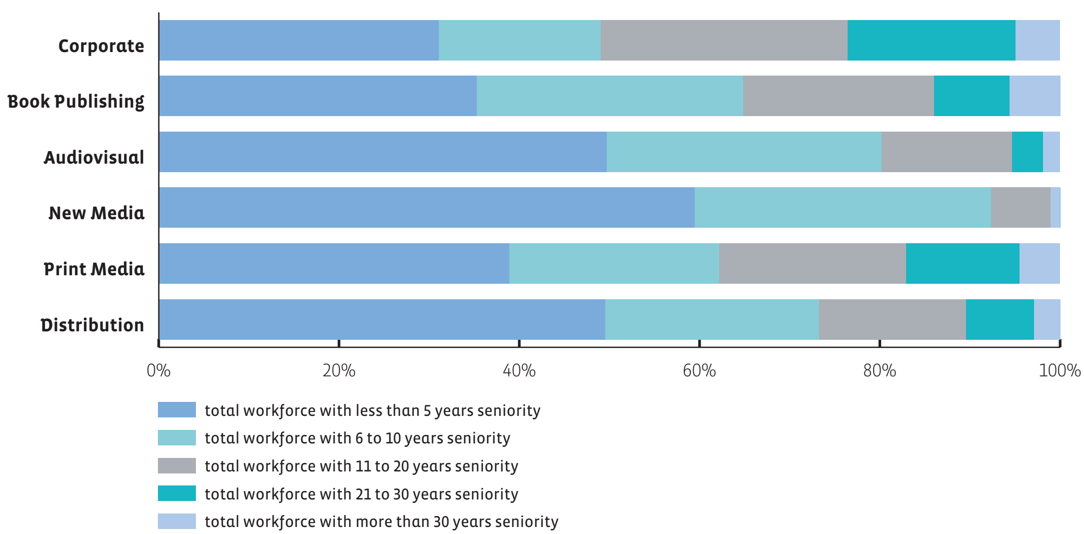
A relatively young workforce with high loyalty to the Group

The Group's age pyramid reflects the balance between a youthful workforce, with almost 60% of employees under 40 and 25% under 30, and experience, related to the seniority of employees, which is a requisite in the field of the traditional media.

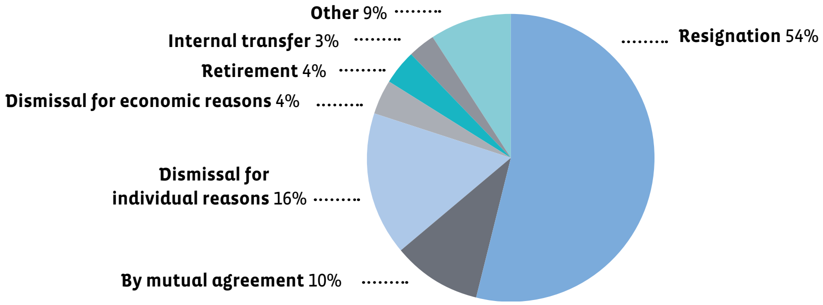
Breakdown by age and by division



Breakdown by seniority and by division

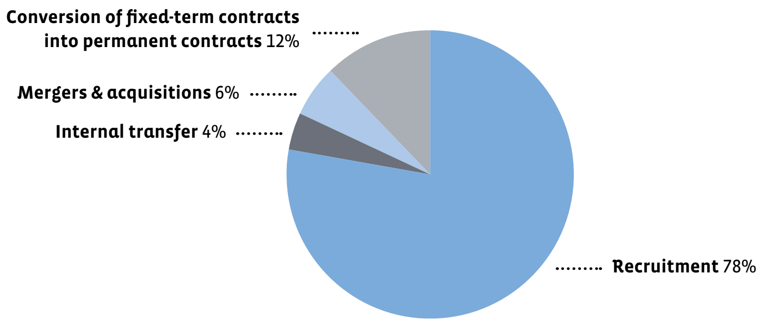


Typology of permanent staff separations



With an excellent reputation and strong brand names, Lagardère has the benefit of **tangible staff loyalty** (30% of the Group's total workforce have more than ten years' seniority, a figure that rises to 40% in France) and has **great appeal** to potential applicants (170,000 job applications were received in 2006 compared to 150,000 in 2005). The stability of the workforce at Lagardère is reinforced by a relatively low resignation rate (less than 10% for the Group as a whole), including in the sales and distribution activities.

Typology of incoming permanent staff



Furthermore, due to the nature of the press and film and television production business lines in France, Lagardère utilises specific occupational groups: freelance journalists and seasonal entertainment workers, known as "intermittents du spectacle". Aware of the special status of these categories, the Group is involved in the overall reflection on changes affecting them, and, in particular, takes part in the divisions' various negotiations regarding social security coverage, unemployment benefits and professional training. In 2006, Hachette Livre signed an agreement concerning professional training and social security coverage for home workers and Hachette Filipacchi Médias implemented a system geared towards contributing to the continuous professional training of freelance journalists, through Mediafor, the organisation which collects contributions for the profession.

B) The Group's attachment to equal opportunities

Guaranteeing equal opportunities and treating all individuals fairly is Lagardère's philosophy. With a diversity of activities and business lines, and staff skilled in their domains, the Group encourages diversity in the divisions. It endeavours to develop cross-divisional actions in this field, particularly by identifying good practices in the different entities and sharing them across the Group.

In 2006, the Lagardère Human Resource Division initiated a meeting of the business divisions' Human resource teams to consider the subject of equal opportunities and their implementation within the Group.

Concerning disabled employees, Lagardère employs on average 10 disabled people for every thousand employees, with the proportion reaching 12.5 per thousand in France. At Hachette Filipacchi Médias, for instance, the mission to promote the "integration of disabled employees" continued its action in 2006 in terms of recruitment and industrial placements for disabled people, job security, outsourcing to sheltered workshops and staff awareness-raising on the subject of disability. Discussions were held on the implementation of an enterprise agreement regarding the integration of disabled workers; in 2007 an application for certification will be submitted to the Labour and Employment board in the Hauts-de-Seine department, which, if successful, will testify to the fulfilment of the employment obligation.

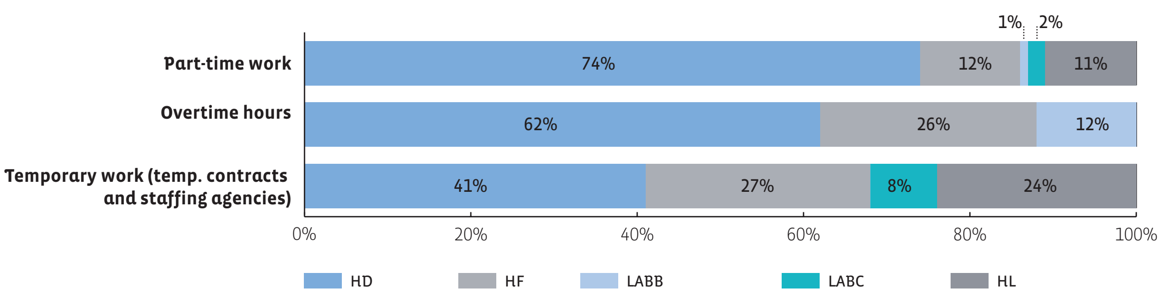
C) Flexible work organisation

The entities of the Group have implemented a work organisation scheme that provides the flexibility to meet the specific requirements of the business lines while taking into account the aspirations of the workforce and the use of replacement staff in the event of sick leave or maternity leave. This scheme includes part-time work, overtime hours and temporary work contracts. The Group also takes care to respect the legal regulations specific to each country, both in terms of working hours and the management of overtime.

Employment of temporary staff (on fixed-term work contracts or through temporary staffing services agencies) is an inherent part of the specific nature of certain business lines. This is particularly true for seasonal peaks in business at Hachette Livre and Hachette Distribution Services: the publication of new works of literature (generally scheduled from September to November in France), school textbook orders (processed from May to September) and the Christmas season. Another factor is the constraints related to distribution activities (extensive opening hours, training of store managers, etc.). The Group has invested considerable efforts in optimising the use of temporary staff (who represent 4% of the total workforce, on a full time equivalent basis), leading to a reduction in the number of fixed-term work contracts from 3,141 in 2005 to 2,789 in 2006. Lagardère aims to maintain the proportion of staff on such contracts at around 10% of the global workforce, in order to preserve the degree of flexibility and responsiveness required for the management of its business activities.

As flexibility and the optimisation of labour costs are essential to the activities of distribution, Hachette Distribution Services makes considerable use not only of temporary staff (see above), but also of overtime and part-time work, mainly in Asia and Central Europe. This situation explains the significance of overtime hours (67%), part-time work (74%) and temporary agency staff work contracts (41% of total temporary jobs) in the Distribution Services division compared to the Group as a whole. This type of organisation is also to be found, to a lesser degree, in the distribution activities of the Book Publishing division, which is faced with the same needs.

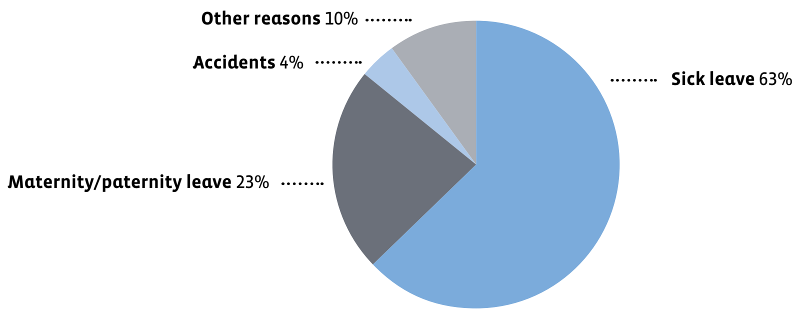
Flexibility of work by division



Absenteeism

The average number of days' absence per person, for all reasons combined, fell from 14.5 in 2005 to 13.96 in 2006. Paid sick leave and maternity or paternity leave accounted for the vast majority of all paid leave.

Breakdown of paid leave of more than one day for permanent workforce in days per person



Average days' paid leave for permanent employees. by division

Divisions	Sick leave			Paternity / Maternity leave			Accident-related leave			Other paid leave			Total paid leave
	M	F	MF	M	F	MF	M	F	MF	M	F	MF	
Distribution	12.44	11.99	12.19	0.07	5.7	3.16	1.03	0.77	0.89	0.66	1.07	0.88	17.12
Print Media	6.77	9.23	8.14	0.1	6.61	3.74	0.81	0.11	0.42	2.77	3.29	3.07	15.37
New Media	3.71	6.66	4.84	0.27	4.3	1.81	0	0.06	0.02	0.43	0.06	0.29	6.96
Audiovisual	3.81	7.28	5.67	0.17	6.84	3.73	0.39	0.11	0.24	0.59	1.01	0.81	10.45
Book Publishing	4.28	6.25	5.38	0.22	4.95	2.87	0.63	0.44	0.52	0.55	0.59	0.57	9.34
Corporate	2.87	3.1	2.94	0.07	9.55	3.25	0.1	0.08	0.09	0.24	0.08	0.19	6.47
Divisions	8	9.32	8.73	0.12	5.87	3.27	0.79	0.45	0.6	1.15	1.52	1.36	13.96

5-3-2-2 Fostering personal creativity and fulfilment

In compliance with the principle of autonomy of the Group's individual divisions, measures for skills development and internal mobility are undertaken at the level of each entity. This nonetheless illustrates **Lagardère's commitment to investing in the development of the professional skills and individual responsibilities of staff.**

In 2007, the Group's main concerns will revolve around:

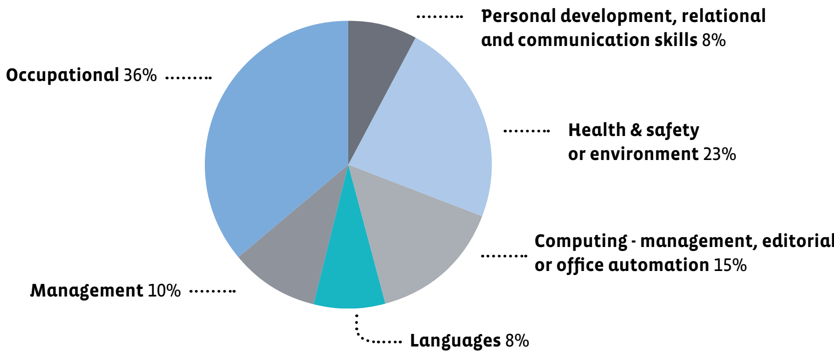
- Acquiring the skills related to digital technologies, and in particular, their use in combination with traditional media, and
- Improving the management of talents on a cross-business line basis, as well as between the divisions.

A) Encouraging skill development

In terms of training, each division endeavours to foster and develop the skills of its employees. Training programs have been drawn up at every level and training efforts in 2006 were sustained: almost half of the Group's permanent workforce attended at least one training course, for an average investment of €1,094 per employee trained in France (€812 for the Group as a whole) over an average duration of 2.36 days.

Furthermore, the Group strives to build a corporate culture in its managers, and to foster the development of the key values of creativity, independence, audacity and entrepreneurship. These values are conveyed through the in-house university "Media Campus", which offers training designed for managers in the Group. Three programmes – "Leadership", "Integration" and "Young Managers" – provide support to managers and serve to strengthen their management skills. In 2006, manager training represented 10% of the Group's training budget.

Breakdown by type of training course



B) Encouraging integration of young people in the Group

Each entity has a significant policy for exchanges with schools and universities, particularly through work placements. In 2006, Lagardère companies welcomed some 2,487 placement students, 10% more than in 2005, and the number of alternate work/study contracts increased by 46% in 2006 (to 383). One good illustration of this is Europe 1's organisation of another Lauga bursary competition for final year students of journalism. The winner is awarded a three-month placement with the editorial team of Europe 1, and is often hired on a permanent work contract afterwards.

C) Promoting internal mobility

Managed essentially by each of the business divisions, career management, internal promotion and internal career opportunities involve each entity's management and Human resource teams. For example, annual interviews for assessment and promotion are gradually being introduced systematically throughout the Group.

The Group's Intranet contains tools with information on mobility which employees can use to help define and facilitate their plans. The Intranet also provides access to positions available within the Group, with the possibility of setting up personalised alert messages for notification when new vacancies of potential interest are published on line.

Internal transfers represent 9% of recruitments in France, varying from one division to another. Although it is an important issue for the Group, mobility between divisions is hindered by the specific nature of the different entities, their business activity and distant geographic locations. Further organisation is required to amplify the movement, especially for support positions. Internal mobility can also mean internal promotion. In 2006, for instance, 2% of the workforce received promotions, over 60% of them women.

5-3-2-3 Providing an attractive pay package

In a highly competitive environment, the Group's approach to **salaries** consists of offering **attractive packages in tune with prevailing market practices** (in terms of business activity and the economic and labour conditions in each country concerned).

The concern to control labour costs does not affect Lagardère's determination to **maintain employees' purchasing power** or its aim to **encourage commitment and performance**.

The Group also has the medium-term objective of promoting the notion of global remuneration (salaries, variable salary components, social security, savings schemes, etc).

A) Payroll, minimum salary and salary ranges

Lagardère's salary policy follows fair, equitable and consistent practices. Salary practices comply with local legislation and are also attuned to the economic and labour conditions prevailing in each country, and, where relevant, to agreements negotiated with the employee representative bodies of the business sector concerned (particularly in terms of minimum salary and general salary increase scales). In France, for example, the existence of a minimum wage is the result of national legislation applicable to the entire workforce; in certain other countries where the notion of a minimum wage may sometimes be purely symbolic, or there is no minimum wage, salary practices are defined according to the practices of the local labour market.

The average annual salary worldwide (including bonuses and variable remuneration) for all occupational groups taken together was approximately €37,844 in 2006, compared to €36,600 in 2005.

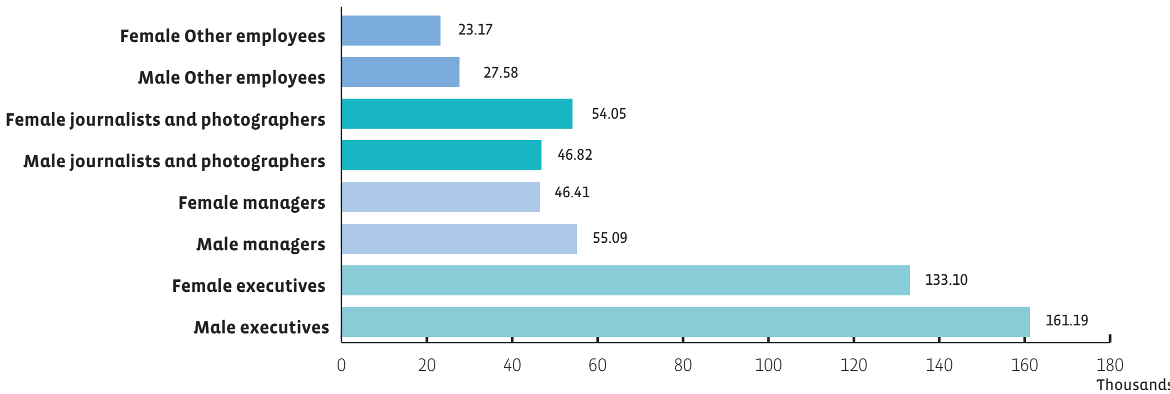
Average annual salary in euros for permanent workforce by occupational group and by geographic area

Areas	Executives	Managers	Journalists and photographers	Other employees	All occupational groups taken together
France	173,230.85	48,315.14	56,641.28	23,798.21	40,331.89
Rest of Europe	131,412.34	47,140.74	37,781.12	26,542.24	34,479.09
America	202,027.21	67,454.52	60,311.5	22,580.25	40,877.36
Asia	82,482.78	52,225.52	20,488.84	24,621.96	30,988.28
Other areas	94,244.35	39,882.57	0	29,176.88	34,301.94
Areas	152,757.07	50,717.92	50,275.82	24,980.09	37,844.06

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.

Lagardère firmly intends to encourage equal pay for women and men, under equal conditions of employment and qualification. The differences observed in the table below are due essentially to disparities in the nature of the positions and responsibilities held, as well as differences in age, seniority and level of qualification between the two groups. The **salary scales** implemented in some of the Group's subsidiaries are one means of achieving this equality. 61% of all employees work in an entity which has defined salary ranges for each level.

Gross annual salary (€) of permanent workforce by occupational group and by gender



B) Salary increases

The Group's policy in terms of salary increases also takes into account individual performance levels, assessed on quantitative and qualitative criteria defined by the subsidiaries. To take into account employees' levels of skills, training and responsibility, and the specific nature of the sectors they are working in, individualised pay rises are increasingly common.

C) A complete range of variable components of pay

In addition to basic salary, most of the Group's entities make use of individual and collective performance incentives (such as bonuses or a variable component to pay). These practices make it possible to link an employee's remuneration to the achievement of personal targets and collective objectives at the level of the subsidiary concerned. More than 41% of the Group's workforce has a **variable component of pay** (there is a certain disparity between different geographic areas, particularly due to different local market practices, with salary policy remaining the prerogative of local management). Schemes that allow employees to **share** in the **financial results** of their company are common within the Group; they mainly take the form of profit sharing and employee savings schemes. 38% of employees in France belong to an employee savings scheme. 2.23% of the shares issued by the Group are held by employees, including 0.85% held through mutual funds.

In France, Group employees are also able to take advantage of **complementary health and social welfare plans** which are partially funded by the employers. Some also have a pay-in retirement scheme for one or more specific categories of employees, in addition to the general retirement scheme.

Furthermore, as regards **stock options**, in 2006, 451 people were allocated options to purchase 1,844,700 Lagardère SCA shares. The allocation of stock options is a means of sharing Group profits with employees according to their level of responsibility, performance and results. It also develops a certain degree of employee loyalty.

5-3-2-4 Promoting dialogue between employee representative bodies and the Group

Dialogue between employee representative bodies and the Group is an essential component of Lagardère's human resource policy, based on the clear principle of seeking a continuous balance between economic and labour-related issues, **at all levels of the organisation** (entities, divisions and Group); it will constitute an important factor in the deployment of Lagardère's strategy in 2007.

A) The Group Employees' Committee and the European Works Committee

Beyond the principle of the autonomy of the divisions, the Group aims to promote cooperation and dialogue with employee representative bodies and between the various subsidiaries, in France and the rest of the world. Two Works Committees have been set up to this end: the European Employees' Committee, set up in January 2003, and the Group Employees' Committee, set up in January 2002. These two bodies have regular exchanges with the Management about the main issues and the transformations necessary for the Group's business activities.

The Group Employees' Committee comprises 30 members representing Lagardère Group employees and five "observers" representing the EADS group (one for each nationwide union). The European Employees' Committee also comprises 30 members who are employees of the Lagardère Group in Europe (France holds 15 seats, and the remaining 15 are held by representatives from six other European countries - Spain, Belgium, Hungary, United Kingdom, Italy and Germany; Poland and the Czech Republic could also have been represented, but, as the Group's companies in these countries have no employee representatives, no seats could be allocated to them).

The respective articles of association of the Group Employees' Committee and the European Employees' Committee 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. In 2006, the Bureau of the Group Employees' Committee met four times. These meetings are the occasion for discussions on a variety of topics, including the company's organisation and strategy, examination and implementation of a social welfare fund at Group level, etc.

B) Employee representation

In 2006, employee representation concerned 77% of Lagardère's total workforce. In France, the rate was over 97%. Employees not covered work in very small entities with only a few employees.

C) Collective agreements

88 collective agreements were signed in the course of 2006; these agreements generally concerned pay, working hours, social welfare coverage, etc.
Percentage of the workforce covered by a collective agreement, by type:
- 76.56% of the workforce is covered by an agreement concerning working hours
- 54.39% of the workforce is covered by an agreement concerning health & safety and working conditions
- 75.88% of the workforce is covered by an agreement concerning pay
- 63.25% of the workforce is covered by an agreement concerning social welfare
- 27.46% of the workforce is covered by an agreement concerning training

D) Representative bodies in the media business

The Group belongs to a large number of representative bodies in the media, such as the Print Media and Book publishing Unions. In this capacity, it plays an active part in negotiations between management structures and employee representative bodies in France (particularly concerning freelance journalists, entertainment workers and home workers.

5-3-2-5 Promoting health and safety at work

The Group's business activities are mainly concentrated in the services sector, where **health and safety issues are of relatively limited importance,** although those entities which comprise logistics and distribution activities have a relatively greater "safety culture".

Nonetheless, in each of its divisions, **Lagardère implements a policy of reducing health and occupational risks** through preventive action and training. Among recent topics to emerge is the prevention of risks related to stress and more generally malaise in the workplace.

In order to reduce the frequency and severity rates of work accident[1], Lagardère's various divisions conduct continuous prevention campaigns as appropriate to the specific nature and constraints of their business lines. In 2006, the Group's frequency rate (an average of 12.45 for the Group and 15.21 in France) and the severity rate of work accidents (an average of 0.29 for the Group and 0.49 in France) remained stable, at levels below those observed in France for retail activities (source: CNAMTS). Similarly, training in hygiene and safety is organised within the individual entities of the Group (see section 5-3-1-2 above).

Initiatives taken in France include, in particular, those implemented by Hachette Filipacchi Médias:
- the drafting and distribution of a "Good conduct charter", intended to contribute to maintaining high morale in the workplace;
- the distribution of a "Practical Guide to Ergonomics at Work", which also helps to improve hygiene and safety at work;
- the continuing implementation by a "Health at work" working group comprising permanent members from the medical sector, the Human Resource Division and employee representatives, of a programme to prevent occupational risks encountered by employees who are currently or may in the future be confronted with difficulties at their workstations for health reasons or due to restricted capacities.

Similar initiatives were launched in 2006 to raise the awareness of managers in the Management Division regarding stress-related risks.

5-3-2-6 Appendices: additional indicators

Preserving balance in the workforce (see § 5-3-2-1)

Permanent workforce

Permanent workforce at 31 December by division and by geographic area

Divisions	France	Rest of Europe	America	Asia	Other	Total
Distribution	4,197	4,907	2,174	159	323	11,760
Print Media	3,705	3,963	899	514		9,081
New Media	157	68	61			286
Audiovisual	1,138	920			58	2,116
Book Publishing	2,713	2,804	1,100	3	183	6,803
Corporate	441					441
Consolidation	12,351	12,662	4,234	676	564	30,487

(1) Frequency rate = (number of work accidents resulting in sick leave x 10^6): number of hours worked.
Severity rate = (number of days sick leave x 1000): number of hours worked.

Permanent workforce at 31 December by occupational group and by division

Divisions	Executives	% Executives	Managers	% Managers	Journalists and photographers	% Journalists and photographers	Other employees	% Non managers	Total permanent workforce at 31/12
Distribution	133	1.13%	1,743	14.82%	–	0%	9,884	84.05%	11,760
Print Media	159	1.75%	2,239	24.66%	2,768	30.48%	3,915	43.11%	9,081
New Media	13	4.55%	127	44.41%	19	6.64%	127	44.41%	286
Audiovisual	94	4.44%	579	27.36%	223	10.54%	1,220	57.66%	2,116
Book Publishing	346	5.09%	2,865	42.11%	–	0%	3,592	52.80%	6,803
Corporate	34	7.71%	131	29.71%	–	0%	276	62.59%	441
Consolidation	779	2.56%	7,684	25.20%	3,010	9.87%	19,014	62.37%	30,487

Permanent workforce at 31 December by occupational group and gender, by geographic area

	Executives		Managers		Journalists and photographers		Other employees				
Areas	M	F	M	F	M	F	M	F	M	F	Total
France	231	93	2,073.21	2,277.90	703.59	638	2,633	3,700.97	5,640.80	6,709.87	12,350.67
Rest of Europe	244	109	1,119	968	426	925	3,577	5,294	5,366	7,296	12,662
America	41	17	474	553	115	198	892	1,944	1,522	2,712	4,234
Asia	7	9	50	76	4	–	147	383	208	468	676
Other areas	18	10	43	50	–	–	166	277	227	337	564
Areas	541	238	3,759.21	3,924.90	1,248.59	1,761	7,415	11,598.97	12,963.80	17,522.87	30,486.67

Breakdown of permanent workforce at 31 December by age and by division

Divisions	Workforce in the under 25 age group	Workforce in the 25-to-30 age group	Workforce in the 31-to-40 age group	Workforce in the 41-to-50 age group	Workforce in the 51-to-60 age group	Workforce in the over 60 age group
Distribution	14.46%	17.92%	29.16%	22.75%	13.22%	2.49%
Print Media	4.28%	16.75%	33.52%	26.28%	17.22%	1.94%
New Media	4.20%	28.67%	53.85%	11.19%	2.10%	0%
Audiovisual	9.64%	23.91%	38.52%	18.34%	8.18%	1.42%
Book Publishing	5.26%	15.18%	30.69%	27.47%	19.24%	2.15%
Corporate	2.27%	9.98%	26.98%	31.75%	26.98%	2.04%
Divisions	9.04%	17.40%	31.54%	24.47%	15.40%	2.16%

Breakdown of permanent workforce at 31 December by age and by geographic area

Areas	Workforce in the under 25 age group	Workforce in the 25-to-30 age group	Workforce in the 31-to-40 age group	Workforce in the 41-to-50 age group	Workforce in the 51-to-60 age group	Workforce in the over 60 age group
France	5.55%	17.04%	33.24%	25.11%	17.54%	1.53%
Rest of Europe	8.66%	16.70%	32.18%	26.11%	14%	2.35%
America	18.63%	17.40%	24.56%	20.61%	15.02%	3.78%
Asia	15.83%	28.70%	36.54%	14.79%	4.14%	0%
Other areas	12.59%	25.35%	28.19%	19.15%	12.06%	2.66%
Areas	9.04%	17.40%	31.54%	24.47%	15.40%	2.16%

Breakdown of permanent workforce at 31 December by seniority and by division

Divisions	Less than 5 years seniority	6 to 10 years seniority	11 to 20 years seniority	21 to 30 years seniority	More than 30 years seniority
Distribution	49.51%	23.77%	16.26%	7.56%	2.91%
Print Media	38.89%	23.24%	20.79%	12.55%	4.52%
New Media	59.44%	32.87%	6.64%	1.05%	0%
Audiovisual	49.67%	30.53%	14.46%	3.40%	1.94%
Book Publishing	35.26%	29.58%	21.18%	8.32%	5.66%
Corporate	31.07%	17.91%	27.44%	18.59%	4.99%
Divisions	43.25%	25.51%	18.53%	8.82%	3.90%

Breakdown of permanent workforce at 31 December by seniority and by geographic area

Areas	Less than 5 years seniority	6 to 10 years seniority	11 to 20 years seniority	21 to 30 years seniority	More than 30 years seniority
France	34.27%	26.46%	20.83%	12.84%	5.59%
Rest of Europe	43.43%	27.17%	19.44%	6.55%	3.42%
America	61.48%	20.60%	12.02%	4.72%	1.18%
Asia	66.57%	16.42%	11.83%	4.14%	1.04%
Other areas	71.63%	20.04%	7.27%	0.89%	0.18%
Zones	43.25%	25.51%	18.53%	8.82%	3.90%

Temporary workforce

Average workforce on temporary contracts, in FTE, by division and by geographic area

Divisions	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	372.67	716.18	12.75	3	143	1,247.60
Print Media	207.83	535.45	–	98.71		841.99
New Media	11.59	0.80	–			12.39
Audiovisual	54.21	247.50			3	304.71
Book Publishing	192.29	110.67	30	–	41	373.96
Corporate	8.15					8.15
Consolidation	846.74	1,610.60	42.75	101.71	187	2,788.80

Breakdown of workforce on temporary contracts, in FTE, by job position and by division

Divisions	Marketing/ Sales/ Procurement	Accounting/ Finance/ Management/ Strategy	Industry/ Production/ Logistics	Media	Administration	HR/Legal/ Communication	IT	Other
Distribution	54.63%	4.92%	15.38%	0.3%	1.2%	0.89%	0.32%	22.36 %
Print Media	14.82%	2.03%	12.09%	63.01 %	3.63%	2.49%	0.88%	1.06%
New Media	0.00%	0.00%	0.00%	86.76 %	6.46%	0.00%	5.00%	1.78%
Audiovisual	9.15%	4.37%	0.47%	47.24%	19.53%	2.56%	0.84%	15.83 %
Book Publishing	18.61%	4.22%	22.58%	43.64 %	4.78%	1.77%	1.95%	2.45%
Corporate	12.27%	10.18%	12.27%	0.00%	18.28%	10.18%	24.54%	12.27 %
Divisions	35.31%	4.11%	14.08%	25.96 %	4.26%	1.57%	0.84%	13.86%

Breakdown of workforce on temporary contracts, in FTE, by occupational group, gender and by division											
Divisions	Executives		Managers		Journalists and photographers		Other employees		employees on temporary contract in FJE		Total employees on temporary contract calculated on basis of occupational group
	M	F	M	F	M	F	M	F	M	F	
Distribution	0%	0%	0%	1%	0%	0%	15%	29%	15%	29%	45%
Print Media	0%	0%	0%	1%	8%	12%	3%	6%	11%	19%	30%
New Media	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Audiovisual	0%	0%	0%	0%	1%	1%	4%	5%	5%	6%	11%
Book Publishing	0%	0%	1%	3%	0%	0%	4%	5%	5%	9%	13%
Corporate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Divisions	0%	0%	2%	5%	9%	13%	26%	45%	37%	63%	100%

Recruitment – Separation

Number of people recruited on permanent contract by type, gender and division											
Divisions	Number of people recruited on permanent contracts		Number of people joining the entity's permanent staff following internal mobility		Number of people joining the entity's permanent staff following a merger or acquisition		Number of people whose temporary contract was converted into a permanent contract		Total		
	M	F	M	F	M	F	M	F	M	F	Total
Distribution	955	1,560	31	31	23	79	144	251	38%	62%	3074
Print Media	216	580	30	56	30	29	65	64	32%	68%	1,070
New Media	40	16	4	2	0	0	4	6	67%	33%	72
Audiovisual	101	168	16	13	3	10	27	36	39%	61%	374
Book Publishing	327	569	16	18	32	50	47	68	37%	63%	1,127
Corporate	26	13	0	2	84	23	4	1	75%	25%	153
Divisions	1,665	2,906	97	122	172	191	291	426	38%	62%	5,870

Typology of permanent staff recruited, by geographic area

Areas	Recruitment	Internal mobility	Mergers & acquisitions	Conversion of contract	Total permanent staff recruited
France	65.08%	9.13%	9.76%	16.04%	1,927.00
Rest of Europe	68.86%	1.93%	8.36%	20.85%	1,914.00
America	98.60%	0.22%	0.96%	0.22%	1,360.00
Asia	98.46%	0.31%	0%	1.23%	325.00
Other areas	98.26%	0.58%	0.58%	0.58%	344.00
Areas	77.87%	3.73%	6.18%	12.21%	5,870.00

Permanent staff recruited by type, gender and by geographic area

	Number of people recruited on permanent contracts		Number of people joining the entity's permanent staff following internal mobility		Number of people joining the entity's permanent staff following a merger or acquisition		Number of people whose temporary contract was converted into a permanent contract		Total		
	M	F	M	F	M	F	M	F	M	F	Total
Total France	524	730	74	102	106	82	145	164	849	1,078	1,927
Total Rest of Europe	407	911	18	19	61	99	142	257	628	1,286	1,914
Total America	469	872	3	0	5	8	1	2	478	882	1,360
Total Asia	129	191	0	1	0	0	1	3	130	195	325
Total Other areas	136	202	2	0	0	2	2	0	140	204	344
Total Areas	1,665	2,906	97	122	172	191	291	426	2,225	3,645	5,870

Typology of permanent staff separations, by division

Divisions	Percentage separations, permanent staff							Total separations permanent staff
	Resignation (%)	By mutual agreement (%)	Dismissal for economic reasons (%)	Dismissal for individual reasons (%)	Retirement (%)	Internal mobility (%)	Other (%)	
Distribution	57.87%	15.29%	14.04%	1.79%	2.37%	1.16%	7.49%	3,632.3
Print Media	49.67%	2.16%	15.06%	8.32%	4.08%	4.33%	16.39%	1,202
New Media	47.46%	3.39%	18.64%	5.08%	0%	18.64%	6.78%	59
Audiovisual	47.39%	14.29%	20.56%	3.14%	1.39%	7.67%	5.57%	287
Book Publishing	49.80%	1.53%	23.06%	5.31%	7.24%	3.67%	9.39%	980
Corporate	10.34%	3.45%	34.48%	6.90%	24.14%	20.69%	0%	29
Division	54.19%	10.35%	16.11%	3.73%	3.51%	2.73%	9.39%	6,189.3

Number of separations, permanent staff, by type and gender, by division

Division	Number of separations														Total separations		Total permanent staff
	Resignation		By mutual agreement		Dismissal for economic reasons		Dismissal for individual reasons		Retirement		Internal mobility		Other				
	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Total Distribution	1,397	705	324	231	297	213	41	24	53	33	24	18	141	131	63%	37%	3,632.3
Total Print Media	460	137	14	12	99	82	73	27	20	29	34	18	149	48	71%	29%	1,202
Total New Media	8	20	0	2	4	7	3	0	0	0	5	6	2	2	37%	63%	59
Total Audiovisual	74	62	21	20	29	30	6	3	1	3	16	6	8	8	54%	46%	287
Total Book Publishing	343	145	8	7	115	111	35	17	36	35	18	18	65	27	63%	37%	980
Total Corporate	2	1	1	0	6	4	1	1	5	2	0	6	0	0	52%	48%	29
Division	2,284	1,070	368	272	550	447	159	72	115	102	97	72	365	216	64%	36%	6,189.3

Reminder: Permanent staff recruitments and separations in 2005, by division and geographical area

Typology of permanent staff recruited, by geographic area

	Percentage permanent staff recruited				
Areas	Recruitment	Internal mobility	Mergers & acquisitions	Conversion of contract	Total permanent staff recruited
America	99.38%	0.57%	0%	0.05%	1,936
Asia	94.08%	1.18%	0%	4.73%	169
Other areas	82.42%	10.99%	2.20%	4.40%	91
Rest of Europe	89.11%	1.36%	0.50%	9.04%	2,800
France	67.94%	15.86%	0.71%	15.48%	1,828
Areas	86.39%	5.14%	0.42%	8.05%	6,824

Typology of permanent staff separations, by division

	Percentage separations, permanent staff						
Divisions	Resignation (%)	By mutual agreement (%)	Dismissal for individual reasons (%)	Dismissal for economic reasons (%)	Retirement (%)	Internal mobility (%)	Other (%)
Distribution	51.79%	13.68%	17.20%	6.74%	1.28%	1.71%	7.61%
Print Media	66.35%	9.05%	9.16%	4.30%	3.05%	3.68%	4.41%
New Media	12.50%	0%	37.50%	12.50%	0%	31.25%	6.25%
Audiovisual	18.18%	4.55%	36.36%	0%	0%	4.55%	36.36%
Book Publishing	47.73%	10.06%	25.32%	1.95%	0.65%	9.09%	5.19%
Corporate	48.36%	5.45%	24.12%	2.06%	7.76%	1.58%	10.67%
Divisions	54.63%	11.25%	16.50%	5.31%	2.47%	2.62%	7.22%

External workforce

Number of staff from temporary staffing agencies, in FJE, compared to average permanent and temporary workforce in FTE, by division

Divisions	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	0.01	0.06	0	0.01	0	0.03
Print Media	0.01	0.05	0	0.02		0.02
New Media	0	0	0			0
Audiovisual	0.01	0			0	0
Book Publishing	0.12	0.06	0.02	0.29	0.01	0.08
Corporate	0.01					0.01
Consolidation	0.03	0.05	0.01	0.02	0	0.04

Working hours

Minimum working hours

Geographic areas	**Minimum**		
	Minimum hours/year	Corresponding number of days worked	Corresponding number of hours worked per day
France	1,372	196	7
Rest of Europe	1,449	207	7
America	1,610	230	7
Asia	1,694	242	7
Other areas	1,732.5	231	7.5

Maximum working hours

Geographic areas	**Maximum**		
	Maximum hours/year	Corresponding number of days worked	Corresponding number of hours worked per day
France	2,115	235	9
Rest of Europe	2,080	260	8
America	2,080	260	8
Asia	2,510	251	10
Other areas	2,288	286	8

Overtime

Number of hours overtime worked per year, by division and geographic area

Divisions	America	Asia	Other	Rest of Europe	France	Total
Distribution	1,583		119,436	98,190	6,190	225,399
Print Media	38,748	–		23,077	33,808	95,633
Book Publishing	2	–	–	19,655	23,624	43,281
Corporate					539	539
New Media	50			–	198	248
Audiovisual			–	–	562	562
Consolidation	40,383	–	119,436	108,183	103,499	365,662

Part-time work

Permanent workforce at 31 December in part-time work

Divisions	Permanent workforce, male, in part-time work	% permanent workforce, male	Permanent workforce, female, in part-time work	% permanent workforce, female	% permanent workforce	Total workforce in part-time work
Distribution	915	18.10 %	2,397	35.74 %	28.16 %	3,312
Print Media	52	1.81 %	466	10.78 %	7.20 %	518
New Media	10	5.71 %	15	13,51 %	8.74 %	25
Audiovisual	40	4.03 %	67	5.96 %	5.06 %	107
Book Publishing	67.5	2.28 %	442.86	11.54 %	7.50 %	510.36
Corporate	5	1.71 %	9	6.08 %	3.17 %	14
Divisions	1,089.5	8.82 %	3 396.86	20.9 %	15.69 %	4,486.36

Conversion of permanent employees to part-time work

Divisions	At their own initiative	% of total	At their employer's initiative	% of total	Number of employees changing to part-time work during the year	% compared to part-time workforce
Distribution	162	93.10%	12	6.9%	174	5.25%
Print Media	12	46.15%	14	53.85%	26	5.02%
New Media	3	100%	0	0%	3	12%
Audiovisual	6	85.71%	1	14.29%	7	6.54%
Book Publishing	93	93.94%	6	6.06%	99	19.4%
Corporate	3	100%	0	0%	3	21.43%
Divisions	279	89.42%	33	10.58%	312	6.95%

Permanent workforce at 31 December in part-time work, by geographical area

Part-time staff by geographic area, by gender

Areas	Part-time, male	Part-time, female	Total part-time
Total France	213.5	992.86	1,206.36
Total Rest of Europe	406	1,357	1,763
Total America	274	787	1,061
Total Other areas	196	260	456
Total	1,089.50	3,396.86	4,486.36

Integration of disabled employees

Number of disabled employees per thousand permanent employees at 31 December

Divisions	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	6.19	18.14	0.46	0	0	9.86
Print Media	21.86	4.82	3.34	1.95		13.21
New Media	6.37	14.71	0			6.99
Audiovisual	2.64	2.17			0	2.36
Book Publishing	12.9	7.49	0.91	0	0	8.38
Corporate	20.41					20.41
Consolidation	12.55	11.42	1.18	1.48	0	9.93

Local employment and regional development

Permanent workforce at 31 December by division and by geographic area

Divisions	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	4,197	4,907	2,174	159	323	11,760
Print Media	3,705	3,963	899	514		9,081
New Media	157	68	61			286
Audiovisual	1,138	920			58	2,116
Book Publishing	2,713	2,804	1,100	3	183	6,803
Corporate	441					441
Consolidation	12,351	12,662	4,234	676	564	30,487

Fostering personal creativity and fulfilment (see § 5-3-2-2)

Training

Proportion of the permanent workforce at 31 December, by occupational group, who attended at least one training course, by division

Divisions	Executives	Managers	Journalists and photographers	Other employees	Total
Distribution	1.36%	16.27%	0%	82.37%	53%
Print Media	1.35%	38.47%	22.81%	37.37%	44.38%
New Media	4.27%	41.03%	12.82%	41.88%	40.91%
Audiovisual	5.71%	30.77%	2.11%	61.41%	38.09%
Book Publishing	4.61%	48.99%	0%	46.40%	50.02%
Corporate	7.35%	38.73%	0%	53.92%	46.26%
Divisions	2.52%	30.70%	5.45%	61.34%	48.80%

Proportion of the permanent workforce at 31 December, by occupational group, who attended at least one training course, by geographic area

Areas	Executives	Managers	Journalists and photographers	Other employees	Total
France	1.46%	33.75%	8.67%	56.12%	56.52%
Rest of Europe	3.51%	27.14%	2.44%	66.92%	47.65%
America	4.28%	38.14%	2.79%	54.79%	25.39%
Asia	1.74%	13.95%	0.00%	84.3%	50.89%
Other areas	4.03%	18.25%	0.00%	77.73%	74.82%
Areas	2.52%	30.7%	5.45%	61.34%	48.8%

Proportion of type of training in relation to total

	Total number of permanent staff who attended at least one training course in:						
Geographic areas	Personal development, relational and communication skills	Health & safety or environment	Computing - management, editorial or office automation	Languages	Management	Total number of permanent staff who attended at least one occupational training course	Total
Lagardère Group	1,397 *(8.27%)*	3,841 *(22.73%)*	2,478 *(14.67%)*	1,335 *(7.9%)*	1,607 *(9.51%)*	6,239 *(36.92%)*	16,897

Average number of days training of permanent employees who attended training, by division and by geographic area

Divisions	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	2.09	1.92	1.65	0	1.51	1.93
Print Media	3.63	2.15	0.21	0.85		3.03
New Media	2.53	4.62	10			3.38
Audiovisual	2.32	2.54			3.86	2.5
Book Publishing	2.43	3.02	0.42	13	1.79	2.28
Corporate	5.28					5.28
Consolidation	2.76	2.36	0.6	0.5	1.79	2.36

Average expenditure on training of permanent employees, by division and by geographic area

Divisions	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	709.32	447.53	387.63	31.85	368.75	558.36
Print Media	1,180.77	1,862.54	105.14	748.80		1,208.39
New Media	993.45	1,875.28	8,039.22			1,415.37
Audiovisual	1,385.92	1,231.72			118.18	1,248.99
Book Publishing	1,788.37	298.05	221.05	3,000	493.80	710.14
Corporate	1,985.86					1,985.86
Consolidation	1,094.32	610.04	243.52	428.13	359.22	812

Percentage permanent workforce having followed at least one training course by gender, occupational group and division

	Executives		Managers		Journalists and photographers		Other employees		
	M	F	M	F	M	F	M	F	Total
Total Distribution	1.14%	0.22%	10.16%	6.11%	0%	0%	27.74%	54.63%	53%
Total Print Media	0.85%	0.50%	21.12%	17.36%	10.93%	11.87%	18.73%	18.64%	44.38%
Total New Media	4.27%	0%	23.08%	17.95%	4.27%	8.55%	17.09%	24.79%	40.91%
Total Audiovisual	2.61%	3.10%	14.76%	16%	0.99%	1.12%	24.32%	37.10%	38.09%
Total Book Publishing	2.41%	2.20%	18.04%	30.94%	0%	0%	17.87%	28.53%	50.02%
Total Corporate	4.90%	2.45%	20.59%	18.14%	0%	0%	29.90%	24.02%	46.26%
	1.55%	0.97%	15.11%	15.59%	2.59%	2.85%	23.02%	38.32%	

Reminder: Percentage permanent workforce having attended at least one training course in 2005

Proportion of the permanent workforce at 31 December, by occupational group, who attended at least one training course, by division

Divisions	Executives	Managers	Journalists and photographers	Other employees	Total
Distribution	1.64%	24.91%	0%	73.45%	33.85%
Print Media	3.72%	46.55%	15.91%	33.82%	37.77%
Corporate	5.79%	39.67%	0%	54.55%	39.29%
New Media	6.94%	43.06%	8.33%	41.67%	25.99%
Audiovisual	4.29%	30.01%	7.33%	58.37%	36.98%
Book Publishing	4.56%	47.41%	0%	48.03%	42.18%
Divisions	3.26%	37.81%	5.65%	53.28%	37.01%

Proportion of the permanent workforce at 31 December, by occupational group, who attended at least one training course, by geographic area

Areas	Executives	Managers	Journalists and photographers	Other employees	Total
America	3.01%	69.14%	0%	27.86%	14.34%
Asia	3.60%	24.46%	0%	71.94%	21.48%
Other areas	9.89%	39.56%	0%	50.55%	61.69%
Rest of Europe	5.85%	31.07%	0%	63.09%	32.60%
France	1.33%	39.96%	10.22%	48.48%	47.97%
Areas	3.26%	37.81%	5.65%	53.28%	37.01%

Providing an attractive remuneration package (see § 5-3-2-3)

Salary increases and variable components of pay

Proportion of permanent workforce, by occupational group and by gender, who received a salary increase, by geographic area

	Executives		Managers		Journalists and photographers		Other employees		All occupational groups together		
Areas	M	F	M	F	M	F	M	F	M	F	
France	59%	75%	66%	73%	65%	82%	67%	68%	66%	71%	69%
Rest of Europe	81%	91%	88%	85%	41%	41%	83%	79%	82%	76%	79%
America	90%	76%	76%	76%	50%	40%	100%	100%	82%	85%	84%
Asia	14%	22%	58%	74%	75%	–	75%	62%	69%	63%	65%
Other areas	78%	90%	91%	90%	–	–	86%	79%	86%	81%	83%
Areas	71.04%	80.18%	73.74%	76.14%	57.24%	58.70%	77.72%	77.21%	74.67%	75.32%	75.04%

Proportion of permanent workforce, by occupational group and by gender, who received a salary increase, by division

	Executives		Managers		Journalists and photographers		Other employees		All occupational groups together		
Divisions	M	F	M	F	M	F	M	F	M	F	
Distribution	80.17%	94.12%	71.17%	72.58%	0%	0%	88.50%	84.56%	84.88%	83.25%	83.95%
Print Media	49.35%	48.39%	67.15%	72.35%	60.13%	60.16%	55.28%	64.03%	60.51%	64.82%	63.10%
New Media	58.33%	100%	74.42%	85.37%	100%	100%	47.83%	44.83%	64%	65.77%	64.69%
Audiovisual	36.36%	39.29%	45.72%	43.64%	34.07%	30.68%	25.26%	24.15%	33.47%	29.80%	31.52%
Book Publishing	87.74%	94.78%	87.85%	86.39%	0%	0%	86.92%	87.33%	87.39%	87.21%	87.29%
Corporate	53.57%	66.67%	58.14%	62.22%	0%	0%	52.51%	69.07%	54.27%	66.89%	58.50%
Divisions	71.04%	80.18%	73.74%	76.14%	57.24%	58.70%	78.16%	77.21%	74.67%	75.32%	75.04%

Proportion of permanent workforce at 31 December, by occupational group and by gender, who receive a variable component of pay, by division

	Executives		Managers		Journalists and photographers		Other employees		All occupational groups together		
Divisions	M	F	M	F	M	F	M	F	M	F	
Distribution	91.38%	94.12%	85.89%	75.40%	0%	0%	32.50%	32.83%	44.40%	37.71%	40.59%
Print Media	85.71%	83.87%	42.33%	53.52%	5.39%	3.92%	14.58%	29.82%	22.17%	28.04%	25.70%
New Media	100%	100%	41.86%	58.54%	12.50%	0.00%	15.94%	20.69%	34.29%	33.33%	33.92%
Audiovisual	75.76%	67.86%	64.47%	64.00%	45.19%	50.00%	43.33%	45.02%	52.22%	50.62%	51.37%
Book Publishing	93.87%	100%	64.62%	55.02%	0%	0%	52.86%	48.01%	60.94%	52.68%	56.28%
Corporate	64.29%	66.67%	58.14%	55.56%	0%	0%	6.7%	37.11%	27.3%	43.92%	32.88%
Divisions	88.26%	92.17%	64.2%	59.29%	10.28%	6.64%	34.29%	36.15%	43.29%	39.59%	41.19%

Proportion of permanent workforce at 31 December, by occupational group, who receive a variable component of pay, by geographic area					
Areas	Executives	Managers	Journalists and photographers	Other employees	All occupational groups together
France	84.88%	68.40%	10.06%	56.57%	56.43%
Rest of Europe	94.70%	55.34%	5.93%	21.34%	27.96%
America	89.66%	46.25%	7.03%	24.58%	29.43%
Asia	93.75%	33.33%	0.00%	50.94%	48.37%
Other areas	82.14%	86.02%	0%	27.54%	39.89%
Areas	89.42%	61.71%	8.20%	35.41%	41.19%

Salary scales and employee savings schemes

Permanent workforce at 31 December in an entity that has defined salary ranges, by geographic area	
Areas	Proportion of the workforce in an entity that has defined salary ranges
France	0.80%
Rest of Europe	0.44%
America	0.52%
Asia	0.54%
Other areas	0.57%
Areas	0.61%

Permanent workforce at 31 December in an entity that has an employee savings scheme, by geographic area	
Areas	Proportion of the workforce in an entity that has an employee savings scheme
France	0.38%
Rest of Europe	0.12%
America	0.14%
Asia	0.00%
Other areas	0.00%
Areas	0.23%

Employee social welfare contributions (in 000€)

Social welfare contributions by division			
	2005	**2006**	**Variance**
Distribution	*77,275*	78,155	*880*
Print Media	120,000	121,035	*1,035*
Book Publishing	72,165	75,055	*2,890*
Audiovisual	57,845	59,195	*1,350*
Corporate	10,210	11,340	*1,130*
Total	337,495	344,780	7,285

Social welfare contributions by geographic area	2005	2006	Variance
Total France	259,725	259,390	*– 335*
Total Rest of Europe	59,410	61,235	*1,825*
Total North America	11,965	18,910	*6,945*
Total Asia	6,240	5,045	*– 1,195*
Total Africa		50	*50*
Total Latin America	155	150	*– 5*
Total	337,495	344,780	7,285

Promoting dialogue between employee representative bodies and the Group (see § 5-3-2-4)

Labour relations

Proportion of permanent workforce at 31 December in an entity with employee representation, by geographic area

Areas	% covered by employee representation
France	97.39%
Rest of Europe	77.24%
America	39.09%
Asia	30.77%
Other areas	0.00%
Areas	77.67%

Proportion of permanent workforce at 31 December in an entity with employee representation, by division

Divisions	% covered by employee representation
Distribution	88%
Print Media	70%
New Media	55%
Audiovisual	49%
Book Publishing	78%
Corporate	95%
Divisions	77.67%

Collective agreements

Collective agreements, by geographic area		
Areas	Existing collective agreements in force at 31 December	Collective agreements signed during the year
France	500.00	73.00
Rest of Europe	53.00	12.00
America	3.00	2.00
Asia	1.00	1.00
Other areas	0.00	0.00
Areas	557.00	88.00

Collective agreements, by division		
Divisions	Existing collective agreements in force at 31 December	Collective agreements signed during the year
Distribution	95	22
Print Media	243	27
New Media	12	0
Audiovisual	55	19
Book Publishing	131	18
Other activities	21	2
Divisions	557	88

Promoting health and safety at work (see § 5-3-2-5)

Health and Safety training

Proportion of type of training in relation to total							
Geographic areas	Total number of permanent staff who attended at least one training course in:					Total number of permanent staff who attended at least one occupational training course	Total
	Personal development, relational and communication skills	Health & safety or environment	Computing - management, editorial or office automation	Languages	Management		
Lagardère Group	1,397 *(8.27%)*	3,841 *(22.73%)*	2,478 *(14.67%)*	1,335 *(7.9%)*	1,607 *(9.51%)*	6,239 *(36.92%)*	16,897

Regular medical check-ups

Health and safety: does your company provide regular medical check-ups for employees?

	America	Asia	Other areas	Rest of Europe	France
Consolidation	10%: yes 90%: no	50%: yes 50%: no	20%: yes 80%: no	66,1%: yes 33,9%: no	100%: yes

Existence of a body responsible for Health and Safety

Health and safety: does your company possess a body responsible for health & safety?

	America	Asia	Other areas	Rest of Europe	France
Consolidation	40%: yes 60%: no	100%: no	80%: yes 20%: no	67,8%: yes 32,2%: no	44,94%: yes 55,06%: no

Frequency rate and severity rate of work accidents, by division and by geographic area

Frequency rate of work accidents

	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	22.51	19.09	5.45	153.05	7.26	20.26
Print Media	7.35	3.48	3.71	1		5.12
New Media	4.05	0	0			1.98
Audiovisual	9.39	0.58			0	4.96
Book Publishing	19.98	8.03	3.1	0	0	10.84
Corporate	7.46					7.46
Consolidation	15.21	11.12	4.24	43.72	3.83	12.45

Severity rate of work accidents, by division and by geographic area.

	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	0.73	0.35	0.08	0.15	0.1	0.41
Print Media	0.32	0.07	0	0.08		0.18
New Media	0.03	0	0			0.01
Audiovisual	0.21	0.02			0	0.11
Book Publishing	0.59	0.19	0.08	0	0	0.3
Corporate	0.06					0.06
Consolidation	0.49	0.22	0.06	0.1	0.05	0.29

5-3-3 Corporate citizenship

The business activities of Lagardère constitute an essential vehicle for conveying ideas and cultural diversity. Beyond the fundamental role Lagardère plays in **promoting culture** in the course of its business activities, the Group shows its social commitment through the Jean-Luc Lagardère Foundation and in the **promotion of sports activities.** Lagardère and its subsidiaries also invest in projects and **campaigns in favour of society in general.**

5-3-3-1 Promoting culture

As a global player in the media and with a view to satisfying all expectations and curiosity, Lagardère strives to **provide the public with a variety of contents through various modes of production, distribution and consumption,** thereby encouraging *access to culture* and the promotion of *diversity in 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 18 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 segment 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 6 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 1.5 million 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 14,000 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 readers' expectations 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 their own creative process and editorial decisions, contribute to the wide variety of editorial contents produced by these two divisions.

As an extension to this commitment, Group companies organise and regularly take part in competitions, exhibitions and events for the promotion of culture, as illustrated in the following examples:

- In the Print Media segment, the *"Prix Louis Hachette"* is awarded to the best journalists in the profession for articles, reports, works or interviews produced during that year, thus spreading professional excellence through example. The prize has been running for more than twenty years.
- Since 2002, Canal J has organised a competition for students at four French animation schools, the *"Espoirs de l'animation"*, in partnership with the French Animated Film Producers' Union. The operation has a dual objective: to give the students the experience of producing a film to order on a given subject, and to submit their work for evaluation by children. In 2006, almost 15,000 children voted for their favourite films through the Internet.
- Paris Match also organises the *"Grand Prix du Photo Reportage Etudiant"* in partnership with Aroma Thera Laboratories, to reward the curiosity and commitment of students with respect to the world they live in. Students travelling for leisure, study or voluntary work are invited to send in around 10 photographs with captions and an explanatory text. In May 2007, the jury will reward the best three photo reportages produced in 2006.
- 14th *"Paris-Match"* Grand prix for photo reportage: Every second year, Paris Match invites a panel of celebrities to select the photo journalist of the year. In 2006, the winner was Olivier Laban-Mattei, photographer at AFP, for his project on "La Prise de la Sorbonne" (The taking of the Sorbonne), produced in May 2006. Given the wealth of subjects proposed by around a hundred professional photojournalists, the panel departed from standard procedure and also highly commended Thomas Haley of the agency Sipa for his reportage on "Bosnia, ten years on".

Several literary prizes are also organised by Lagardère Group companies. Examples include the following:

- for the past 25 years, at the Distribution Services Division, the Relay store chain has organised the annual "Prix du Roman d'Evasion", awarded to a novel or essay illustrating the theme of imagination or escapism and grants them prominent store space and promotion in the network of sales outlets.
- The Europe 1 book prize is awarded to a novel published in the course of the year. The winner receives a cheque and an advertising campaign to promote the winning novel.
- In 2006, Hachette Filipacchi Médias organised the second edition of the Résidence du Premier Roman – First Novel Residency - a joint operation with the Robert Laffont publishing house. The aim of the operation is to promote reading and help young writers by having their work published by the Robert Laffont publishing house. Two projects were selected by a professional committee, and the two future authors were offered a writer's residency to work on their novels. The winners in 2006 were Jennifer D. Richard (Bleu poussière) and Gaëlle Nohant (L'Ancre des rêves). These novels will be published in March 2007 and launched at the Paris Book Fair.
- Taking a similar approach, Version Femina and the Virgin Megastore bookshops award a monthly literary prize to a book chosen by readers, which is then promoted in the Virgin stores.
- Lagardère Active Publicité Internet handles the promotion of a large number of cultural activities, and its Internet banners have generated a large number of visits to cultural websites.

Lastly, in the course of 2006, the Group sponsored a number of exhibitions. Paris-Match, for instance, sponsored some major exhibitions in 2006, to bring culture and current affairs to a wider audience:

- "Titian, le pouvoir en face" at the *Musée du Luxembourg*, producing the official exhibition guide;
- "Venise et l'Orient" at the *Institut du Monde Arabe*, producing an engraving to be given to the exhibition's visitors;
- "Artistes et Stars", an itinerant exhibition of the photography archives of Paris-Match, which was continued through the publication of a book.

5-3-3-2 Jean-Luc Lagardère Foundation

The Jean-Luc Lagardère Foundation, formerly known as the Hachette Foundation, was first created in 1989, on the instigation of Jean-Luc Lagardère who wished to prolong the development of a major communication group through a commitment in favour of **culture** and **education**. The Foundation's purpose was extended in 2004 to include **research** and **sport**. 2006 was a pivotal year for the Foundation, which redefined its ambitions: to identify talents by providing them with long-term sponsorship and supporting projects through an involvement in their construction.

A) *Commitments for culture and education*

Culture: the Jean-Luc Lagardère Foundation provides sponsorship around three key missions: talent bursaries, support for cultural festivals and culture in hospitals.

- With a concern to promote excellence, every year since 1989 the Jean-Luc Lagardère Foundation has awarded **Talent Bursaries** to young talents in writing, film and television production, digital media and music. The judges are celebrities from the world of the arts, culture and the media, and the bursaries are more than just financial assistance; they offer the winners recognition and a real career opportunity. To date, 140 winners in the categories of author, bookseller, photographer, press journalist, television script writer, film producer, musician and digital designer have received almost €3,310,000. In 2006, the number of applications received increased by 65% compared to 2005.
- In 2006, the Jean-Luc Lagardère Foundation confirmed its commitment to make cultural products available to the widest possible audience **through cultural sponsorship**, including:
  - the *Marathon des Mots/Word marathon* (grant of €35,000), an event placing literature in the limelight through public readings, which took place in Toulouse in the month of June. Events included actor Carole Bouquet's mentoring of a reading workshop run by secondary school pupils in the underprivileged Mirail quarter, devoted to Jean Racine's play Bérénice.
  - the Europavox festival (grant of €45,000) aimed at promoting a European identity through music; the first edition of this festival, in May 2006, brought together rock, electro and rap musicians from 25 different European countries. The Jean-Luc Lagardère Foundation was instrumental in launching the first European "web radio" devoted to contemporary music.
- The Jean-Luc Lagardère Foundation confirmed its commitment to **promoting culture in hospitals** by organising an exhibition on the world of the manga at the *Maison de Solenn* (a dedicated area for teenagers at the Cochin hospital in Paris), where it funded the media library in 2004; children at the *Maison de Solenn* and many middle school pupils were able to explore this graphic universe throughout the summer of 2006 through slide projections, an exhibition and talks.

The Jean-Luc Lagardère Foundation's total contribution to supporting culture in 2006 amounted to approximately €500,000.

Education: the Jean-Luc Lagardère Foundation is contributing to the educational experiment conducted by the prestigious higher education "Institut d'Etudes Politiques" in Paris in four high schools in the Seine-Saint-Denis département, designed to create opportunities for underprivileged students. The long-term aim of the project is to create a new Lycée (high school) in Seine-Saint-Denis with innovative teaching methods, plurisdiciplinary classes, individual tutoring, homework support for all students, a first glimpse of the world of work and greater importance placed on culture and sports. Within this framework, in 2006 the Foundation set up four programmes (music, theatre, digital creation and sports), run by bursary winners and experts from TeamLagardère (see below). The Jean-Luc Lagardère Foundation also assists the specialist sports curriculum at Lycée Feyder in Epinay sur Seine, with the participation of a number of experts, including Patrice Hagelauer, the technical manager of the "Team Tennis", in charge of training coaches at TeamLagardère.

B) *Commitments for research*

The Jean-Luc Lagardère Foundation supports ambitious research programmes carried out by young scientists. It has set up a long-term partnership with the Supélec Foundation, on the topic of "the challenges of semantics in the digital age". Interest earnings on a capital grant of one million euros over three years from the Jean-Luc Lagardère Foundation to the Supélec Foundation now fund an annual Jean-Luc Lagardère Research Bursary enabling a graduate student to work on a doctoral thesis. The first Bursary was awarded to Cédric Jacquiot in 2006 for his thesis on adaptive hypermedia.

The Jean-Luc Lagardère Foundation also supports a fundamental research project in the field of semantics conducted by a laboratory of the Atomic Energy Commission. The scope of the project is to produce an inventory of all the non-compound words in a language, and to identify the way these words combine to define new concepts. Each year the Foundation will finance the work of a post-doctoral research scientist on this programme.

For 2006, the total amount of the Jean-Luc Lagardère Foundation's contributions towards research was approximately €408,000.

C) *Commitments for sports*

Out of a conviction that sport is both an aid to personal development and a factor in social cohesion, in 2006 the Jean-Luc Lagardère Foundation developed a number of activities in the field of sports, particularly through the sports development campaigns of Group Lagardère (see below). The Jean-Luc Lagardère Foundation has, for example:

- supported *Fête le Mur*, an association run by former tennis champion Yannick Noah, which promotes tennis in more than 20 housing estates all over France; this partnership was signed for a period of ten years, with the aim of accompanying a group of 30 young talents revealed by *Fête le Mur* and facilitate their access to competitive tennis. Training courses and coaching sessions combining sports activities and cultural activities are also a key component of this partnership. During the Jean-Luc Lagardère Trophy (see below), which took place at the Paris Jean Bouin Sport Club in September 2006, young players from the *Fête le Mur* association were able to meet tennis champions from all over the world, and some were invited to take part in the line umpiring during the tournament.
- accompanied top level athletes who choose to become involved in projects in underprivileged housing areas. Support is given, for example, to operations promoting fencing in such estates instigated by double Olympic medallist Laura Flessel (Opération Ballestra). It also assisted world champion table tennis player Jean-Philippe Gatien in setting up an association called Ping Attitude, to introduce table tennis to young people from underprivileged housing areas or living in difficult circumstances; Jean-Philippe Gatien's association is involved in the educational experiment conducted by Sciences Politiques Paris (see above), running a workshop in two high schools in Seine-Saint-Denis to promote table tennis and a historical and geographic approach to the sport and to Olympic competition.
- As an illustration of its commitment in the domain of sports, in 2006 the Jean-Luc Lagardère Foundation invited nine of its prize-winners (4 photographers, 3 writers and 2 journalists) to produce an illustrated book about sports; published in partnership with Editions du Chêne, the book contains some hundred pictures illustrating the incomparable social links created through sports. For each book sold, €2 will be paid to Foot Citoyen, a French soccer association that promotes the educational and citizenship values of sports in the domain of football.

For 2006, the total amount of the Jean-Luc Lagardère Foundation's contributions towards sport was approximately €281,000.

5-3-3-3 Promotion of sports

Lagardère is involved in the **sponsorship and funding of sports activities**, which incorporates the dimension of public recognition created by sports that is closely related to the values historically prized by the Group – respect for the individual, team spirit and striving for achievement.

A) Club des Entreprises Paris 2012

Once London had been named on 6 July 2005 as the 2012 Olympic and Paralympics host city, the Club des Entreprises Paris 2012 commenced operations for liquidation. The liquidation is expected to be finalised in the first half of 2007. On 11 January, 2006, a General Meeting of Club members decided to hand over any liquidation surplus to various charity organizations operating in the domains of sports and health, and to transfer the Club's audiovisual rights to the City of Paris.

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.

This Association holds the concession to operate the Paris-Jean-Bouin stadium, part of the public domain of the City of Paris, which has three thousand members in six sports disciplines. It is also a sports practice centre for schools in the southwest of Paris, with 2,500 pupils using its facilities every week.

In January 2004, Lagardère and the Association set up an institutional partnership aimed at assisting this hundred-year-old sports club to modernise and develop, and making the Jean-Bouin stadium an active centre for animating and influencing sporting life in Paris. As part of the major restructuring and modernisation operations implemented by the association, the following projects and investments were undertaken in 2006: covering of a further two tennis courts, bringing the total number of covered courts to fourteen; computerisation of the tennis court booking system and renovation of the restaurant.

In addition, underground courts A and B were extensively renovated as part of the development work implemented by TeamLagardère (see below), which uses part of these facilities. Taking the initiative further than a conventional partnership based on financial support alone, Lagardère in fact decided to develop a new, innovative sports model by setting up an innovative centre of scientific expertise applied to sports performance, TeamLagardère, in the very heart of the Paris Jean-Bouin stadium at the beginning of 2006. This centre contributes to the development of all the sports sections at Paris Jean-Bouin by implementing training assistance operations, coach training and applied research.

Through the development of the TeamLagardère Research Center, athletes from the different sections of the Paris Jean-Bouin association were able to undergo performance tests run by the scientific team of TeamLagardère, and thus optimise their training practices. Coaches from the Paris Jean-Bouin club also followed training sessions led by teams from TeamLagardère.

The Paris Jean-Bouin club also acquired equipment through partnerships between TeamLagardère and Le Coq Sportif, Sony and Subaru.

Lagardère's strong involvement also allowed the association to heighten its support for sports for the disabled, and contributed to considerable successes, in particular in the field of tennis: Mickaël Jeremiasz, who rose to the rank of world number one player in 2006, winning the title of 2006 world champion in wheelchair tennis (ITF trophy) and 2006 world vice-champion through the national team event.

This new dynamic trend within the sports club benefited all the sports disciplines. In tennis, the 1st men's tennis team kept its title as French champion for the 3rd year running in December 2006; Cindy Chala won the French tennis championships in the 15/16 age category and the Paris Jean-Bouin club moved up from 7th to 2nd place in the Paris tennis league. In athletics, Grégory Vulcain and Patrick Boulle became French champion and French vice-champion respectively in javelin throwing, and the Paris Jean-Bouin club won 3rd place in the French championships in the team javelin event.

C) *Creation of a centre for scientific expertise applied to sport: TeamLagardère*

Founded in May 2005, the company TeamLagardère is in charge of an ambitious, innovative programme: to create and develop a unique technical and scientific platform designed to favour high level sports training. Initially devoted to competitive tennis players, TeamLagardère also extended its activities into athletics in 2006.

With an eye for international development, TeamLagardère aims to promote:
- a global development programme at the service of sports training, proposing several different modes of coaching (technical, tactical and physical, in particular);
- a specific training strategy;
- a continuous training system for technical supervisors (in particular, through assistance with the programming and evaluation of training sessions).

To meet these objectives, TeamLagardère has built up a team comprising some of the best technicians in French sports, and this team was reinforced in 2006. These technicians are responsible for accompanying the athletes in two main areas: physical training and technical monitoring.

Physical training takes place mainly on the sports fields belonging to the Paris Jean-Bouin club. TeamLagardère also has a Training Centre in Sophia-Antipolis near Nice, on a site that offers high quality complementary sports facilities and good weather conditions throughout the year.

Technical monitoring is carried out at the *Research Centre* facility which is part of the Paris Jean-Bouin multi-sports club. This centre for scientific expertise applied to sport, which was opened at the beginning of 2006, is devoted to the collection and analysis of energy, technical and muscle-related sports data. When processed, this data is used for optimum adaptation of sports training sessions. In addition, the facilities include a conference room for the organisation of meetings to discuss sports-related issues.

In 2006, in response to the needs of the *Research Centre*, TeamLagardère undertook major renovation work on the underground tennis courts A and B, which it uses at the Jean-Bouin stadium. Modernisation included equipping the courts with an innovative technical system for analysing video footage of players' movements with a view to improving performance.

At the end of 2006, in its capacity as sponsor, TeamLagardère was in charge of professional tennis players Thierry Ascione, Julien Benneteau, Kévin Botti, Cindy Chala, Nelly Ciolkowski, Alizé Cornet, Nicolas Devilder, Jonathan Eysseric, Richard Gasquet, Michaël Jeremiasz, Victoria Larrière, Mickaël Llodra, Nicolas Mahut, Paul-Henri Mathieu, Amélie Mauresmo, Gaël Monfils, Mary Pierce, Nassim Slimam and Edouard Roger-Vasselin, and six athletes: Christophe Bonnet, Fabrice Calligny, Dimitri Démonière, Abderahim Elhaouzy, Yannick Lesourd and Teddy Venel.

In 2006, TeamLagardère also developed its activities by setting up partnerships with various clubs and federations both in France (particularly with the Paris Judo Club, the French Table Tennis Federation, the French Rugby Federation and the French Athletics Federation) and elsewhere (with the Bollettieri Tennis Academy founded by Nick Bollettieri in Florida, and with the Swiss Foundation Little Dreams, run by Orianne Collins, which aims to encourage children showing a flair for sports or artistic disciplines).

TeamLagardère also set up an internal *Club des Partenaires*, comprising major companies who have decided to jointly undertake coherent, effective communication campaigns, associating their brand names with the "*TeamLagardère*" brand. By the end of 2006, Amer Sports France ("Suunto"), Babolat, Le Coq Sportif, Le Journal du Dimanche, Sony and Subaru had joined the *Club des Partenaires*.

2006 was therefore marked by a broadening of activities for TeamLagardère. It was also the company's first full year of business, during which it recorded its first revenues from the consulting and other services it offers, in addition to income originating from its Partners.

D) *Development of partnerships and organisation of sports events*

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

Lagardère has thus been an Official Partner of the Roland Garros French Open Tennis Tournament in France since 2005. This partnership provides Lagardère with a high profile throughout the tournament, in particular through Europe 1, which enjoys exceptional "broadcasting visibility" in one of the highest media-coverage tennis courts in the world. In addition, to provide listeners with up-to-the-minute information, Europe 1 has a studio inside the stadium itself.

Lagardère is also the title partner of the international "Mondial Paris Cadets – Trophée Lagardère". This tournament is reserved for the under-sixteens, and was held from 30 June to 8 July, 2006 at the Paris Jean-Bouin club.

In becoming a partner of the Paris Tennis League, the Lagardère Group's objective is to make this tournament a reference and demonstrate a long-term strategy by investing in the future of the sport.

In 2006, Lagardère was also official partner to the Gaz de France Open, an official leg in the WTA Tour which attracted renowned international female tennis players such as Amélie Mauresmo, this year's champion, and Mary Pierce.

Lagardère also organised the third edition of the "Jean-Luc Lagardère Trophy" as part of the ATP Senior Tour, as in 2004 and 2005. This year's trophy, under the direction of Guy Forget, Captain of the French national tennis teams, brought together seven top players who have made tennis history over the past twenty years: Sergi Bruguera, Pat Cash, Goran Ivanisevic, Richard Krajicek, Thomas Muster, Cédric Pioline and Marcelo Rios. 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.

In sports other than tennis, Lagardère became partner of the French Athletics Federation and the French Athletics Team. In order to accompany the French Athletics Federation in its determination to modernise procedures and facilities destined for elite athletes, from 2007 Lagardère intends to become founding partner of the French professional athletics league (Ligue Nationale d'Athlétisme), title partner of the Circuit Professionnel des Meetings and sponsor of the French National Athletics Team.

E) *La Croix Catelan sports centre*

On 13 January 2006, the City of Paris launched a call for tender for the concession to run La Croix Catelan sports centre. 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 two swimming pools, one of which is Olympic sized). Lagardère put in a bid for this concession.

This bid reflects the strong relationship Lagardère has built up over a long period with the world of sports, and illustrates the Group's determination to confirm its commitment to sports in Paris clubs. The Group's ambition was and still is to give the site new impetus to become the vector for a real sports project both at competition level and for leisure purposes.

On completion of the procedure, the Group was awarded the occupation and operating rights pertaining to La Croix Catelan sports centre from 1 September 2006, in compliance with the 20-year concession agreement signed with the City of Paris on 20 July 2006.

La Croix Catelan sports centre was formerly operated by the non-profit organisation Racing Club de France (RCF) under a concession issued by the City of Paris which expired on 31 August 2006. The club was operated as part of the RCF's activities both in this sports centre and other sports centres run by RCF, at 5 rue Eblé and 154 rue Saussure, and also outside Paris in Colombes and La Boulie.

RCF is a long-standing, prominent sports club, which due to its successes has become a sporting benchmark at both national and international levels. In particular, the club's contribution helped France to win numerous European and World titles, as well as Olympic medals.

The Group wished to make a contribution to conserving most of the club's activities, as they correspond to the Lagardère philosophy in terms of the development of sports projects in and around Paris.

For this reason, in September 2006, the Group initially signed an agreement with RCF for the purpose of transferring the tennis and modern Olympic decathlon activities attached to the La Croix Catelan sports centre.

At the end of 2006, in a second phase, the Group and RCF together drew up the general transfer rules applicable from 1 January 2007 (i) other sports activities of the RCF, comprising the disciplines of athletics, badminton, basketball, fencing, judo, swimming, pentathlon, skiing, shooting, triathlon and volleyball, as well as (ii) leisure activities offered by RCF in the rue Eblé sports club. Under the agreement, RCF will make the building housing the rue Eblé sports centre, where these activities mainly take place, available to Lagardère for a period of 20 years starting from 1 January 2007.

To oversee the integration of the La Croix Catelan and rue Eblé sports centres and their various activities, the Group has founded a professional sports limited company and a non-profit sports association.

F) *Other measures promoting sports activities within the Group*

Numerous other instances of measures for development of sports activities have been instigated by the Group's subsidiaries. Here are a few examples for 2006:

- *Elle* magazine sponsored the EDHEC regatta, a boat race organised by students from the Lille business school. In association with Ford, *Elle* magazine was also partner and participant in the Rallye Aïcha des Gazelles, a navigation trial open to engine-powered land vehicles driven by amateur or professional female crews of different nationalities; the trial also allows the winners to make a donation to the association they represent.
  At regional level, the Nice Matin group, which is part of Hachette Filipacchi Médias, directed and promoted the 30th edition of the Nice Matin group cross-country race in November 2006. 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 younger 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 2006, Solidarsport continued 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 a sense of responsible citizenship, involved students from very different cultural horizons in the framework of sports and cultural events.

- The radio stations and television channels of the Audiovisual segment enter into a large number of partnerships with sports federations each year in the context of events that they organise. Examples include: Lagardère Active, one of ten key partners of the French Tennis Federation since 2005 with active involvement at Roland Garros (French Open Tournament); Europe 1, the official radio station of the same tournament.
- Lagardère Active Publicité Internet handles the promotion of a large number of sporting activities, and banners placed by the company attracted almost 2.5 million visitors to the sports sites for which it handles publicity.

5-3-3-4 Other aspects of social involvement

Other aspects of **social involvement** include the Group's commitment to promoting professional integration and education. This concerns support to non-profit associations, promoting education, women's place in society, freedom of the press, the protection of children and public health.

A) *Support to charitable organisations*

The Group's companies generally help to support a certain number of charitable organisations through donations, provision of resources such as advertising space, or involvement by its teams.

The operations supported in 2006 include the provision of advertising space, particularly in Paris-Match, on Europe 2 and MCM, support for the Aids telethon Sidaction on Europe 1, and the promotion of campaigns in the public interest, on the channels run by Lagardère's youth segment.

Lagardère also provides support on a regular basis to people in difficulty.

- For a number of years, several subsidiaries of Lagardère Active Broadband have been involved in an initiative organised by Mairie of the 19th arrondissement of Paris to help eradicate long-term unemployment. Participants in this programme have regular meetings with Lagardère employees, including representatives of the Group's Human Resource Division, who advise and support them in their job search.
- In Germany, the company Legion actively supports the Red Cross and Unicef by regularly lending audiotel infrastructures and putting its organisational skills at the service of those organisations.
- Lagardère Active's children's channels, Canal J and TiJi, took part in the operation called "Christmas for everyone", the profits of which were paid to the charity Secours Populaire. In particular, Canal J broadcast a Christmas special on 24 December, featuring a large number of celebrities. In conjunction with Hasbro, the channel also donated more than 300 gifts to the Secours Populaire's "Green Santa Clauses".
- For the 4th year running, Interdeco, the advertising broker for Pélerin Magazine (Bayard group) organised a large-scale Christmas collection involving media agencies. The sales team at Pélerin has collected more than 26,000 donations in four years, and in 2006 nine non-profit organisations received 6,980 gifts. The gifts donated are given to families and people in difficulty.
- Interdeco and Pélerin repeated the "Pub de Coeur" operation and paid 1% of their year's advertising sales to a charity organisation, *"Coeur des femmes"*, a French charity which assists women suffering from social exclusion.

B) *Promoting education*

Group companies are involved in a large number of operations to promote education. Here are a few examples:

- Through the *"Savoir Livre"* organisation, Hachette Livre participates in campaigns to promote reading at primary schools in cooperation with the French Education Ministry and the Books and Reading Division of the country's Ministry for Culture.
  The subsidiaries in the Book Publishing Division also make large donations of books to State schools, libraries and communities in difficulty in a number of countries, including Morocco, Nicaragua, Mexico, Spain, the United Kingdom, etc.

- 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 is submitted for judging by a panel of eight children aged 11 to 15. Prizes are awarded in the categories of "short films" and "student projects and graduation films".
- For the 5th year running, in May 2006, Canal J sponsored "BD en Bulles", the European Comic Strip Fair. The channel organised a day event for children, broadcast two special TV programmes and awarded the Prix Canal J for the best children's album.
- In partnership with UNICEF as part of "Opération Brikkado", Canal J helps raise awareness among young viewers of the action taken by Unicef, particularly in environmental conservation, solidarity and friendship.
- Similarly, through its programmes channel TiJi endeavours to convey positive values such as helping others, friendship, respect for others, etc.

  Lagardère Images International and Lagardère Networks International channels were involved in the launch of a pan-Arabic channel in Qatar. Called Al Jazeera Children's Channel, this channel is dedicated to the education of young people in the worldwide Arab community. Lagardère Images International is accompanying the development of this channel through various missions to assist in the management and administration of the acquisitions of programmes.
- Within the Distribution Services Division, the Relay press store chain once again cooperated with Unicef to promote reading and writing.

C) *Promoting women in society*

Created in December 2004, the Elle Company Foundation is an extension of the original idea behind the magazine: "to be a part of the evolution, emancipation and the place of women in society". The Foundation gives priority to action promoting education for girls, and supports programmes that favour a global approach to questions of education. It also encourages higher autonomy for mothers and the creation of information circuits and materials in favour of women. It works mainly outside France, in countries where the education of girls is a fundamental lever for Sustainable Development.

In 2006, the Elle company foundation supported a many projects:

Outside France:
- *Afghanistan Libre* – The women's magazine ROZ: financial support for the publication and development of the only women's monthly in Afghanistan.
- Les *Trois-Quarts du Monde* (Guatemala): advice, education and professional training for young female prostitutes and victims of violence.
- *Enfants d'Asie* (Philippines): allocation of 100 further education bursaries for young girls from the shanty towns of Cébu.
- *Eau Vive* (Burkina Faso): professional training and informal education for young women from the Sahel.
- *Maison Shalom* (Burundi): social reintegration of female soldiers through professional training.
- *Pacé Solidarité* (Mali): support for the education of girls and awareness-raising in families from the Gundam district.
- *Bayti* (Morocco): prevention, protection and social integration of young women minors in difficult situations – "domestic maids".

In France:

- *Elle Solidarité Mode*: funding for young women from underprivileged housing areas or lacking the requisite financial resources to study in a reputable fashion school.
- *Association pour le Droit à l'Initiative Economique*: training, advice and support for 100 women setting up of a micro-enterprise.
- *Etudes sans Frontières*: bursaries for three Chechen students to study in Paris.
- *Baby-Loup*: training in the child-minding professions for women from underprivileged housing areas.
- *Travail et Partage*: training for women who have come to the end of their entitlement to unemployment benefits, to enable them to take up employment in home services and assistance to people with special needs.

Lastly, for the sixth year running, the Women's Version Femina prize was given to three non-elected women who had devoted their efforts at local level in France to action for the environment, solidarity, education or protection of the cultural heritage.

In the United States, the Print Media segment promotes women's employment through a $12,000 grant to the non-profit organisation New York Women in Communications. This organisation promotes women in publishing and more generally in the world of the media. Monthly meetings of the organisation allow members to exchange views and discuss current issues and trends in the sector. They are also an opportunity for networking.

D) *Defending press freedom*

With business activities generally focused on editorial content publishing, Lagardère attaches particular importance to the freedom of the press.

Within the Distribution Services Division, for more than ten years the Relay chain in France has demonstrated its attachment to freedom of expression and press freedom through its support for "Reporters Sans Frontières" (RSF), by selling the Association's annual photographic book in its different points of sale and transferring the proceeds entirely to the association. Other subsidiaries of the Group support RSF through donations, but also by allowing the use of their distribution network for promotion of the Association's work or by allocating free advertising space. The editorial office of Europe 2 also sponsors Cuban journalist Miguel Galvan Gutierrez, under the aegis of RSF.

Lagardère's work in favour of press freedom also includes an involvement in organisations such as Presse-Liberté, set up to defend and promote the freedom of the press. Run by Hachette Filipacchi Médias, this organisation, in partnership with the Publishers' Union, launched "l'Observatoire de l'Image – The Image Observatory", which, for the first time, broached the legal and financial issues related to the use of photography. Their attendance at "Visa pour l'image", the international festival of photo journalism held annually in Perpignan, allowed them to open up discussion on the subject.

E) *Public health and donations to hospitals*

Health concerns are another priority area for the Group's initiatives. 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.

Lagardère Active's television channels and radio stations give wide coverage to public health issues in order to raise awareness in their respective audiences. As part of the campaign against AIDS, for example, the channel MCM sported special graphics on the air for 24 hours (the campaign's red ribbon alongside the channel's logos) and broadcast the "Ensemble contre le SIDA" song video on multiple occasions.

In terms of youth education, the Fille TV channel broadcasts a live programme every Wednesday devoted to discussions of subjects such as anorexia, the campaign against AIDS, body piercing, relations with parents, healthy eating, etc.

In partnership with Unesco, Paris-Match regularly organises public forums on public health issues, with leading academics and celebrities in their respective fields invited to take part in the discussions. In January 2007, the subject of the forum was “cancer and the advances that save lives”.

Lagardère 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 chain frequently participates locally in events in favour of sick children, or for bedridden patients.

5-3-4 Environmental information

The work of the CSR committee, in cooperation with the operating units at Lagardère, initially focussed on identifying the principal environmental issues for Lagardère, which are mainly related to the lifecycles of the Group’s publications: books, magazines and daily newspapers.

The environmental policy implemented by Lagardère illustrates the Group’s determination to take into account the impact of their business activities at the different stages of the lifecycle of products and services.

Consequently, this policy comprises the following aspects, as adapted to suit the different business divisions:
- **responsible paper management** in the manufacture of the Group’s magazines, books and daily newspapers (5-3-4-1),
- **responsible management of printing activities** (5-3-4-2),
- **the transport of books, magazines and newspapers** (5-3-4-3),
- **management and recycling of returns** (5-3-4-4),
- **control of the environmental impact of the work sites** (5-3-4-5).

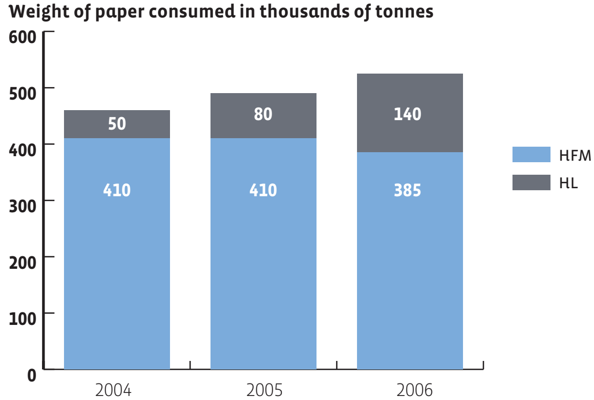
In a continuous improvement approach, the work of the CSR committee is devoted to monitoring and improving the action undertaken with respect to the Group’s environmental commitments, and to launching new initiatives.

The principal **industrial and environmental risks** related to the Group’s business activities are described in section 3-3 of this Reference Document.

5-3-4-1 Responsible paper management policy

The amount of paper required to manufacture the Group’s books, magazines and daily newspapers in 2006 was 525,000 tonnes, an increase of 35,000 tonnes over 2005.

Weight of paper consumed in thousands of tonnes



This increase is the result of the integration of new publishing houses into Lagardère Publishing, which increased Hachette Livre's paper consumption from almost 80,000 tonnes in 2005 to 140,000 tonnes in 2006. In contrast, the amount of paper used to manufacture the Group's magazines and newspapers fell from 410,000 tonnes in 2005 to 385,000 tonnes in 2006, due in particular to reduced circulations of certain titles in France and the United States.

With respect to the manufacture of its books, magazines and newspapers, the Group has defined a paper management policy aimed at:

- taking environmental issues into consideration in relations with paper suppliers,
- reducing formats and grammages, and
- limiting paper wastage during the manufacturing process.

A) Consideration of the environmental impact of their business by The Group's main paper suppliers

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

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, headed by their commitments with respect to the environment. The Print Media segment requires its main suppliers through questionnaires to state their policy and their environmental performances.

In December 2006, Hachette Filipacchi Médias launched a call for tenders with the intention of optimising its portfolio of paper suppliers for the period 2007-2008, regarding the Group's magazines, in around twenty countries in Europe, the United States and Asia. The final selection of partners was subject to the signing of a Sustainable Development Charter, under the terms of which the paper suppliers undertake to respect certain social, ethical and environmental principles; the environmental commitments pertain, in particular, to subjects such as the use of an environmental management system, the sustainable management of forestry resources, the traceability of supplies, the use of chlorine-free technologies and the manufacture of paper incorporating recycled fibres.

Lagardère Publishing conducts a policy of raising paper suppliers' awareness of environmental issues; Hachette Livre's Technical department requires that the main paper suppliers demonstrate their environmental policy and practices concerning:

- their environmental management system and its certification by a competent, independent body; Hachette Livre requires suppliers who do not yet hold certification to take the requisite steps to receive such certification;
- their commitment to sustainable management of forestry resources, through their timber procurement policy.

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

PEFC certification involves a series of controls over the wood and paper pulp supply chain. PEFC certification enables 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 expressed by consumers, and more generally by all the market players.

The targets for the Group's paper suppliers and their performance levels are presented below.

Targets and performance levels of the Group's paper suppliers

Targets	Performance levels
Existence of an environmental management system: Environmental management systems (of the type concerned by 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 a continuous improvement approach. Obtaining (or renewing) certification shows that a paper supplier has taken the effect of their business activities on the environment into consideration, and has implemented action for improvement that enables 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, they alert their employees to environmental issues, in particular by organising regular training sessions. At the end of 2006, 90% of Hachette Livre's paper suppliers' sites had an ISO 14001 certified system of environmental management (compared to 80% at the end of 2005).
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 with a manner and intensity that will 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.	On average, more than 50% of Hachette Filipacchi Média's paper supplies come from certified forests; 90% of paper manufacturers have defined target increases in the share of wood supplies taken from this type of forest. The share of Hachette Livre's paper supplies in France that comes from certified forests increased from 35% in 2005 to 50% at the end of 2006. In addition, some of the publishers at Hachette Livre UK include in their books a statement of their policy in terms of forestry resource management, thereby affirming their commitments to their readers.
Traceability of supply: a traceability system provides the user with information about the origin of the products used in the manufacturing process.	Hachette Filipacchi Médias' 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; all Hachette Filipacchi Médias' suppliers have declared that their system is certified by an independent body. Hachette Filipacchi Médias and Hachette Livre provide accurate traceability of the paper used, 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.
The use of less toxic products for the bleaching of paper: processes have been perfected to enable the partial or total elimination of toxic elemental chlorine from the bleaching process: processes known as ECF (Elemental Chlorine Free) based on the use of the less toxic chlorine dioxide, and processes 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. 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.

Targets and performance levels of the Group's paper suppliers (continued)

Targets	Performance levels
The use of recycled fibres in the manufacture of paper: this reduces the amount of wood taken from the forests and, through selective sorting, encourages more effective recycling of domestic waste. The portion of recycled fibres that can be used varies depending on the quality of paper and the type of printing required. • Newsprint, which is a product with a relatively short life cycle, can be manufactured wholly from recycled fibres • In the production of magazines, the use of papers incorporating a large proportion of recycled fibres is more difficult due to the intrinsic characteristics of the paper (longevity, surface finish, colour and printability).	80% of Hachette Filipacchi Médias' suppliers have 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 the paper used in production of the Group's newspapers is entirely produced from recycled fibres. At Hachette Livre, Calmann-Lévy used 100% recycled paper to manufacture Nicolas Hulot's book, "Pour un pacte écologique", published in November 2006.
Management of discharge into the natural environment: 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.	All of Hachette Filipacchi Médias' suppliers have implemented a waste water reduction strategy and have waste water treatment facilities within their factories. These suppliers have all implemented procedures and emergency systems to counteract accidental spillage into the public water system.
Reducing water and power consumption: The paper manufacturing process requires large quantities of water and power.	Hachette Filipacchi Médias' paper suppliers have all implemented policies to reduce their water and power consumption; by developing systems for recycling treated waste water, they have achieved remarkable reductions in water consumption per tonne of paper produced (in some cases cutting them by more than half between 2000 and 2005).
Waste management: The solid waste generated by the paper industry mainly comprises bark, wood chips, cuttings of pulp and paper, and sludge; 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) *Reducing grammages and formats*

Thanks to the continuous technological progress made by the paper industry, Hachette Filipacchi Médias aims to use paper with lower grammages whenever quality allows. Hachette Filipacchi Médias also implements a policy of gradually reducing the formats of several magazines (for example, *Télé 7 Jours, Parents* and *Elle à Table* in France and Psycho in Spain) or the production of small format versions of magazines (for example, *ISA, Parents* and *Elle à Paris* in France and *Elle* in Italy and Russia).

To monitor the results of these policies, Hachette Filipacchi Médias analyses the "average weight per thousand pages" indicator for a representative sample of titles[1]. Between 2000 and 2005, 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. In 2006, the list of titles the sample comprises was updated to incorporate changes in the representative value of the titles initially chosen. Against a declining market, the "average weight per thousand pages" indicator, calculated in relation to the new list, remained stable from 2005 to 2006.

(1) This sample represents almost 2/3 of the quantities of paper used by Hachette Filipacchi Associés, the company which prints the magazines produced in France by Hachette Filipacchi Médias.

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

C) *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 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).

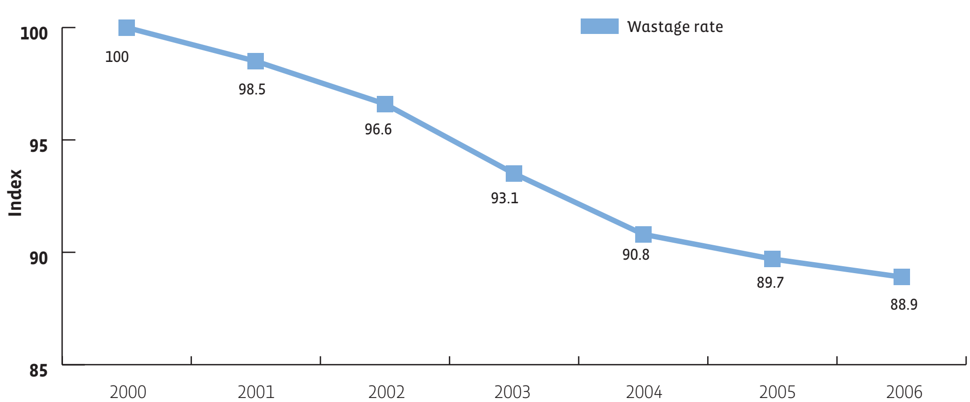
(i) *Action taken by Hachette Livre*

As part of the policy of optimising paper wastage in the division, the teams at Hachette Livre determine the optimal technical choices and precisely calculate the quantity of paper to be allocated to the printer. Reducing wastage is one of the objectives set out 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 provide a basis for:
- approval of choices made concerning printers, printing techniques, types of paper, etc.
- identification of new technologies that can be used,
- informing 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 11% over the last six years at Hachette Livre in France. Outside France, this wastage rate indicator has not yet been subject to consolidation via an information system.

Wastage rate: changes between 2000 and 2006 for 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. In response to these issues, whenever possible, when printing publications for a small audience, Hachette Livre uses digital printing methods which eliminate wastage during calibration.

(ii) *Action taken by Hachette Filipacchi Médias*

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

- Improving the rate of wastage, 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. A major success factor in this policy of limiting paper waste is extensive printing press control procedures and optimisation of machine calibration (inking, size of paper cuts, unwrapping the paper reels on the unwinders, etc.).
- 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 measures have successfully reduced the global rate of wastage from magazine manufacture in France by more than 11% over the past five years.

5-3-4-2 Printing management policy

The printing sector involves multiple environmental issues: the use of toxic products, air pollution, the production of toxic waste, etc. The Group has an active policy with respect to its printers regarding the implementation of measures to reduce the impact on the environment of their business activities.

A) Magazine and newspaper printing

The Group's magazines are printed entirely by external entities. 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; all of the Group's printers have signed a Sustainable Development Charter stating their commitment to respect a certain number of social, ethical and environmental principles.

Outside France, the same Sustainable Development Charter was distributed in 2006 to the printers of magazines in around twenty countries; encouraged by the Production Directors of twenty subsidiaries, all of these printers have undertaken to respect the principles defined in the Charter. In a second phase, Hachette Filipacchi Médias plans to require printers of magazines abroad to produce a regular inventory of their environmental policies and performances, in line with the Group's policy towards printers in France.

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, both of which have implemented an environmental policy.

The issues at stake and performance levels of Hachette Filipacchi Médias' printers, as well as Nice Matin and La Provence, are presented below.

Targets and performance levels of printers

Targets	Performance levels
Implementation of an appropriate organisation and an environmental policy	All of Hachette Filipacchi Médias' printers: • Monitor the environmental performance of their site. • Have a dedicated organisation (environment or Sustainable Development department) or a manager in charge of the corresponding action. Nice Matin and La Provence have a safety and environment manager in charge of producing regular reports on the environmental situation.
Implementation of a Health and Safety policy	All of HFM's printers conduct regular **risk evaluation studies** and declare that they employ considerable efforts for **staff training on environmental issues and hygiene and safety issues.** Diagnostics carried out generally lead to the implementation of dedicated measures (noise protection, adaptation of protective masks, posting of directions for the circulation of power lift trucks, etc.). The health and safety managers at Nice Matin and La Provence regularly conduct evaluations of health and safety risks and provide regular staff training and awareness-raising sessions (particularly in the handling of chemical products). Examples include: • The risk study conducted by Nice Matin in 2005, which was used in 2006 to improve procedures to maximise prevention of work accidents. • La Provence, following a full evaluation of health and safety risks, increased the safety and number of signs in evidence in all potentially dangerous areas.
Limiting consumption	More than three quarters of the sub-contractors have implemented a voluntary policy of limiting their **consumption of products**, particularly developers, fixatives, isopropyl alcohol and cleaning agents as part of their processes. Nice Matin and La Provence apply the same policy. In 2006, three of Hachette Filipacchi Médias' printers adopted the use of a high-performance developer which was tested in 2005; the use of this new product allowed these printers to reduce their consumption of developer by half and consequently reduce the volumes of toxic waste products produced by the same amount. Nice Matin and La Provence also have a policy of limiting consumption of **electricity, gas and water;** this is achieved through the regular monitoring of consumption levels.
Limiting air pollution	All HFM's sub-contractors report that they have a policy of **reducing air pollution**; they all possess a volatile organic compound (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 tests the vapours at the workstations located near the rotary presses.

Targets and performance levels of printers (continued)

Targets	Performance levels
Management of products used	Hachette Filipacchi Médias' sub-contractors have all implemented **strict procurement procedures** to guarantee the absence of prohibited substances: technical tests 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. At Nice Matin and La Provence, "product sheets" are systematically analysed and then submitted to either the occupational health authorities or a toxicology laboratory if there is any doubt; in the event of a negative result, the product is replaced. All of Hachette Filipacchi Médias' printers (including Nice Matin and La Provence) declare that they have a **policy for systematic identification of substitute products** to replace the products they use by other, less toxic products. They have all replaced their former facilities with a view to totally removing isopropyl alcohol from their processes. Some have also discontinued the use of trichlorethylene or replaced certain solvents by solvents derived from plant esters. One third of Hachette Filipacchi Médias' printing service providers have already succeeded in removing all toxic products from their production processes and have received the 'Imprim' Vert[(1)] green printers label from the French Printing and Graphic Communication Federation (FICG). For all of Hachette Filipacchi Médias' printers, including Nice Matin and La Provence, **products that cannot be replaced are subject to specific procedures:** detailed job description sheets, staff training on the symbols for danger and/or handling procedures, etc. For example, Nice Matin implements an automatic ink uptake system that restricts the amount of manual handling. In order to **avoid pollution risks,** Nice Matin and La Provence store their inks and other harmful chemical products in premises with a retention capacity, and both printers have defined procedures and emergency protocols for implementation in the event of accidental spillage (absorbent rollers, absorbent towel kits, recovery products, etc.).
Waste management	In addition to their policies to restrict paper wastage (see above), **waste paper** from the printing processes is systematically recycled by all the printers (including Nice Matin and La Provence). Concerning types of **waste specific to the printing sector**, all printers that 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. Special Industrial Waste (SIW) (bobbins, scrap metal, ink cartridges, cells, batteries, pallets, etc.) is recovered by certified firms (using specific collection vehicles, treatment systems specific to each type of waste, etc.) which process the waste. The SIW reprocessing checklists are sent to both printers, so that they can monitor what happens to their SIW after collection. The two sites also possess special containers for recovering the rags used during the manufacturing process; these rags are then collected and cleaned by a certified company and reused by both printers. **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.

(1) Imprim'vert certification is awarded to printers who voluntarily commit to: elimination of dangerous waste in compliance with the regulations, secure storage of dangerous liquids and replacement of products labelled as toxic (inks, varnishes and solvents) with less dangerous products.

B) Hachette Livre's environmental policy with regard to printers

Hachette Livre instigated an environmental information policy in 2004 to raise its printers' awareness of 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 sub-contractors operating in countries where social and environmental legislation is less strict than in Europe. Primarily as a result of these awareness-raising operations, 80% of Hachette Livre's printers located in Asia and 30% of European printers have now obtained ISO 14001 certification.

The information campaign will continue, targeting not only sub-contractors located outside Europe, but also 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 the Book Publishing Division's printers. The Division carries out regular monitoring of the certification processes of its sub-contractors.

5-3-4-3 Transport of books, magazines and newspapers

CO_2 emissions generated by transport activities contribute to global warming; the Lagardère Group's policy includes communication with its sub-contractors regarding the reduction of the environmental impact of the transport of its books, magazines and newspapers, while at the same time meeting the customer demands in terms of deadlines. The Group directly influences the transport operations it manages, particularly through its activities as a wholesale distributor.

A) Rationalisation of Transport during magazine manufacturing

The Print Media segment has defined a policy to rationalise the transport chain involved in magazine production, with a view to reducing its economic and environmental impact.

Under this policy, Hachette Filipacchi Médias requires that all its printers directly store the paper to be used in the manufacturing process rather than making use of a dedicated warehouse. This avoids the need for 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 rationalisation of the transport chain related to printing, binding, dispatching 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) Rationalisation of transport during distribution

In France, in compliance with the regulations governing the magazine print media distribution system (the 'Bichet law'), magazines are distributed either by the publisher, or by the express delivery cooperatives (Nouvelles Messageries de la Presse Parisienne or 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 NMPP (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. Similarly, the Book Publishing division outsources distribution of books to transport firms who optimise the delivery rounds – and therefore the kilometres covered – in accordance with the constraints imposed by customers.

Outside France, newspaper and magazine distribution is specific to each country. Certain Group subsidiaries act as wholesale press distributors (particularly SGEL in Spain, AMP in Belgium, Lapker in Hungary and Naville in Switzerland). For instance, Lapker supplies 13,000 sales outlets and SGEL supplies 18,000 sales outlets. Hachette Distribution Services conducts studies to optimise delivery rounds either through a manual process or using dedicated software[1]. These optimisation studies have made it possible to reduce the number of kilometres covered, and their repetition will ensure that all sales outlets can be supplied in accordance with time constraints, with no significant variances from the optimum figures for kilometres covered and transport time.

5-3-4-4 Management and recycling of returns

The Group operates a two-level policy regarding returns:

– upstream, effective management of the rate of returns can reduce the number of copies manufactured, thereby reducing the consumption of paper and the number of copies to be destroyed;

– downstream, as copies returned are composed principally of paper, they should be suitable for reprocessing or recycling.

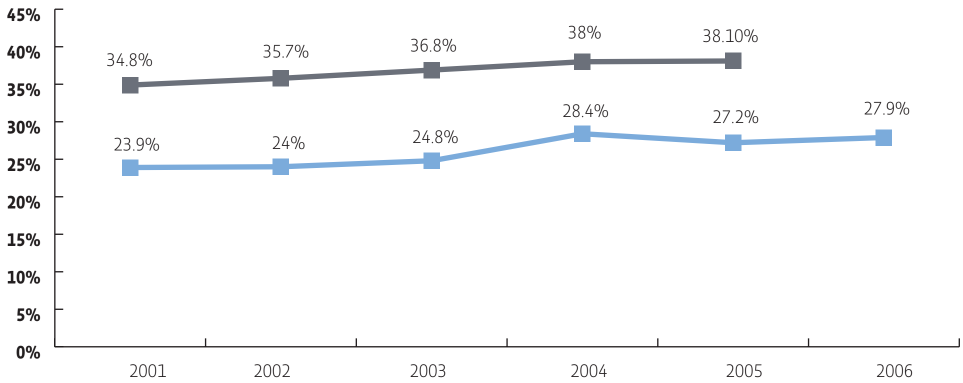
A) Management of returns

Proper 'adjustment' of its returns is considered very important by Hachette Filipacchi Médias. The management of sales and, consequently, of returns depends on how newspaper and magazine distribution is organised in each country. The action and performance levels of Hachette Filipacchi Médias must therefore 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. These operations have allowed Hachette Filipacchi Médias, in France (the location for half of its sales), to obtain rates of return well below national rates of return for the past five years.

(1) For example, Lapker launched a call for tenders in 2006 concerning a transport optimisation software application for Budapest, whereas delivery round optimisation studies had previously been conducted manually: tests conducted on the two applications selected will be subjected to evaluation and testing prior to the final selection of the partner in 2007.

Comparison of the rate of returns(*) at HFM with the national rate of returns(*)



(*) All publication frequencies taken together.

(**) All publishers taken together (NMPP source: Trends in single-copy sales, Marché & Réseau 2003 and 2005, Bilan Presse NMPP-TP single-copy sales in mainland France 2004; data relative to single-copy sales presenting the national rates of returns for 2006 were not available when this document went to print).

A comparison of the average rate of returns for each of the titles published by Hachette Filipacchi Médias in France with the national rates of returns in the relevant press group or sub-group[1] shows that over the past four years and for more than three quarters of titles, the adjustments operated by Hachette Filipacchi Médias achieved average rates of returns that were significantly lower than the national average in their category.

For books, it is much more difficult to "adjust" quantities to be printed and delivered: each work is completely new and there is no reference base for estimating the number of copies which will be sold. An awareness-raising programme for Hachette Livre's publishers on the issues at stake in optimising print runs has nonetheless been implemented, and the division's publishers continuously strive to optimise workflows.

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. The express service company NMPP (the principal distributor for the Group's titles) hands over returns to collectors throughout France, who undertake to recycle them.

(1) NMPP source: Trends in sale-per-copy, Marché & Réseau 2003 and 2005, Bilan Presse NMPP-TP vente au numéro métropole 2004.
Rates of returns for sale-per-copy vary significantly depending on the press group or sub-group.
For example, the national rates of returns in 2005 were:
• 35.6% for the current affairs press (including, for example, "celebrity" magazines, "business" magazines, "consumer" magazines, etc.).
• 36% for women's magazines (including, for example, "fashion/beauty" magazines, "cookery" magazines, "well-being/health" magazines, etc.)
• 53.2% for children's' magazines and
• 56% for the "Home" category.

The subsidiaries of the Distribution Services Division who work in the print media distribution business outside France send all returns for destruction to recycling companies. In 2006, these unsold copies represented an annual volume of 87,487 tonnes: 27,259 tonnes for SGEL, 15,100 tonnes for Lapker, 36,728 tonnes for AMP and 8,400 tonnes for Naville.

As regards the works put on sale by Hachette Livre and 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.

5-3-4-5 Controlling the environmental impact of the sites

The sites occupied by the Group's companies consume power and water and generate waste; some of Lagardère's campaigns are aimed at controlling the impacts these sites have on the environment.

A) Group campaigns to reduce energy consumption

In 2006, the Group incorporated into its financial data consolidation system certain environmental data items concerning water and energy consumption. The data below for 2006 covers 100% of Lagardère's **consolidated** subsidiaries, totalling more than 450 companies. Consumption included in site overheads and not itemised is estimated according to the type of premises and the number of occupants concerned; to ensure consistency in the consolidated data, internal re-billing between consolidated companies has not been taken into account. The data is entered once only by the business unit that receives the invoice from the service company.

	Distribution	Audiovisual	Print Media	Book Publishing	Matra MS and Corporate	Total
Electricity (KwH)	84,896,989	8,694,650	36,886,981	38,943,690	2,822,984	**172,245,294**
Gas (KwH)	14,261,079,	2,915,842	4,604,074	23,773,746	2,710,740	**48,265,481**
Diesel (litres)	1,393,185	121,812	172,208	461,475	500	**2,149,180**
Water (cubic metres)	383,449	14,816	106,686	81,702	11,789	**598,442**

The energy consumed by the Group generated by recycling of domestic waste and/or combined heat and power production (cogeneration) amounted to almost 3,290,000 KwH. The premises housing the head offices of Hachette Filipacchi Médias and Hachette Livre, among the largest in 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: recycling of domestic waste and cogeneration.

As part of the concern to reduce and/or optimise energy consumption, in partnership with the Group's electricity supplier, a global approach to "Controlling Energy Expenditure" (CEE) has been instigated with the aim of identifying all potential sources of energy savings, assessing the potential gains and implementing the corresponding action. Energy audits carried out under this approach in 2005 and 2006 on the Group's main sites collected a certain amount of technical data (including: building structure, windows, floor space, exposure to the sun, existing equipment, air condition, etc.) and practical data (hours of occupancy, maintenance, etc.).

These audits were used to identify specific areas for progress, and improvement operations have been implemented on the sites concerned. The majority of measures applied relate to:
- Lighting, chiefly the use of low-energy consumption light bulbs or metal iodide lamps to replace existing lamps,
- Air conditioning or ventilation and heating, particularly the implementation of processes designed to reduce heat exchanges, as the Group's sites are principally tertiary service sites.

Energy consumption at sales outlets has been reduced through the implementation of a certain number of measures by Relais H and Aelia:
- Most light bulbs used for the lighting of the Relay stores are compact fluorescent light bulbs that consume less energy than conventional fluorescent tubes and have a longer lifetime; furthermore, to reduce heat losses and consequently energy consumption, wind shields are used during the winter period. At Relais H, the walls of buildings are treated with heat insulating materials that comply with the High Quality Environmental standard label or HQE®[(1)].
- For the lighting of airport boutiques, the use of metal iodide bulbs has become the norm, resulting in a reduction of approximately 2/3 in the consumption of lighting, but also lower heat production, and consequently lower air conditioning needs.

B) *Waste management*

The CSR committee initiated discussions on waste management at the level of the Group's principal tertiary sites. In 2006, this led to an inventory of existing practices with a view to implementing an overall improvement operation starting in 2007. The aims of the operation are to:
- Reinforce the tracking of volumes and the sorting of waste by type,
- Improve downstream traceability, particularly with respect to the selected sub-contractors, and
- Reduce volumes and management costs, where possible.

As part of its environmental policy, Relais H reprocesses all suitable items for reuse in the network, in particular, certain items of metallic furniture. In the same way, when stores are opened or refitted, Virgin reuses existing furniture and/or electronic equipment for sound and visuals (screens, monitors, etc.) whenever possible.

C) *Examples of environmentally-friendly sites*

(i) *La Croix Catelan site*

In 2006, when it became the operator of La Croix Catelan Sports Centre, the Lagardère Group commissioned an environmental audit of the site, which is located in the heart of the Bois de Boulogne on the edge of Paris. The audit confirmed the presence of more than twenty bird species and a number of small mammals such as moles, hedgehogs, squirrels and rodents. The biodiversity of the site also includes insects such as butterflies, crickets and grasshoppers, and at least five different species of bats were identified. The flora is also highly diversified: a detailed inventory listed 70 species of trees and shrubs, including some extremely old specimens.

(1) The HQE®, approach is based on :
- *an environmental management system, established and conducted under the responsibility of the owner of the project,*
- *environmental constraints defined at the beginning of the project depending on the context and the priorities of the owner.*

It was thus clear that La Croix Catelan is a precious environment that should be protected, and several development measures were identified to make the site not only a place to play sports, but also a benchmark in terms of environmental management. The firm of architects in charge of developing the site will draw on the diagnostics established to define a landscaping project appropriate to the specific features of La Croix Catelan, to enhance the site's natural assets and preserve its biodiversity. As regards the architectural aspects, the plans for the sports facilities and conservation of existing buildings will also be certified to High Quality Environmental (HQE®) standards, in order to comply with the most advanced standards in this domain.

The Group also intends to initiate action in 2007 to obtain ISO 14001 certification (which will take into account both the landscaping projects and the architectural projects) for operation of the site.

(ii) *Lagardère Active Broadband's HQE® building*

Lagardère Active Broadband and its French subsidiaries operate from a building which has obtained High Quality Environmental Standard certification (NF Bâtiments tertiaires, Démarche HQE®). The designers of the building adopted this certification strategy from the planning stage, and incorporated a certain number of environmental parameters into the project for the design, production and operation of the site.

The principal objectives were to achieve:

• A low-environmental impact building process using environmentally-friendly materials, restricting chemical emissions, and seeking ways to reduce CO_2 emissions;
• An energy-efficient building with:
– a bioclimatic design (salient window frames creating shade on the façade, and a building with no fully south-facing façade) which reduces the need for cooling,
– excellent thermal quality by means of high-performance insulation,
– a large amount of natural light and highly efficient artificial lighting systems,
– an effective air processing system (with heat recovery and air recycling; electric battery terminal for individual heating; humidity control, and a free cooling system supplied by cold batteries in the girders);
• User comfort with:
– Control of air quality inside the building, and humidity monitoring of the premises,
– Centralised technical management and individual temperature control
– Automatic shutters that respond to outside light conditions.

***

In addition to the policies aimed at enhancing control and reducing the environmental impact of its business activities, in 2006 the Group became involved (through its subsidiary Matra Manufacturing & Services) in the development, manufacture and European distribution of electrically-driven vehicles (light electric bicycles and quadricycles) intended for local authorities, administrations, companies and private individuals, to be used for short local journeys. The technologies employed for the motorisation of these means of locomotion make use of command systems that offer excellent electromagnetic, thermal and mechanical efficiency, and are noiseless and pollution-free.

5-3-5 Ethics – Code of conduct

5-3-5-1 International ethics standards

Through the Group's code of conduct (see below), staff are made aware of the great importance Lagardère attaches to the principles of the Universal Declaration of Human Rights and the International Labour Organisation, and on the OECD guidelines for multinational enterprises. Lagardère joined the United Nations Global Compact in March 2003, marking its attachment to Universal values. Lagardère's Code of Conduct defends the following principles:

- Freedom of association,
- Prohibition of forced labour, compulsory labour and child labour,
- Recognition of the right to negotiate enterprise agreements,
- Equitable employment practices and equal treatment, which presupposes, among other things, the avoidance of (i) all forms of discrimination for reasons of an individual's race, lifestyle, age, gender, political or religious opinions, union membership or disability, and (ii) all forms of harassment,
- Respect for privacy,
- Prohibition of corruption.

Furthermore, as part of the Group's commitment, Lagardère has been gradually incorporating ethical, social and environmental criteria into its calls for tender and into the general terms of new contracts and agreements, since 2006. These criteria concern, in particular:

- respect of the principles defended by the International Labour Organisation (including the prohibition of child labour and all forms of forced or compulsory labour);
- prohibition of clandestine employment;
- anti-corruption measures;
- compliance with applicable social welfare regulations;
- existence of risk prevention measures for work safety;
- implementation of a labour policy based on a quality approach;
- respect of the fundamental principles of environmental protection;
- compliance with the environmental legislation in force;
- control of the environmental impact of business activities through the implementation of an environmental policy based on the principle of continuous improvement;
- promotion of the above principles to business partners.

In the event of any failure by a business partner to honour these commitments, Lagardère reserves the right to consider terminating the partnership if the partner concerned does not remedy the situation in a timely manner.

Concerning the printing and shaping of books, since 2004 Hachette Livre has conducted a policy of raising supplier awareness of social issues, encouraging suppliers who are not already certified to take the necessary steps to obtain certification. To date, 50% of printers representing at least 1% of the procurement of Hachette Livre have signed agreements including a labour clause, or have obtained labour-related certification: working conditions, health and safety, OHSAS 18001. Outside Europe, 40% of suppliers have already obtained OHSAS 18001 certification (a standard that is recognised the world over for health, safety and working conditions). These awareness-raising operations will be continued.

Furthermore, within the Book Publishing Division, certain publishing houses have issued a specific code of conduct as a formal statement of the fundamental principles of human rights and children's rights to all suppliers and sub-contractors directly or indirectly involved 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 binding on the suppliers and sub-contractors.

The code also sets forth a certain number of fundamental values to be respected by the company's suppliers and sub-contractors, mostly derived from the principles of the International Labour Organisation (ILO): prohibition of child labour, discrimination, forced labour and disciplinary measures; a 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 are entitled to verify that these principles are applied by their suppliers and sub-contractors and consequently may, during the term of the contracts, initiate 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 may be applied against the defaulting party. In the most serious cases the sanction may take the form of termination of the contract and imposition of a fine.

In the course of 2005 and 2006, 17 compliance audits were performed, and some gave rise to requests for corrective action on the part of the suppliers and sub-contractors concerned (particularly, reduction in employees' weekly working hours and application of the rules for working conditions and hygiene). Follow-up inspections were performed in 2006 to check that the requested corrective action had been implemented by the suppliers concerned; five suppliers were excluded from the list of Hachette Livre's following these inspections (or due to a refusal to take the requested corrective action).

5-3-5-2 Lagardère's code of conduct

A) Principles of the Group's code of conduct

The Code of Conduct in force within the Group draws its inspiration from the fundamental values on which Lagardère has built its legitimacy and reputation – respect for others, team spirit, striving for excellence, loyalty and independence. This Code is intended to 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 Group's relations with its employees, the Code addresses the following issues in particular:
  - working conditions, health and safety conditions;
  - respect for fundamental rights and equitable practices in terms of employment (particularly, avoidance of all types of discrimination and harassment);
  - respect for employees' privacy.

  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 reaffirms the principle of respect for fair 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. The Code also stipulates a certain number of rules regarding the giving and receiving of business gifts.
- Concerning customer relations, the Group reaffirms the principles of honouring commitments to customers and the confidentiality of customer information; it stipulates the objective of providing customers with high-performance products and services appropriate to their needs and expectations, and information that is as accurate and fair as possible.

- The Group intends to act in the interests and in consideration of its shareholders and, in this respect, the 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;
  - 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 Code stipulates the principle of strict application of the laws and regulations in force and its determination to contribute to Sustainable Development.

This Code is completed by a "Charter for Transactions carried out on Lagardère SCA shares by employees of the Lagardère Group". The charter contains a detailed description of the legal obligations incumbent on company employees in possession of "Privileged Information" (they may not undertake transactions involving the shares concerned or divulge the corresponding information) as well as the corresponding administrative and/or criminal sanctions applied in the event of infringement of these obligations. The charter also states the additional prohibitive measures intended to reduce the risk of such misdemeanours being committed; Group employees who have regular access to Privileged Information concerning Lagardère SCA by virtue of their position may only carry out transactions on the Group's listed shares three times per year: during the four-week periods following presentation of the annual results, the half-yearly results and the Annual General Meeting of Shareholders, on condition, of course, that they are not in possession of Privileged Information; employees of the Group who through their position may have occasional access to Privileged Information, and the beneficiaries of Lagardère SCA stock options, may only carry out such transactions during the forty-five day period preceding the publication of the annual and half-yearly results and during the thirty-day period preceding the Annual General Meeting.

In compliance with the applicable stock market legislation, a procedure was implemented to establish the list of persons with regular or occasional access to Privileged Information concerning Lagardère SCA. At the same time, the Managing Partners set up a Comité Initiés (Insider Committee) comprising a representative from their ranks, the Group's Legal Director, the Financial Director and the Human Resources and Communications Director. This Committee is responsible for compiling and updating the lists of persons with access, and proposing measures to reduce the risks of misdemeanours and failure to comply with the relevant legislation.

The Group also has an IT charter specifying the rules governing the use of computer tools; this charter applies to all of the Group's employees.

B) Ethics in the editorial professions and journalism

In the Audiovisual business, the General Management of the Europe 1 news and current affairs radio station is particularly attentive to application of the code of ethics for journalism, which guarantees the credibility of the company, as any infringement 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.

The General Secretary's office is in regular contact with Lagardère Active's advertising brokers, providing advice on the regulations in force in the sector (particularly for regulated advertising). The General Secretary's office also answers any specific questions from the operational staff about the content of the advertising messages broadcast to the public.

In the Print Media business in France, a business ethics charter is given to journalists when they join the Group. This charter precisely defines the rules of conduct applicable to journalists in all the editorial sections of Hachette Filipacchi Médias. The charter also defends self-regulation by the profession, and speaks out against threats of press censorship. It states the fundamental values of journalism: a critical thinking, impartiality, equity, independence, the respect of the public, honesty and an open mind.

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, clairvoyance, comparative advertisements, compulsory use of the French language, compliance with the Evin law on cigarette and alcohol advertising, etc.) are systematically submitted for the approval of the General Secretary's office. The validity of the advertisements is assessed in the light of the laws in force, the provisions of the Consumer Code and the recommendations of the Advertising Verification Bureau. Furthermore, advertising of alcoholic drinks and food supplements requires the approval of the Advertising Commission of the magazine promotion association APPM (Association pour la Promotion de la Presse Magazine), whose Chairman is a member of the Management Committee of Hachette Filipacchi Médias. Similarly, editorial articles referring to brands of alcoholic drinks or including competitions are submitted to the General Secretary's office which makes sure they meet requirements, particularly concerning respect of the health message.

C) *Child protection*

In all the programmes broadcast, the Management of the music radio stations monitors application of the principles of respect for the human individual and protection of children and young people. It is particularly attentive to preventing unplanned events or statements that could be disturbing for young listeners. To this end, the work contracts signed with programme presenters stipulate the conditions governing their broadcasting activity, and systematically impose an obligation to respect the law and commit no offence against public order, morality or security.

The Group's "Youth and children's" channels are committed to strict respect for children, and particularly their protection from threatening contents. This is the guiding principle behind all the editorial choices of each TV channel. For Gulli, a channel for children aged 6 to 15, an ethics committee comprising child specialists holds general discussions on the place of television in children's lives and advises the channel on its programmes.

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 young people. The radio stations and advertising brokerage companies also intervened in favour of child protection by broadcasting advertising spots and placing advertising banners for French children's charities such as SOS Children's Villages and Petits Princes.

In all the countries where it operates, 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).

Chapter 6

Net assets
Financial position
Results

6 - 1 Per share data and distribution policy

6-1-1 Per share data

	2002		2003		2004		2005		2006	
in euros	basic	diluted (1)	basic	diluted (1)	basic	diluted (1)	basic	diluted (1)	basic	diluted (1)
Profit attributable to holders of the parent, per share	(2.16)	(2.16)	2.47	2.42	3.65	3.44	4.88	4.74	2.13	2.09
Equity attributable to holders of the parent, per share	27.32	27.31	28.75	28.86	28.68	31.28	31.45	33.72	34.47	34.63
Cash flow from operations before change in working capital, per share	4.41	4.34	6.02	5.88	8.75	8.76	9.52	9.23	9.58	9.42
Market price at 31 December	38.71		45.77		53.10		65.00		61.00	
Dividend	**0.82**		**0.90**		**1.00 + 2.00 (2)**		**1.10**		**1.20 (3)**	

(1) Including the effect of dilutive stock options exercised by employees.
(2) Ordinary dividend of €1 per share and exceptional dividend of €2 per share.
(3) Dividend to be approved by the General Meeting of Shareholders on 27 April 2007.

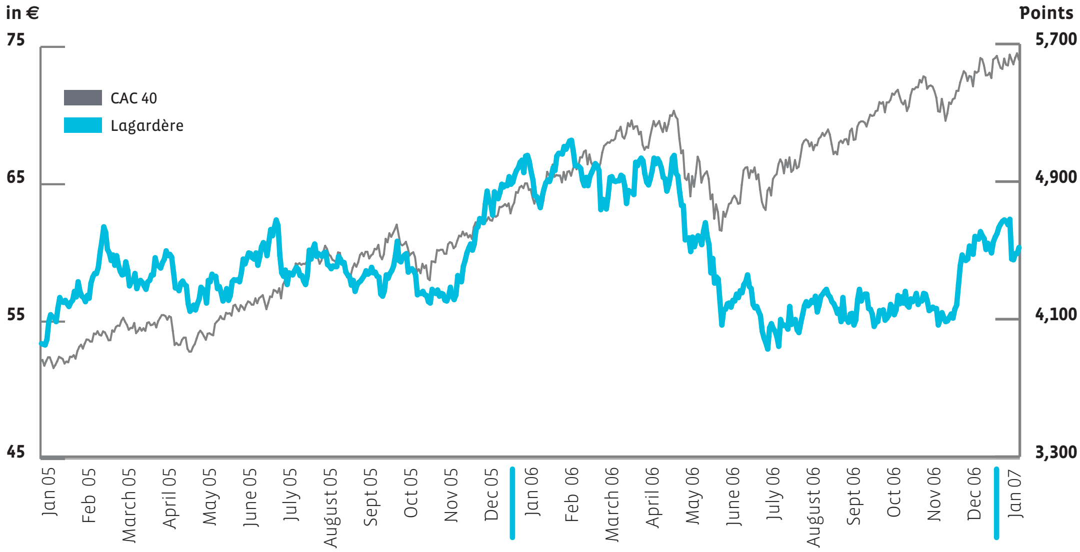
6-1-2 Distribution policy

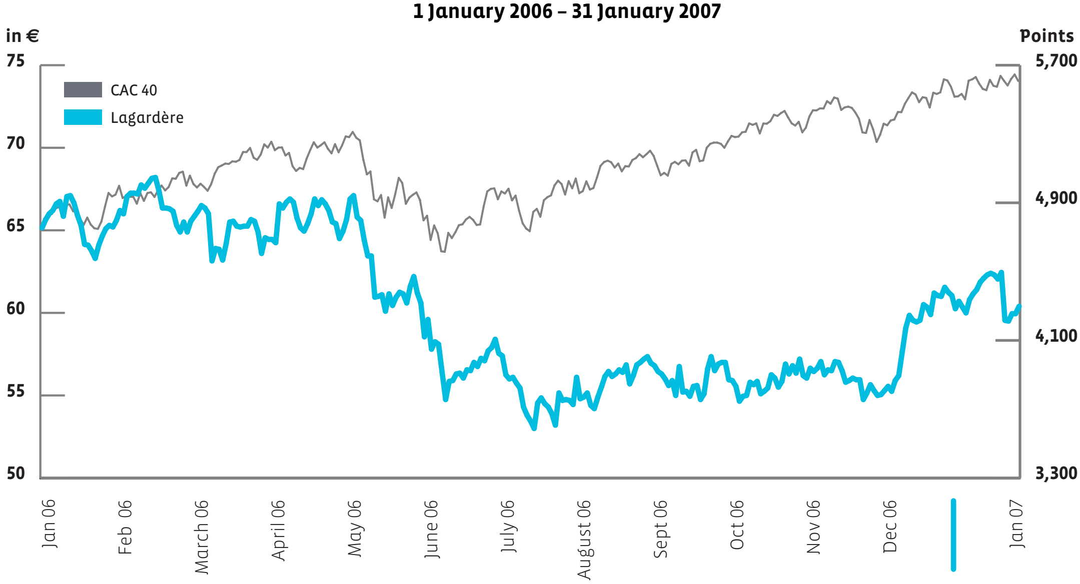
Total dividends paid for the years 2003, 2004(*) and 2005 amounted to €122.8 million, €136.7 million and €153.6 million respectively.

For the years 2004 and 2005, total dividends accounted for 27.6% and 22.9% 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 2 under table above).

6-1-3 Changes in closing share prices





6 - 2 Analysis of Lagardère SCA's financial position and results

6-2-1 General

The Lagardère Group's consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS).
All figures are expressed in millions of euros.
The consolidated income statements are summarised below.

	2006	2005
Net sales	**13,999**	**13,013**
Profit before finance costs and tax	**598**	**920**
Finance costs, net	(192)	(76)
Income tax expense	(85)	(142)
Net profit	**321**	**702**
Attributable to equity holders of the parent	*291*	*670*
Attributable to minority interests	*30*	*32*

Operations by business segments are analysed below.

6-2-2 Lagardère Media

The Lagardère Media segment includes the operations of the Book Publishing, Print Media, Distribution Services and Lagardère Active divisions.

Significant changes in this segment's structure during 2006 were as follows:

- Book Publishing
  - Full consolidation from 1 April 2006 of the newly acquired publishing group Time Warner Book Group comprising Time Warner Book Group Inc. in the United States and Time Life Entertainment Group Ltd in the United Kingdom.
  - Full consolidation from 6 March 2006 of Philip Allan Updates, acquired by British publisher Hodder Headline.
  - Sale and deconsolidation from 1 January 2006 of the French publisher Éditions Dalloz.
- Distribution Services
  - Full consolidation of HDS Retail Czech Republic, which was proportionately consolidated on a 50% basis in 2005.
  - Full consolidation of HDS Hong Kong point-of-sale activities, which were only consolidated from 1 November in 2005.
  - Sale and deconsolidation from 1 January 2006 of the German distributor Saarbach.
- Lagardère Active
  - Full consolidation from 1 March 2006 of four newly acquired radio stations in Russia.
  - Application of the equity method since 1 October 2006 for the US Cellfish group comprising Lagardère Active's mobile phone activities, which were previously fully consolidated.

The merger process initiated in early 2006 with Vivendi Universal and Canal+ Group culminated on 4 January 2007 in the acquisition by Lagardère Active of a 20% investment in Canal+ France, the new entity formed by the merger between CanalSatellite and TPS. This investment was undertaken through a contribution on 4 January 2007 of Lagardère's 34% holding in CanalSatellite, preceded by the acquisition on 19 December 2006 of Canal+ France shares for the sum of €469 million. The 34% holding in CanalSatellite continues to be accounted for by the equity method in the financial statements at 31 December 2006, and the shares in Canal+ France are recorded as unconsolidated investments. In 2007, the 20% investment in Canal+ France will be accounted for by the equity method.

Summarised statements of income and cash flows of Lagardère Media are as follows:

Income statement

	2006	2005
Net sales	**8,092**	**7,901**
Recurring operating profit before associates	539	503
Income from associates	68	63
Non-recurring items	(54)	(67)
Profit before finance costs and tax	**553**	**499**
Finance costs, net	(84)	(52)
Profit before tax	**469**	**447**

Cash flows

	2006	2005
Cash flows from operations before change in working capital	765	662
Change in working capital requirement	22	2
Cash generated from operations	**787**	**664**
Interest paid and received and income taxes paid	(291)	(219)
Net cash from operating activities	**496**	**445**
Cash used in investing activities	(1,175)	(223)
– Intangible assets and property, plant and equipment	*(151)*	*(161)*
– Investments	*(1,024)*	*(62)*
Proceeds from disposals of non-current assets	185	65
– Intangible assets and property, plant and equipment	*42*	*14*
– Investments	*143*	*51*
Sales of short-term investments	5	582
Net cash from (used in) investing activities	**(985)**	**424**
Total cash from (used in) operating and investing activities	**(489)**	**869**
Capital employed (*)	**4,887**	**4,163**

(*) Non-current assets less non-current liabilities (excluding debt) and working capital requirement.

The main factors marking 2006 were the vigorous revenues from audiovisual advertising, good book sales, the sustained enthusiasm for air travel which boosted retail sales in airports, and a fall in circulation for certain titles of the magazine press (men's magazines) in a challenging advertising environment, particularly for automobile magazines. Hachette Filipacchi Médias thus had to cope with unfavourable market conditions against constantly increasing competition in the form of new publication launches.

The Lagardère Group's recent acquisitions and developments in Russia, Eastern Europe and the Asia-Pacific region did very good business and offer attractive prospects.

Lagardère Media's sales for 2006 thus increased by 2.4% from 2005, without adjustments for changes in group structure and exchange rates. Changes in exchange rates (average rate over the period) had only a very limited impact, due to the stability of the US dollar/euro and pound sterling/euro rates. The Book Publishing division benefited from the consolidation of the newly acquired Time Warner Book Group publishing activities from the second quarter of 2006, representing an impact of €336 million, but this effect was offset by a negative €173 million impact in the Distribution Services division of major modifications to certain distribution contracts in Belgium. As a result of these modifications, revenues from these contracts are now recorded on a distribution commission basis only. The sales of the French publisher Editions Dalloz, the German distributor Saarbach and the application of the equity method to Cellfish from 1 October 2006, meanwhile, had a negative impact of €100 million on sales.

Excluding the effect of changes in group structure and exchange rates, and after adjustment for the impact of new distribution contracts in Belgium, sales growth was 0.9%. It was positive in Book Publishing, Distribution Services and all the audiovisual activities except, as anticipated, for special interest TV channels (impact of the shutdown of Match TV) and audiovisual production, after the non-recurrent effect of completion of two feature films in 2005. Print Media registered a slight shrinkage in sales: low kiosk sales, discontinuation of certain publications and tensions on the automobile magazine advertising market were not totally offset by the good level of advertising revenues from certain segments, such as top of the range women's magazines.

Recurring operating profit before associates amounted to €539 million, a rise of €36 million or 7.0% from 2005 without adjustments for changes in group structure and exchange rates. The following factors contributed:

- The Book Publishing division's recurring operating profit rose by €31 million, largely attributable to the well-balanced development of all French publishing and distribution activities, despite a higher basis for comparison resulting from the scale of the "Dan Brown effect", given the exceptional success of his novels Da Vinci Code and Angels and Demons. Anaya (Spain) and Hodder Headline (UK) also registered impressive performances in 2006. The newly consolidated Time Warner Book Group business contributed an additional €36 million, partly offset (€10 million) by the disposal of the Dalloz publishing house.
- Recurring operating profit for the Print Media division declined by €29 million as a result of lower profitability for the daily regional press, high pressure on magazine distribution and the decline in advertising revenues in certain segments. Hachette Filipacchi Médias responded to this situation by intensifying investments in websites, which for 2006 caused a reduction in the margin.
- The Distribution Services division's recurring operating profit rose by €10 million due to brisk business at airport outlets in many countries, particularly in France and the Australia-Asia-Pacific region, and higher profitability in the German retail network. Thanks to a dynamic policy of diversification in products sold, other activities stood up well to lower press sales and the impact of new tobacco marketing regulations.
- Lagardère Active registered recurring operating profit growth of €24 million, mainly related to the very good performance by the French radio station Europe 1, and international radio activities.

Income from associates was €68 million in 2006, an increase of €5 million from 2005, largely thanks to good performances by CanalSatellite and the Amaury group.

Non-recurring items included in the profit before finance costs and tax represented a net loss of €54 million in 2006, €13 million less than the year before.

This loss is the balance of the following components:
- €14 million disposal gains, including €8 million on the disposal of the German distribution subsidiary Saarbach, and €4 million on disposal of the Météo TV weather channel,
- €5 million profit related to recognition of negative goodwill as part of an operation to purchase minority interests,
- €31 million of impairment on goodwill and intangible assets, mainly affecting US publications,
- €42 million of restructuring costs, including €31 million incurred by the Print Media division in connection with rationalisation of the costs of French Magazine activities and discontinuation of certain publications in the US and England.

As a result of the above items, profit before finance costs and tax increased by €54 million in 2006.

Net finance costs were €84 million in 2006, an increase of €32 million from 2005. This incorporates a loss of €15 million recorded upon the exchange in July 2006 of T-Online shares for Deutsche Telekom shares after the merger between the two companies. Other factors were the impact of the higher indebtedness at the Media segment resulting primarily from acquisition of Time Warner Book Group, and the increase in average interest rates.

Cash flows

Cash flows from operations before change in working capital amounted to €765 million, the increase of €103 million from 2005 being mainly attributable to Lagardère Active and Hachette Livre. A major contributing factor was the dividend of €102 million (€75 million more than in 2005) received by Lagardère Active from CanalSatellite under the agreements signed in early 2006 concerning the Lagardère Group's investment in Canal+ France.

The working capital requirement declined by €22 million as a result of the improvements noted in the Book Publishing, Lagardère Active and Distribution Services divisions, which more than offset the higher working capital requirements of the Print Media division.

Interest paid (less interest received) totalled €84 million in 2006 compared with €53 million in 2005, and taxes paid amounted to €207 million compared to €166 million in 2005. Much of this rise in taxes was due to tax paid in 2006 on the gain resulting from the 2005 sale of T-Online shares.

All these items generated net cash from operating activities of €496 million in 2006, up from €455 million in 2005.

Purchases of intangible assets and property, plant and equipment, net of disposals, totalled €109 million in 2006, €38 million lower than in 2005, mainly following the sale of a British business by Hachette Livre in 2006.

Purchases of investments in 2006 amounted to €1,024 million. The principal investments were:
- the acquisition of Time Warner Book Group (€404 million);
- acquisition for €469 million of Canal+ France shares from Canal+ Group on 19 December 2006;
- purchase by Lagardère Active of four Russian radio stations (€43 million).

Disposals of investments amounted to €143 million including in particular the sale of 90% of the French publisher Dalloz.

Sales of short-term investments amounted to €5 million in 2006 compared with €582 million in 2005, the price received for the sale of most of the portfolio of T-Online shares.

As a result, total cash of €489 million was used in operating and investing activities in 2006, compared with total cash of €869 million generated by operating and investing activities in 2005.

At 31 December 2006, capital employed totalled €4,887 million, up by €724 million from 2005. This was largely the result of the new investments made in 2006.

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 14.98% in 2006 and 14.95% in 2005.

On 10 April 2006, Lagardère SCA issued Mandatory Exchangeable Bonds redeemable in EADS shares concerning 7.5% of the capital of EADS. This will entail the transfer of 2.5% of the capital in each of the three years 2007, 2008 and 2009. Details of this operation are provided in note 2 to the consolidated financial statements.

Income statement

	2006	2005
Net sales	**5,907**	**5,112**
Recurring operating profit before associates	39	392
Income from associates	23	31
Non-recurring items	(31)	(3)
Profit before finance costs and tax	**31**	**420**
Finance costs, net	(18)	(23)
Profit before tax	**13**	**397**

Cash flows

	2006	2005 (1)
Cash flows from operations before change in working capital	542	644
Change in working capital requirement	(2)	155
Cash generated from operations	**540**	**799**
Interest paid and received and income taxes paid	(23)	(29)
Net cash from operating activities	**517**	**770**
Cash used in investing activities	(937)	(578)
– Intangible assets and property, plant and equipment	*(428)*	*(427)*
– Investments	*(509)*	*(151)*
Proceeds from disposals of non-current assets	308	176
– Intangible assets and property, plant and equipment	*147*	*53*
– Investments	*161*	*123*
Sales of short-term investments	498	111
Net cash used in investing activities	**(131)**	**(291)**
Total cash from operating and investing activities	**386**	**479**
Capital employed (2)	**925**	**1,106**

(1) Cash flows from investing activities have been reclassified according to the presentation principles used by EADS in 2006.
(2) Non-current assets less non-current liabilities (excluding debt) and working capital requirement.

Operations

EADS' contribution to Lagardère's consolidated sales was €5,907 million, up 15.5% from its 2005 contribution of €5,112 million.

The main drivers of this growth were Airbus, which registered a 13.6% increase in sales thanks to a record number of aircraft delivered (434 in 2006, compared to 378 in 2005) and the Military Transport Aircraft division, for which the very high growth reflects successful completion of the four A400M programme phases scheduled for 2006, and recognition of revenues relating to a phase delayed from 2005 to 2006.

Eurocopter also had an exceptional year, delivering a record number of 381 helicopters (334 in 2005), which contributed to an 18.4% increase in Eurocopter sales. The first three NH90s were delivered to the German Army in 2006.

Astrium, benefiting from a more favourable market environment, registered a 19% rise in sales, an indication of the rise in production of Ariane 5 rockets and the lively market in satellites and services.

Sales by the Defence and Security division grew by 4%, essentially due to faster-paced production of the Eurofighter, sustained missile business and the new digital radio communications activity. Other businesses not attached to any division (ATR, EFW, Socata and Sogerma) also saw strong growth in sales (+9%). The group's sales by the various divisions' Defence activities exceeded the €10 billion mark for the first time in 2006 (on a 100% basis).

EADS' order intake totalled €69 billion (on a 100% basis), compared to €92.6 billion in 2005. Airbus remains the principal contributor, with €53.4 billion of orders; 2006 was its best year (after 2005), with 790 net orders (mainly for single-aisle aircraft). Eurocopter had another record year for order intake in 2006 (615 helicopters after 401 in 2005), confirming its commercial success on the international market by winning several export contracts. Astrium also had an exceptional year (+88% from 2005), registering orders for eight telecommunications satellites, including two for military use, and five orders for scientific and earth observation satellites.

EADS' order book thus grew by a further €262.8 billion (on a 100% basis) or 4% from 2005, despite the negative effect of the less favourable year-end euro/dollar exchange rate (–€17 billion).

In 2006, EADS' contribution to recurring operating profit before associates stood at €39 million, a substantial decline from the €392 million registered in 2005.
Several factors played a considerable role in this lower performance, particularly the delays in the Airbus A380 programme, which had a negative impact of –€2.5 billion (on a 100% basis), including –€1.2 billion resulting from non-recurring costs and loss-making contracts. Airbus also bears expenses related to the A350 programme (–€0.5 billion), a high level of research and development expenses and less favourable exchange rate hedging terms. However, the division's recurring operating profit was boosted by a positive volume effect and the impact of an attractive aircraft mix. The start of the Power 8 programme should reinforce Airbus' competitive capacities by reducing annual costs by at least €2.1 billion from 2010.

The other major divisions registered rises in their recurring operating profit compared to 2005. The Military Transport Aircraft division and Eurocopter felt the full benefit of the rise in sales, although Eurocopter was affected by an unfavourable dollar exchange rate and a rise in selling expenses and costs related to the NH90. Astrium also saw a significant increase in recurring operating profit as a result of past restructuring in the division, reflecting the ongoing cost reduction drive. The Defence and Security division reported an improvement in recurring operating profit.

For Other businesses not attached to any division (ATR, EFW, Socata and Sogerma), recurring operating profit was down overall from 2005 despite the positive contributions by ATR, EFW and Socata. The loss registered by Sogerma was more accentuated than in 2005.

The disposal of Sogerma Service's maintenance business to TAT was completed on 10 January 2007, with Sogerma retaining its seat and airframe business, and two subsidiaries.

Almost all income from associates was contributed by Dassault Aviation.

Cash from operating and investing activities totalled €386 million (based on the share attributable to Lagardère), less than in 2005 (€479 million) due to a €253 million decline in cash flows generated from operations and a significant rise in financial investments related to acquisition of BAE Systems' 20% holding in Airbus (€2.75 billion on a 100% basis), offset by disposals of short-term investments totalling €498 million in 2006 (after €111 million in 2005).

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:

	2006	2005
Total profit of business segments	482	844
Other Activities	(76)	–
Profit before tax	**406**	**844**
Income tax expense	(85)	(142)
Consolidated profit for the year	**321**	**702**
Attributable to equity holders of the parent	*291*	*670*
Attributable to minority interests	*30*	*32*

- Other Activities comprise those operations not directly related to one of the Group's business segments and mainly comprise corporate and financial costs borne by the central holding companies, the contribution of Matra Manufacturing Services' (formerly Matra Auto) spare parts business and all expenses incurred in operations related to innovative sports projects.

Income statement

	2006	2005
Recurring operating profit before associates	–	1
Non-recurring items	14	–
Profit before finance costs and tax	**14**	**1**
Net financial loss	(90)	(1)
Loss before tax	**(76)**	**0**

Non-recurring items recognised by Other Activities in 2006 mainly comprise the gains generated by sales of real property. The net financial loss of €90 million reflects the additional finance cost relating to Mandatory Exchangeable Bonds redeemable in EADS shares, issued in April 2006.

- The income tax expense for 2006 was €85 million, analysed as follows:
  - Excluding EADS: the tax expense for 2006 was €97 million, compared with €16 million in 2005 when non-recurring tax income of €99 million was recorded, following the settlement of tax litigation previously covered by provisions and new tax rules for withdrawals of perpetual subordinated notes.
  - EADS: the contribution by EADS and the consequent reduction in net income led to a tax income of €12 million in 2006 after the tax expense of €126 million in 2005.

6-2-5 Cash flows

6-2-5-1 Consolidated cash flow statement

In 2006, total cash used in operating and investing activities amounted to €79 million, compared with total cash of €1,336 million generated by operating and investing activities in 2005, a decrease of €1,415 million (€1,358 million of which is attributable to the Media segment). Other Activities generated cash of €24 million, largely due to cash inflows corresponding to taxes collected from entities that belong to the tax consolidated group (€92 million), offset by the financing of the acquisition of Newsweb, an Internet content publisher, in December 2006 (€64 million).

Net cash of €1,245 million was generated by financing transactions in 2006 (€1,209 million by the Group excluding EADS). These transactions mainly concern the Group's holding company, Lagardère SCA, and include:

- the cash generated by issuance of Mandatory Exchangeable Bonds redeemable in EADS shares (€1,970 million net of expenses), offset by the reimbursement of €250 million drawn on the 2005 Syndicated Loan, and the reimbursement upon maturity of the five-year tranche of the US private placement (€141 million);
- acquisition of treasury shares (€259 million, net);
- dividends paid (€160 million);
- capital increase through the exercise by employees of their subscription options (€29 million).

As a result of the above cash flows, including the effect of translation adjustments and reclassifications (–€28 million), net cash and cash equivalents increased by €1,138 million from 31 December 2005 to €2,415 million at 31 December 2006.

6-2-5-2 Net cash surplus (indebtedness)

Net indebtedness is calculated as follows:

	31 December 2006			31 December2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Short-term investments and cash and cash equivalents	1,648	1,353	3,001	849	1,498	2,347
Non-current debt	(2,310)	(534)	(2,844)	(1,280)	(627)	(1,907)
Current debt	(1,361)	(328)	(1,689)	(644)	(659)	(1,303)
Net cash surplus (indebtedness)	**(2,023)**	**491**	**(1,532)**	**(1,075)**	**212**	**(863)**
Including Mandatory Exchangeable Bonds	*(2,144)*	–	*(2,144)*	–	–	–

Compared to 31 December 2005, net indebtedness increased by €669 million. The main factors are as follows:

	Excluding EADS	EADS	Total Group
Net cash surplus (indebtedness) at 31 December 2005	**(1,075)**	**212**	**(863)**
Total cash from operating and investing activities, as reported in the consolidated cash flow statement	(465)	386	(79)
Acquisition of treasury shares	(259)	–	(259)
Dividends	(103)	(82)	(185)
Sale of short-term investments	(5)	(498)	(503)
Change in debt hedged by derivative instruments following measurement at fair value	(108)	–	(108)
Effect on cash of changes in exchange rates	(27)	(8)	(35)
Put options granted to minority shareholders recognised in debt	22	431	453
Other movements	(3)	50	47
Net cash surplus (indebtedness) at 31 December 2006	**(2,023)**	**491**	**(1,532)**

6 - 3 Consolidated financial statements at 31 December 2006

Consolidated income statement for the year ended 31 December 2006

(in millions of euros)		**2006**	**2005**	**2004**
Net sales	*(notes 6 & 7)*	13,999	13,013	12,296
Other income from ordinary activities		497	519	542
Revenue		**14,496**	**13,532**	**12,838**
Purchases and changes in inventories		(7,711)	(7,210)	(6,602)
Capitalised production		5	6	2
Production transferred to inventories		165	349	(17)
External charges		(2,539)	(2,291)	(2,127)
Payroll costs	*(note 8)*	(3,064)	(2,949)	(2,746)
Depreciation and amortisation expense		(343)	(334)	(343)
Other operating income and expenses	*(note 9)*	(502)	(277)	(170)
Income from associates	*(note 16)*	91	94	54
Profit before finance costs and tax	*(note 6)*	**598**	**920**	**889**
Financial income	*(note 10)*	135	101	80
Financial expenses	*(note 10)*	(327)	(177)	(177)
Profit before tax		**406**	**844**	**792**
Income tax expense	*(note 11)*	(85)	(142)	(240)
Profit for the year		**321**	**702**	**552**
Attributable to equity holders of the parent		291	670	495
Attributable to minority interests	*(note 24)*	30	32	57
Basic earnings per share attributable to equity holders of the parent	*(note 12)*	2.13	4.88	3.65
Diluted earnings per share attributable to equity holders of the parent	*(note 12)*	2.09	4.74	3.44

Consolitated cash flow statement for the year ended 31 December 2006

(in millions of euros)		2006	2005 (1)	2004 (1)
Profit for the year		**321**	**702**	**552**
Income tax expense		85	142	240
Finance costs, net		192	76	97
Profit before finance costs and tax		**598**	**920**	**889**
Depreciation and amortisation expense		343	334	343
Impairment losses, provision expense and other non-cash items		379	130	(25)
Gains on disposals of assets		(39)	(23)	(8)
Dividends received from associates		122	40	42
Income from associates		(91)	(94)	(54)
Change in working capital requirement		10	146	223
Cash generated from operations		**1,322**	**1,453**	**1,410**
Interest paid		(169)	(130)	(162)
Interest received		109	81	94
Income taxes paid		(154)	(189)	(187)
Net cash from operating activities	**(A)**	**1,108**	**1,215**	**1,155**
Cash used in investing activities				
Purchases of intangible assets and property, plant and equipment		(584)	(591)	(770)
Purchases of investments		(1,529)	(92)	(410)
Purchases of other non-current assets		(79)	(143)	(141)
Total cash used in investing activities	**(B)**	**(2,192)**	**(826)**	**(1,321)**
Cash from investing activities				
Proceeds from disposals of non-current assets				
Intangible assets and property, plant and equipment		190	67	41
Investments		146	63	681
Decrease in other non-current assets		166	124	113
Total cash from investing activities	**(C)**	**502**	**254**	**835**
Sales (purchases) of short-term investments	**(D)**	503	693	(168)
Net cash from (used in) investing activities	**(E) = (B)+(C)+(D)**	**(1,187)**	**121**	**(654)**
Total cash from (used in) operating and investing activities	**(F) = (A)+(E)**	**(79)**	**1,336**	**501**
Capital transactions				
Proceeds from capital increase by the parent		29	40	32
Change in minority interests in capital increases by subsidiaries		10	17	9
Change in treasury shares		(259)	(54)	(27)
Dividends paid to equity holders of the parent (2)		(160)	(412)	(126)
Dividends paid to minority shareholders of subsidiaries		(25)	(35)	(26)
Financing transactions				
Increase (decrease) in debt		1,650	(1,095)	(69)
Net cash from (used in) financing activities	**(G)**	**1,245**	**(1,539)**	**(207)**
Other movements				
Effect on cash of acquisition of Editis		–	–	128
Effect on cash of changes in exchange rates		(29)	19	(6)
Effect on cash of other movements		1	3	1
Total other movements	**(H)**	**(28)**	**22**	**123**
Change in net cash and cash equivalents	**(I) = (F)+(G)+(H)**	**1,138**	**(181)**	**417**
Net cash and cash equivalents at beginning of the year		**1,277**	**1,458**	**1,041**
Net cash and cash equivalents at end of the year	*(note 23)*	**2,415**	**1,277**	**1,458**

(1) EADS comparative investing cash flows for 2005 and 2004 have been reclassified to reflect the presentation principles used by EADS in 2006.
(2) Including the portion of net profit paid to the general partners.

Consolidated balance sheet at 31 December 2006

ASSETS *(in millions of euros)*		**31 Dec. 2006**	**31 Dec. 2005**	**31 Dec. 2004**
Intangible assets	*(note 14)*	1,715	1,745	1,611
Goodwill	*(note 13)*	2,798	2,649	2,468
Property, plant and equipment	*(note 15)*	2,773	2,689	2,512
Investments in associates	*(note 16)*	1,529	1,542	1,523
Other non-current assets	*(note 18)*	1,819	1,194	620
Deferred tax assets	*(note 11)*	476	505	457
Assets held for sale		12	132	–
Total non-current assets		**11,122**	**10,456**	**9,191**
Inventories	*(note 19)*	3,137	2,874	2,420
Trade receivables	*(note 20)*	2,111	2,039	1,935
Other current assets	*(note 21)*	2,009	1,273	1,049
Short-term investments	*(note 22)*	289	874	1,709
Cash and cash equivalents	*(note 23)*	2,712	1,473	1,662
Total current assets		**10,258**	**8,533**	**8,775**
Total assets		**21,380**	**18,989**	**17,966**

Comparative figures for 2005 and 2004 include reclassifications of EADS short-term investment and cash items to reflect the presentation principles used by EADS in its 2006 balance sheet.

Consolidated balance sheet at 31 December 2006

EQUITY AND LIABILITIES *(in millions of euros)*		**31 Dec. 2006**	**31 Dec. 2005**	**31 Dec. 2004**
Share capital		870	866	859
Reserves		3,560	2,783	2,537
Profit attributable to equity holders of the parent		291	670	495
Minority interests	*(note 24)*	127	142	272
Total equity	*(note 24)*	**4,848**	**4,461**	**4,163**
Provisions for employee benefit obligations	*(note 25)*	699	725	708
Non-current provisions for contingencies and losses	*(note 25)*	690	624	575
Non-current debt	*(note 26)*	2,844	1,907	2,484
Other non-current liabilities	*(note 28)*	2,023	1,815	1,525
Deferred tax liabilities	*(note 11)*	759	761	529
Liabilities associated with assets held for sale		–	9	–
Total non-current liabilities		**7,015**	**5,841**	**5,821**
Current provisions for contingencies and losses	*(note 25)*	896	673	687
Current debt	*(note 26)*	1,689	1,303	1,320
Trade payables		2,904	2,707	2,523
Other current liabilities	*(note 28)*	4,028	4,004	3,452
Total current liabilities		**9,517**	**8,687**	**7,982**
Total equity and liabilities		**21,380**	**18,989**	**17,966**

Consolidated statement of changes in equity for the year ended 31 December 2006

(in millions of euros)	Share capital	Share premiums	Other reserves	Treasury shares	Translation reserve	Valuation reserve	Minority interests	Total equity
At 31 December 2004	**859**	**1,403**	**1,723**	**(210)**	**116**		**272**	**4,163**
Currency translation adjustments					122		1	**123**
Change 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 expenses for the year			**670**		**122**	**(549)**	**33**	**276**
Change 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 consolidation scope and other							(56)	**(56)**
At 31 December 2005	**866**	**1,435**	**1,762**	**(166)**	**238**	**184**	**142**	**4,461**
Currency translation adjustments					(141)		(2)	**(143)**
Change in fair value of:								
Derivative financial instruments						563		**563**
Investments in non-consolidated companies						24		**24**
Profit for the year			291				30	**321**
Total recognised income and expenses for the year			**291**		**(141)**	**587**	**28**	**765**
Dividends			(160)				(25)	**(185)**
Capital increase by the parent(*)	4	25						**29**
Capital increase attributable to minority interests							25	**25**
Changes in treasury shares				(242)				**(242)**
Share-based payments			38				1	**39**
Changes in consolidation scope and other							(44)	**(44)**
At 31 December 2006	**870**	**1,460**	**1,931**	**(408)**	**97**	**771**	**127**	**4,848**

(*) 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 14.98% in 2006 and 14.95% in 2005.

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.

In 2006, EADS changed its accounting policy for pensions, recognising actuarial gains and losses directly in equity rather than applying the corridor approach as previously. Since the Lagardère Group continues to use the corridor approach, EADS' financial statements have been restated accordingly.

The following table reconciles the EADS group's statutory financial statements to the amounts recognised for EADS in the Lagardère Group consolidated financial statements:

2006 *(in millions of euros)*	EADS 100 % EADS format	Reclassifi-cations of financial items	Restatement of amorti-sation and impairment losses on intangibles and of actuarial losses	Adjusted EADS at 100%	Lagardère Group's share (14.98%)	Dilution loss and other	Lagardère Group's share (14.98%)
Net sales	**39,434**			**39,434**	**5,907**		**5,907**
Profit before finance costs and tax	278	(123)	64	219	33	(2)	31
Finance costs, net	(244)	123		(121)	(18)		(18)
Income tax	81		2	83	12		12
Net profit	**115**	**0**	**66**	**181**	**27**	**(2)**	**25**
Attributable to equity holders of the parent	99		67	166	25	(2)	23
Attributable to minority interests	16		(1)	15	2		2

2005 *(in millions of euros)*	EADS 100% EADS format	Reclassifications of financial items	Restatement of amortisation and impairment losses on intangibles	Adjusted EADS at 100%	Lagardère Group's share (14.95%)	Dilution 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	(825)		(22)	(847)	(126)		(126)
Net profit	**1,710**	**0**	**35**	**1,745**	**261**	**10**	**271**
Attributable to equity holders of the parent	1,676		35	1,711	256	10	266
Attributable to minority interests	34			34	5		5

Consolidated income statement for the year ended 31 December 2006

(in millions of euros)	2006			2005			2004		
	Excluding EADS	EADS 14.98%	Lagardère Group	Excluding EADS	EADS 14.95%	Lagardère Group	Excluding EADS	EADS 15.10%	Lagardère Group
Net sales	8,092	5,907	13,999	7,901	5,112	13,013	7,501	4,795	12,296
Other income from ordinary activities	464	33	497	490	29	519	491	51	542
Revenue	**8,556**	**5,940**	**14,496**	**8,391**	**5,141**	**13,532**	**7,992**	**4,846**	**12,838**
Purchases and changes in inventories	(3,606)	(4,105)	(7,711)	(3,742)	(3,468)	(7,210)	(3,659)	(2,943)	(6,602)
Capitalised production	5		5	6		6	2		2
Production transferred to inventories	(5)	170	165	(11)	360	349	19	(36)	(17)
External charges	(2,521)	(18)	(2,539)	(2,277)	(14)	(2,291)	(2,103)	(24)	(2,127)
Payroll costs	(1,750)	(1,314)	(3,064)	(1,680)	(1,269)	(2,949)	(1,547)	(1,199)	(2,746)
Depreciation and amortisation expense	(130)	(213)	(343)	(127)	(207)	(334)	(134)	(209)	(343)
Other operating income and expenses	(50)	(452)	(502)	(123)	(154)	(277)	(67)	(103)	(170)
Income from associates	68	23	91	63	31	94	41	13	54
Profit before finance costs and tax	**567**	**31**	**598**	**500**	**420**	**920**	**544**	**345**	**889**
Financial income	67	68	135	30	71	101	45	35	80
Financial expenses	(241)	(86)	(327)	(83)	(94)	(177)	(97)	(80)	(177)
Profit before tax	**393**	**13**	**406**	**447**	**397**	**844**	**492**	**300**	**792**
Income tax expense	(97)	12	(85)	(16)	(126)	(142)	(132)	(108)	(240)
Profit for the year	**296**	**25**	**321**	**431**	**271**	**702**	**360**	**192**	**552**
Attributable to equity holders of the parent	268	23	291	404	266	670	335	160	495
Attributable to minority interests	28	2	30	27	5	32	25	32	57

Consolidated cash flow statement for the year ended 31 December 2006

	2006			2005			2004		
(in millions of euros)	Excluding EADS	EADS	Lagardère Group	Excluding EADS	EADS (1)	Lagardère Group	Excluding EADS	EADS (1)	Lagardère Group
Profit for the year	**296**	**25**	**321**	**431**	**271**	**702**	**360**	**192**	**552**
Income tax expense	97	(12)	85	16	126	142	132	108	240
Finance costs, net	174	18	192	53	23	76	52	45	97
Profit before finance costs and tax	**567**	**31**	**598**	**500**	**420**	**920**	**544**	**345**	**889**
Depreciation and amortisation expense	130	213	343	127	207	334	133	210	343
Impairment losses, provision expense and other non-cash items	42	337	379	81	49	130	(29)	4	(25)
Gains on disposals of assets	(16)	(23)	(39)	(17)	(6)	(23)	(7)	(1)	(8)
Dividends received from associates	115	7	122	35	5	40	36	6	42
Income from associates	(68)	(23)	(91)	(63)	(31)	(94)	(41)	(13)	(54)
Change in working capital requirement	12	(2)	10	(9)	155	146	(41)	264	223
Cash generated from operations	**782**	**540**	**1,322**	**654**	**799**	**1,453**	**595**	**815**	**1,410**
Interest paid	(128)	(41)	(169)	(94)	(36)	(130)	(107)	(55)	(162)
Interest received	52	57	109	35	46	81	44	50	94
Income taxes paid	(115)	(39)	(154)	(150)	(39)	(189)	(140)	(47)	(187)
Net cash from operating activities (A)	**591**	**517**	**1,108**	**445**	**770**	**1,215**	**392**	**763**	**1,155**
Cash used in investing activities									
Purchases of intangible assets and property, plant and equipment	(156)	(428)	(584)	(164)	(427)	(591)	(216)	(554)	(770)
Purchases of investments	(1,081)	(448)	(1,529)	(72)	(20)	(92)	(395)	(15)	(410)
Purchases of other non-current assets	(18)	(61)	(79)	(12)	(131)	(143)	(29)	(112)	(141)
Total cash used in investing activities (B)	**(1,255)**	**(937)**	**(2,192)**	**(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	43	147	190	14	53	67	24	17	41
Investments	133	13	146	50	13	63	682	(1)	681
Decrease in other non-current assets	18	148	166	14	110	124	17	96	113
Total cash from investing activities (C)	**194**	**308**	**502**	**78**	**176**	**254**	**723**	**112**	**835**
Sales (purchases) of short-term investments **(D)**	5	498	503	582	111	693	(12)	(156)	(168)
Net cash from (used in) investing activities (E) = (B)+(C)+(D)	**(1,056)**	**(131)**	**(1,187)**	**412**	**(291)**	**121**	**71**	**(725)**	**(654)**
Total cash from (used in) operating and investing activities (F) = (A)+(E)	**(465)**	**386**	**(79)**	**857**	**479**	**1,336**	**463**	**38**	**501**
Capital transactions									
Proceeds from capital increase by the parent	29		29	40		40	32		32
Change in minority interests in capital increases by subsidiaries	10		10	17		17	9		9
Change in treasury shares	(259)		(259)	(54)		(54)	(27)		(27)
Dividends paid to equity holders of the parent(2)	(80)	(80)	(160)	(351)	(61)	(412)	(77)	(49)	(126)
Dividends paid to minority shareholders of subsidiaries	(23)	(2)	(25)	(21)	(14)	(35)	(16)	(10)	(26)
Financing transactions									
Change in debt	1,532	118	1,650	(1,044)	(51)	(1,095)	(141)	72	(69)
Net cash from (used in) financing activities (G)	**1,209**	**36**	**1,245**	**(1,413)**	**(126)**	**(1,539)**	**(220)**	**13**	**(207)**
Other movements									
Effect on cash of acquisition of Editis							128		128
Effect on cash of changes in exchange rates	(20)	(9)	(29)	15	4	19	(3)	(3)	(6)
Effect on cash of other movements	(1)	2	1	6	(3)	3	(4)	5	1
Total other movements (H)	**(21)**	**(7)**	**(28)**	**21**	**1**	**22**	**121**	**2**	**123**
Change in net cash and cash equivalents (I) = (F)+(G)+(H)	**723**	**415**	**1,138**	**(535)**	**354**	**(181)**	**364**	**53**	**417**
Net cash and cash equivalents at beginning of the year	**472**	**805**	**1,277**	**1,007**	**451**	**1,458**	**643**	**398**	**1,041**
Net cash and cash equivalents at end of the year	**1,195**	**1,220**	**2,415**	**472**	**805**	**1,277**	**1,007**	**451**	**1,458**

(1) EADS comparative investing cash flows for 2005 and 2004 have been reclassified to reflect the presentation principles used by EADS in 2006.
(2) Including the portion of net profit paid to the general partners.

Consolidated balance sheet at 31 December 2006

ASSETS *(in millions of euros)*	31 December 2006			31 December 2005			31 December 2004		
	Excluding EADS	EADS 14.98%	Lagardère Group	Excluding EADS	EADS 14.95%	Lagardère Group	Excluding EADS	EADS 15.10%	Lagardère Group
Intangible assets	1,522	193	1,715	1,613	132	1,745	1,528	83	1,611
Goodwill	2,066	732	2,798	1,838	811	2,649	1,755	713	2,468
Property, plant and equipment	716	2,057	2,773	697	1,992	2,689	667	1,845	2,512
Investments in associates	1,274	255	1,529	1,316	226	1,542	1,359	164	1,523
Other non-current assets	743	1,076	1,819	215	979	1,194	190	430	620
Deferred tax assets	140	336	476	123	382	505	74	383	457
Assets held for sale (*)		12	12		132	132			
Non-current assets	**6,461**	**4,661**	**11,122**	**5,802**	**4,654**	**10,456**	**5,573**	**3,618**	**9,191**
Inventories	606	2,531	3,137	568	2,306	2,874	558	1,862	2,420
Trade receivables	1,384	727	2,111	1,322	717	2,039	1,270	665	1,935
Other current assets	1,329	680	2,009	724	549	1,273	653	396	1,049
Short-term investments	156	133	289	181	693	874	746	963	1,709
Cash and cash equivalents	1,492	1,220	2,712	668	805	1,473	1,211	451	1,662
Current assets	**4,967**	**5,291**	**10,258**	**3,463**	**5,070**	**8,533**	**4,438**	**4,337**	**8,775**
Total assets	**11,428**	**9,952**	**21,380**	**9,265**	**9,724**	**18,989**	**10,011**	**7,955**	**17,966**

(*) Assets and groups of assets for disposal, mainly related to Sogerma in 2006 and aircraft sales financing activities in 2005.

Comparative figures for 2005 and 2004 include reclassifications of EADS short-term investment and cash items to reflect the presentation principles used by EADS in its 2006 balance sheet.

Consolidated balance sheet at 31 December 2006

EQUITY AND LIABILITIES *(in millions of euros)*	31 December 2006			31 December 2005			31 December 2004		
	Excluding EADS	EADS 14.98 %	Lagardère Group	Excluding EADS	EADS 14.95 %	Lagardère Group	Excluding EADS	EADS 15.10 %	Lagardère Group
Share capital	870		870	866		866	859		859
Reserves	2,195	1,365	3,560	1,757	1,026	2,783	1,598	939	2,537
Profit attributable to equity holders of the parent	268	23	291	404	266	670	335	160	495
Minority interests	100	27	127	116	26	142	153	119	272
Total	**3,433**	**1,415**	**4,848**	**3,143**	**1,318**	**4,461**	**2,945**	**1,218**	**4,163**
Provisions for employee benefit obligations	119	580	699	142	583	725	142	566	708
Non-current provisions for contingencies and losses	195	495	690	249	375	624	249	326	575
Non-current debt	2,310	534	2,844	1,280	627	1,907	1,819	665	2,484
Other non-current liabilities	91	1,932	2,023	56	1,759	1,815	70	1,455	1,525
Deferred tax liabilities	425	334	759	443	318	761	415	114	529
Liabilities held for sale (*)					9	9			
Non-current liabilities	**3,140**	**3,875**	**7,015**	**2,170**	**3,671**	**5,841**	**2,695**	**3,126**	**5,821**
Current provisions for contingencies and losses	368	528	896	333	340	673	339	348	687
Current debt	1,361	328	1,689	644	659	1,303	1,211	109	1,320
Trade payables	1,786	1,118	2,904	1,715	992	2,707	1,639	884	2,523
Other current liabilities	1,340	2,688	4,028	1,260	2,744	4,004	1,182	2,270	3,452
Current liabilities	**4,855**	**4,662**	**9,517**	**3,952**	**4,735**	**8,687**	**4,371**	**3,611**	**7,982**
Total equity and liabilities	**11,428**	**9,952**	**21,380**	**9,265**	**9,724**	**18,989**	**10,011**	**7,955**	**17,966**

(*) Liabilities directly associated with assets held for sale.

This page intentionally left blank.

Notes to the consolidated financial statements – Summary

Notes to the consolidated financial statements for the year ended 31 December 2006

(all figures are expressed in millions of euros)

Note 1 Accounting principles

In application of European Commission regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Lagardère Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

All IFRS standards and interpretations endorsed by the European Union for application at 31 December 2006 are applied. The following new amendments to these standards were applicable for the first time in 2006:
– Amendment to IAS 19 – Employee Benefits
– Amendment to IAS 21 – The Effects of Changes in Foreign Exchange Rates
– Amendment to IAS 39 – Financial Instruments – Recognition and Measurement
Adoption of these amendments had no material impact on the consolidated financial statements.

The Group has not elected for early application in 2006 of the following standards and interpretations, whose adoption is not compulsory until the first financial year commencing on or after 1 January 2007:
– IFRS 7 – Financial Instruments: Disclosures
– Amendment to IAS 1 – Presentation of Financial Statements
– IFRIC 7 – Applying the Restatement Approach under IAS 29 (Financial Reporting in Hyperinflationary Economies)
– IFRIC 8 – Scope of IFRS 2 (Share-based Payment)
– IFRIC 9 – Reassessment of Embedded Derivatives
The Group does not anticipate that application of these standards and interpretations will have any material impact on the financial statements.

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 Significant event of 2006: Mandatory Exchangeable Bond issue

2-1 Description of the issue

On 10 April 2006, Lagardère issued 61,110 Mandatory Exchangeable Bonds, entirely subscribed by IXIS CIB. The main features of this issue are described below.
– The issue proceeds of €1,992 million are redeemable for a maximum of 61,110,000 EADS shares, representing about 7.5% of the capital of EADS, in three equal tranches (subject to adjustments arising from the upside exposure mechanism described below) on 25 June 2007, 25 June 2008 and 25 June 2009.
– The reference price per EADS share used to calculate the issue proceeds was €32.60, which was the market price for the accelerated placement of a further 7.5% of the capital of EADS carried out simultaneously by DaimlerChrysler (a fellow-shareholder in EADS, with a 30% interest).

– Lagardère retains ownership of the EADS shares, and will collect dividend on them until they are delivered in redemption of the bonds.
– The issue includes an upside exposure mechanism under which Lagardère will enjoy the full benefit of any rise in the EADS share price up to 115% of the reference price (i.e. up to €37.49). This upside exposure mechanism will, if activated, lead to a reduction in the number of shares delivered in redemption of the bonds. However, in the event of a decline in the EADS share price, Lagardère SCA is guaranteed to be able to sell all the underlying shares at the reference price.
– As consideration for these benefits, the Mandatory Exchangeable Bond issue bears annual interest of 7.7%.

2-2 Consequences for Lagardère's ownership interest in EADS

Because ownership of the underlying shares will not be transferred until the maturity dates of the bonds, and subject to any adjustments arising from the upside exposure mechanism described above, Lagardère SCA's interest in the capital of EADS will remain at approximately 15% until June 2007; it will reduce to approximately 12.5% in June 2007, then to approximately 10% in June 2008, and finally to approximately 7.5% in June 2009.

Under the initial agreements between the shareholders of EADS, partial disposals may be made without altering the balance of power (i) between the French State and Lagardère within the French investor group and (ii) between the French investor group and the German investor group. Consequently, the French State and Lagardère may each reduce their holding to 6% without breaching the terms under which joint control is exercised within the shareholders' agreement.

2-3 Accounting treatment in the consolidated financial statements

2-3-1 Impact on the consolidation method used for EADS

As explained above, issuance of the Mandatory Exchangeable Bonds does not affect the exercise of joint control under the terms of the shareholders' agreement. In addition, the bondholders have no currently or potentially exercisable voting rights. Consequently, the proportionate consolidation method continues to be used, at the rate of the effective ownership interest (14.98% as of 31 December 2006).

2-3-2 Separation of the components of the Mandatory Exchangeable Bond under IFRS

According to the criteria specified in IAS 39, "Financial Instruments: Recognition and Measurement", the Mandatory Exchangeable Bond issue is a hybrid financial instrument, the two components of which must be measured and accounted for separately. These components are:
– a host debt contract;
– an embedded derivative in the form of a "collar", combining protection against downside exposure relative to the reference price of EADS shares at the issue date (purchase of a put option at a minimum price of €32.60) with an upside exposure mechanism (simultaneous sale of a call option at a fixed price of €37.49, i.e. 115% of the reference price).

2-3-3 Accounting treatment of the Mandatory Exchangeable Bond at the issue date

The derivative was initially measured on the basis of an independent valuation conducted as part of the negotiations of the terms of the issue between Lagardère SCA and the subscriber of the issue. This valuation was €2.12 per EADS share, which when applied to the total number of underlying shares (61,110,000) gave a total value of €130 million, recognised under "Other current assets" in the consolidated balance sheet.

The fair value of the host debt contract is the sum total of the issue proceeds, net of issue costs (i.e. €1,970 million), and the value of the derivative (€130 million). The bond debt was therefore recognised at a total amount of €2,100 million on issue. The debt is accounted for using the amortised cost method, at an effective interest rate of 5.04%. This represents the rate that exactly discounts the future cash payments (principal and interest) under the host debt contract to the initial fair value of that contract.

2-3-4 *Accounting treatment subsequent to the issue date*

• Recognition of disposals of shares on the redemption dates

Gains arising on the disposal of each of the three tranches of EADS shares delivered in redemption of the bonds will be recognised on the date of delivery of the shares. Based on the carrying amount of the investment in EADS recorded in Lagardère's consolidated financial statements as of 31 December 2006, and excluding any effects of the upside exposure mechanism, the total gain to be recognised in the years ended 31 December 2007, 2008 and 2009 would be €1,299 million. This amount may vary, depending on (i) the carrying amount of the investment in EADS for consolidation purposes as of the Mandatory Exchangeable Bond redemption dates and (ii) any activation of the upside exposure mechanism.

• Measurement of the derivative

The derivative is a hedge of the future cash flows represented by the future delivery of the underlying EADS shares. As required by IAS 39, changes in the fair value of the effective portion of this hedging instrument are recognised directly in equity, while the ineffective portion is recognised in profit or loss.

As of the Mandatory Exchangeable Bond issue date, the effective portion of the derivative was zero. Consequently, the ineffective portion of the derivative was the same as the fair value (€130 million) recognised in the consolidated balance sheet as an asset.

As of 31 December 2006, based on the quoted market price of EADS shares as of that date (€26.10):

- The effective portion of the hedge was measured at a positive value of €374 million, recognised as an increase in equity. This amount reflects the unrealised gain as of 31 December 2006 between the reference price and the quoted market price of EADS shares, adjusted downwards for discounting forward to the bond redemption dates; it represents a portion of the overall unrealised gain mentioned above, provisionally estimated at €1,299 million. At each subsequent balance sheet date, the effective portion will be remeasured, with changes in fair value recognised in equity until the shares are sold, at which point the changes in fair value will be transferred to profit or loss.
- The fair value of the ineffective portion was measured at €29 million, a reduction of €101 million relative to the initial value of €130 million (which will by definition reduce to zero as of the final bond redemption date of 25 June 2009). In substance, the initial value represents the cost incurred by Lagardère as consideration for the guarantees provided by the derivative throughout the entire term of the bond issue. Consequently, Lagardère has only partially applied the principle of recognising changes in the fair value of the ineffective portion of the hedge in profit or loss, opting to recognise the initial value of €130 million as an expense on a straight-line basis over the term of the bond issue in proportion to the number of shares not yet delivered in redemption. As a result of this treatment, Lagardère recognised a financial expense of €50 million in its income statement for the year ended 31 December 2006.

Note 3 Scope and methods of consolidation

3-1 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.

3-2 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.

3-3 Closing dates

The financial statements of all consolidated subsidiaries were closed at 31 December.

3-4 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.

3-5 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 4 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 4-20 below.

4-1 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 space and national magazine distribution (Curtis at Hachette Distribution Services) consists solely of the fees received for these services.

4-2 Operating leases

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4-3 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

4-4 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.

4-5 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 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.

4-6 Financial income and expenses

These items correspond to interest expenses on borrowings and income from the investment of available cash. They also include gains and losses on derivative instruments related to borrowings, short-term investments and cash equivalents.

4-7 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 which is recognised directly in equity, in which case they are credited or charged to equity.

4-8 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 4-10 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.

4 - 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 4-10).

In Lagardère Media's business, no development costs are incurred that would be recognised in the balance sheet under IFRS.

4 - 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 generally applied at 31 December 2006 and 2005 were within the following ranges:

	2006	2005
Discount rate (risk-free rate plus a market risk premium)	6.6 to 7.8%	7.1 to 8.9%
Growth rate	2 to 5%	2 to 5%

• EADS

Impairment tests are performed annually at the level of the cash-generating units (on segment level or one level below) using discounted cash flow projections based on current operative planning. These current forecasts are based on past experience and future expected market developments and take into account general economic data derived from external macroeconomic and financial studies.
The assumption for the perpetuity growth rate is generally 2% and has remained unchanged from prior years.

In the case of Airbus, the impairment test has been conducted based on a fair value less cost to sell methodology. The main assumptions and the recoverable amount obtained have been compared for reasonableness to market data.
The assessment was based on the following key specific assumptions, which represent EADS management's current best assessment as of the date of these consolidated financial statements:

- To reflect the Airbus long-term operating cycle, the detailed planning period for Airbus' projected cash flows has been extended from the current 2007 operative planning to 14 years using Airbus long-term product policy. The terminal value has been based on a normative view extrapolated from this internal current long-term plan. Eventually, the market is assumed to be equally shared between Airbus and Boeing over the long-term plan period.
- Cash flow projections include all of the estimated costs savings of the Power 8 programme.
- The US$-denominated cash flows were discounted using a weighted average cost of capital after tax (WACC) of 9.2%, while the euro-denominated cash flows' after-tax WACC was 8.5%. US$-discounted cash flows were then converted into € using the euro/US dollar market spot rate (for the terminal value, the forward rate applied is 1.50 US$/€).

With regard to the assessment of the fair value less cost to sell for the Cash Generating Unit Airbus, EADS management believes that no reasonably possible change in the above key assumptions would cause the carrying value of Airbus to exceed its then-determined recoverable amount. However, the recoverable amount is mostly dependent on the successful achievement of the Power 8 cost savings' programme and the terminal value.

For all other Cash Generating Units, impairment tests were based on the value in use calculation computed by applying a pre-tax discount rate of 11.2%. Cash flow projections are based on current operative planning covering a five-year planning period.

EADS follows an active policy of foreign exchange risk hedging. At 31 December 2006 the total hedge portfolio with maturities up to 2011 amounts to US$45 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning (2007 to 2011). The average US$/€ hedge rate of the total hedge portfolio until 2011 amounts to 1.16 US$/€. For the determination of the operative planning in the Cash Generating Units other than Airbus (for Airbus, see above), management assumed future exchange rates of 1.30 US$/€ for 2007 and 1.35 US$/€ from 2008 onwards, and 0.69 GB£/€ for 2007 and 0.70 GB£/€ from 2008 to convert in € the portion of future US$ and GB£ denominated revenues which are not hedged.

4-11 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 impairment losses.

4-12 Inventories

Inventories are stated at the lower of cost and net realisable value. The carrying amount of inventories does not include any borrowing costs.

4-13 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 it can be measured, exceeds the 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 the income statement.

• 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; they are recognised at fair value through profit and loss.

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".

4-14 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 4-16.

4-15 Put options granted to minority shareholders

In its Media activities, 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 the matching entry of these liabilities, but has not yet issued any guidance. Pending issuance of the IFRIC's interpretation, Lagardère (for its Media operations) has accounted for these put options as described below.

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.

4-16 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 and loss.

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.

4-17 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.

4-18 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.

4-19 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.

4-20 Special accounting principles and valuation methods applicable to EADS operations

4-20-1 ***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.

4-20-2 *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 interpretation 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.

4-20-3 *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.

4-20-4 *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.

4-20-5 *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.

4-20-6 *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.

4-20-7 *Provisions for termination and other 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.

Provisions for i) constructive obligations and contractual indemnities caused by delays in delivery and for ii) terminating existing customer orders are based on best estimates of future outflows for anticipated indemnities to customers.

4-20-8 *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 5 Main changes in the scope of consolidation

5-1 Changes in 2006

Significant changes in consolidated companies during 2006 were as follows:

• Acquisition of Time Warner Book Group

During the first half-year of 2006, Hachette Livre acquired the publishing group Time Warner Book Group, comprising Time Warner Book Group Inc in the US and Time Life Entertainment Group Limited in the UK. These acquisitions were recorded respectively by Hachette Livre USA and Hachette Livre UK, and were respectively renamed Hachette Book Group Inc and Little Brown Book Group Ltd. They have been fully consolidated since 1 April 2006. The total acquisition cost was €404 million, including €6 million in purchasing expenses. The financial statements at 31 December 2006 include goodwill of €274 million in respect of the operation, and the key income statement indicators for Time Warner Book Group for the period 1 April – 31 December 2006 are as follows:

Net sales	€336 million
Recurring operating profit	€36 million
Profit before finance costs and tax	€36 million
Net income	€22 million

• Other changes

Other changes in the scope of consolidation, which did not have a material impact on the financial statements, were as follows:

• Book Publishing

– Deconsolidation from 1 January 2006 of the French publisher Editions Dalloz after the sale of Hachette Livre's 90% interest. This operation followed an initial sale of 10% of the capital in late 2005, and generated a gain of € 1 million in 2006.
– Full consolidation from 6 March 2006 of the textbook publisher Philip Allan Updates, acquired by the Hodder Headline group.

• Distribution Services

– Sale and deconsolidation from 1 January 2006 of the German distributor Saarbach. This operation resulted in a gain of €8 million.
– Full consolidation in 2006 of HDS Retail Czech Republic, which was proportionately consolidated on a 50% basis in 2005, following acquisition of 50% of the company's capital.
– Full consolidation over the whole year 2006 of HDS Hong Kong point-of-sale activities, which were only consolidated from 1 November in 2005 in view of the date of acquisition that year.

• Lagardère Active

– Acquisition of four radio stations in Russia (RBMH group) which have been fully consolidated since 1 March 2006.
– Application of the equity method to the US entity Cellfish Media LLC after the arrival of North American outside investors who now control the company. Cellfish Media LLC was set up in April 2006 by merging Lagardère Active's mobile phone businesses in the US (Lagardère Active North America), France (Plurimedia) and Germany (Legion Telekom).

The merger process initiated in early 2006 with Vivendi Universal and Canal+ Group culminated on 4 January 2007 in the acquisition by Lagardère Active of a 20% investment in the capital of Canal+ France, the new entity formed by the merger between CanalSatellite and TPS. This investment was undertaken through a contribution on 4 January 2007 of Lagardère's 34% holding in CanalSatellite, preceded by the acquisition on 19 December 2006 of Canal+ France shares for the sum of €469 million.

The 34% holding in CanalSatellite continues to be accounted for by the equity method in the consolidated financial statements at 31 December 2006, and the shares in Canal+ France are recorded as unconsolidated investments. In 2007, the 20% investment in Canal+ France will be accounted for by the equity method.

• EADS

As a result of changes in the number of shares making up EADS' share capital (exercise by employees of their subscription options and cancellation of shares), Lagardère's interest in EADS was 14.98% at 31 December 2006, compared with 14.95% at 31 December 2005 and 15.10% at 31 December 2004.

5-2 Changes in 2005

Significant changes in consolidated companies during 2005 were as follows:
• 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.
• Lagardère Active
 – In January 2005, the Lagardère and Canal+ groups exchanged their cross-holdings in multiThématiques and Lagardère Thématiques. Following this operation, Lagardère sold its 30% interest in multiThématiques to Canal+ 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.

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 14.98% 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.
– Lagardère Active: special interest television channels, audiovisual production and distribution, radio, sales of advertising space, production of mobile and interactive services.

The EADS group manufactures commercial aircraft, civil and military 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") used primarily to report the effect of financing obtained by the Group, the operating costs of Group holding companies, the Spare Parts activity of the former Automobile business, whose revenues are reported under "Other income from ordinary activities", and all expenses incurred in operations related to innovative sports projects. 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

2006 Income statement

	Book Publishing	Print Media	Distribution Services	Lagardère Active	Lagardère Media	EADS	Other Activities	Total
Net sales	2,040	1,896	3,681	593	**8,210**	5,907	–	**14,117**
Inter-segment sales	(65)	(48)	(2)	(3)	**(118)**	–	–	**(118)**
Consolidated net sales	**1,975**	**1,848**	**3,679**	**590**	**8,092**	**5,907**	**–**	**13,999**
Recurring operating profit before associates	**220**	**132**	**116**	**71**	**539**	**39**	**–**	**578**
Income from associates	1	16	–	51	**68**	23	–	**91**
Recurring operating profit	**221**	**148**	**116**	**122**	**607**	**62**	**–**	**669**
Disposal gains or losses	4	(2)	8	4	**14**	23	17	**54**
Impairment losses on goodwill and intangible assets	(1)	(27)	–	(3)	**(31)**	(29)	–	**(60)**
Gain on negative goodwill	–	–	5	–	**5**	–	–	**5**
Restructuring costs	(3)	(31)	(7)	(1)	**(42)**	(25)	(3)	**(70)**
Profit before finance costs and tax	**221**	**88**	**122**	**122**	**553**	**31**	**14**	**598**
Finance costs, net	(15)	(28)	(5)	(36)	**(84)**	(18)	(90)	**(192)**
Profit before tax	**206**	**60**	**117**	**86**	**469**	**13**	**(76)**	**406**
Items included in recurring operating profit:								
Depreciation and amortisation expense	(30)	(25)	(55)	(15)	**(125)**	(213)	(5)	**(343)**
Share-based payments	(7)	(6)	(3)	(5)	**(21)**	(6)	(12)	**(39)**

2005 Income statement

	Book Publishing	Print Media	Distribution Services	Lagardère 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)**
Share-based payments	(7)	(6)	(3)	(6)	**(22)**	(5)	(10)	**(37)**

2006 Cash flow statement

	Book Publishing	Print Media	Distribution Services	Lagardère Active	Lagardère Media	EADS	Other Activities and eliminations	Total
Cash generated from operations	281	100	191	215	**787**	540	(5)	**1,322**
Interest paid and received, income tax paid	(96)	(69)	(44)	(82)	**(291)**	(23)	100	**(214)**
Net cash from operating activities	**185**	**31**	**147**	**133**	**496**	**517**	**95**	**1,108**
Cash used in investing activities	(463)	(84)	(90)	(538)	**(1,175)**	(937)	(80)	**(2,192)**
– *Purchases of intangible assets and property, plant and equipment*	*(29)*	*(45)*	*(66)*	*(11)*	**(151)**	*(428)*	*(5)*	*(584)*
– *Purchases of investments*	*(434)*	*(39)*	*(24)*	*(527)*	**(1,024)**	*(509)*	*(75)*	*(1,608)*
Proceeds from disposals of non-current assets	153	8	8	16	**185**	308	9	**502**
Decrease in short-term investments	–	–	5	–	**5**	498	–	**503**
Total cash used in investing activities	**(310)**	**(76)**	**(77)**	**(522)**	**(985)**	**(131)**	**(71)**	**(1,187)**
Net cash from (used in) operating and investing activities	**(125)**	**(45)**	**70**	**(389)**	**(489)**	**386**	**24**	**(79)**

Balance sheet at 31 December 2006

	Book Publishing	Print Media	Distribution Services	Lagardère Active	Lagardère Media	EADS	Other Activities and eliminations	Total
Segment assets	2,197	2,988	1,181	1,315	**7,681**	8,345	825	**16,851**
Investments in associates	10	324	–	939	**1,273**	255	1	**1,529**
Segment liabilities	(1,175)	(1,141)	(1,077)	(674)	**(4,067)**	(7,675)	(258)	**(12,000)**
Capital employed	**1,032**	**2,171**	**104**	**1,580**	**4,887**	**925**	**568**	**6,380**
Net cash surplus (indebtedness)								**(1,532)**
Equity								**4,848**

2005 Cash flow statement

	Book Publishing	Print Media	Distribution Services	Lagardère Active	Lagardère Media	EADS	Other Activities 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**	**0**	**1,215**
Cash used in investing activities	(29)	(46)	(91)	(57)	**(223)**	(578)	(25)	**(826)**
– Purchases of intangible assets and property, plant and equipment	*(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**
Decrease in short-term investments	–	–	1	581	**582**	111	–	**693**
Net cash from (used in) investing activities	**(6)**	**(39)**	**(83)**	**552**	**424**	**(291)**	**(12)**	**121**
Net cash from (used in) operating and investing activities	**165**	**32**	**34**	**638**	**869**	**479**	**(12)**	**1,336**

Balance sheet at 31 December 2005

	Book Publishing	Print Media	Distribution Services	Lagardère Active	Lagardère Media	EADS	Other Activities and eliminations	Total
Segment assets	1,759	2,991	1,190	855	**6,795**	8,000	305	**15,100**
Investments in associates	10	318	–	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**

6-2 Information by geographical segment

Net sales

	2006			2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
France	3,324	640	3,964	3,443	524	3,967
European Union	2,920	1,722	4,642	2,973	1,410	4,383
Rest of Europe	555	99	654	495	38	533
USA and Canada	892	1,412	2,304	628	1,349	1,977
Middle East	9	611	620	11	334	345
Asia-Pacific	290	1,177	1,467	259	1,156	1,415
Other (Africa, Latin America)	102	246	348	92	301	393
Total	**8,092**	**5,907**	**13,999**	**7,901**	**5,112**	**13,013**

Segment assets

	31 Dec. 2006	31 Dec. 2005
France	4,657	3,808
European Union	2,040	1,905
Rest of Europe	251	198
USA and Canada	1,362	977
Middle East	–	–
Asia-Pacific	167	178
Other (Africa, Latin America)	29	34
Excluding EADS	**8,506**	**7,100**
EADS (*)	**8,345**	**8,000**
Total	**16,851**	**15,100**

(*) Substantially all EADS' assets are in the European Union.

Purchases of intangible assets and property, plant and equipment - excluding EADS

	2006	2005
France	79	84
European Union	46	57
Rest of Europe	10	6
USA and Canada	14	7
Middle East	–	–
Asia-Pacific	6	9
Other (Africa, Latin America)	1	1
Total excluding EADS	**156**	**164**

Purchases of intangible assets and property, plant and equipment - EADS	2006	2005
France	**145**	114
Germany	**118**	154
United Kingdom	**107**	120
Spain	**28**	25
Other countries	**8**	8
Total excluding leased assets	**406**	**421**
Leased assets	**22**	**6**
Total EADS	**428**	**427**

Note 7 Net sales

Total net sales including EADS increased by 7.6% in 2006. In the Media business, net sales increased by 2.4% before adjustment for changes in group structure and exchange rates, and 0.9% on a like-for-like basis.

Like-for-like net sales are calculated by adjusting:
- 2006 net sales to exclude companies consolidated for the first time during the year and 2005 net sales to exclude companies divested in 2006;
- 2005 net sales based on 2006 exchange rates.

Net sales break down as follows:

	2006	2005
Sales of goods and services	6,695	6,531
Advertising revenue	1,373	1,346
Barter transactions	24	24
Excluding EADS	**8,092**	**7,901**
EADS (*)	5,907	5,112
Total	**13,999**	**13,013**

(*) Including:		
– Revenue from the delivery of goods and services	*4,717*	*4,282*
– Revenue from construction contracts (including contracted research and development)	*1,049*	*703*

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:

	2006	2005
Book Publishing	7,296	6,433
Print Media	10,517	9,972
Distribution Services	11,849	11,881
Lagardère Active	2,765	2,577
Lagardère Media	**32,427**	**30,863**
EADS	17,497	16,921
Other Activities	595	461
Total	**50,519**	**48,245**

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

	2006			2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Wages and salaries	1,372	980	2,352	1,311	958	2,269
Payroll taxes	345	328	673	337	306	643
Share-based payments	33	6	39	32	5	37
Total	**1,750**	**1,314**	**3,064**	**1,680**	**1,269**	**2,949**

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 1 January 2006 are presented in note 24-2.

In accordance with the principles described in note 4-5 "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 2006 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 outstanding at 31 December 2005	**4,666,999**	**53.60**
Options granted	1,844,700	55.84
Options forfeited	(77,150)	53.56
Options exercised	(20,426)	51.45
Options outstanding at 31 December 2006	**6,414,123**	**54.25**
Including: options exercisable	***2,912,429***	***51.70***

Options outstanding at 31 December 2006 were exercisable at prices ranging between €51.45 and €56.97 and their average term to maturity was 8.55 years.

Assumptions used to calculate the fair value of stock options using the binomial model are described below:

	14 December 2006 plan	21 November 2005 plan	20 November 2004 plan	18 December 2003 plan
Share market price at grant date (€)	59.85	58.25	54.40	46.00
Exercise price (€)	55.84	56.97	51.92	51.45
Expected volatility	27%	30%	40%	40%
Expected dividend	2%	2%	2%	2%
Risk-free interest rate	3.85%	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 2006 and 2005 plans, the volatility assumptions were revised in the light of the implicit volatility calculation methods negotiated for the agreements signed with a bank in November 2006 and November 2005 to cover Lagardère SCA's obligation under employee stock options plans (see note 24-3).

Expenses recognised in respect of share-based payments amounted to €33 million in 2006 and €32 million in 2005.

Note 9 Other operating income and expenses

	2006			2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Gains and losses on disposals of assets	31	23	54	17	6	23
Restructuring costs	(45)	(25)	(70)	(25)	(9)	(34)
Impairment losses on goodwill and intangible assets	(31)	(29)	(60)	(59)	–	(59)
Gain on negative goodwill	5	–	5	–	–	–
Write-downs of current and other non-current assets	(35)	(50)	(85)	(53)	(79)	(132)
Exchange gains and losses	5	(18)	(13)	2	6	8
Financial expenses other than interest	(5)	(8)	(13)	(6)	(13)	(19)
Other income and expenses	25	(345)	(320)	1	(65)	(64)
Total	**(50)**	**(452)**	**(502)**	**(123)**	**(154)**	**(277)**

In 2006 (excluding EADS)

Gains on disposals of assets principally arose on the following transactions:
- in the Media segment, disposals of the investments in Saarbach (€8 million) and the TV weather channel Chaîne Météo (€4 million);
- in Other Activities, real property sales (€14 million).

Restructuring costs of €45 million in 2006 primarily concerned the Print Media division (€31 million), under the cost-cutting plans implemented in Magazine Publishing operations in France and the discontinuation of certain magazines in the United States and the United Kingdom.

Impairment losses on goodwill and intangible assets amounted to €31 million, including €24 million recognised in respect of magazine titles in the US. These impairment losses were caused by the increasingly competitive environment in 2006, related to the profound transformation of the media as the Internet, helped by the spread of broadband availability, has come to occupy a significant role. As a result, the medium-term plan has been reviewed to incorporate new distribution and advertising trends, partly offset by expanding revenues from websites. This led to a revision of future earnings projections and the recognition of a corresponding impairment loss of €24 million for 2006.

Write-downs of assets totalled €35 million, principally relating to advances paid to writers in the Book Publishing division.

Other income of €25 million related to reversals of provisions recognised in past years.

In 2006 (EADS)

Other expenses of €345 million principally related to provisions established in connection with the A380 programme.

In 2005 (excluding EADS)

Impairment losses on goodwill and intangible assets amounted to €59 million, including €43 million recognised by Lagardère 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 audiovisual production operations (€6 million in the Lagardère 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.

Note 10 Financial income and expenses

Financial income and expenses break down as follows:

	2006			2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Interest income on loans	23	63	86	5	67	72
Investment income and gains on sales of short-term investments	44	5	49	25	4	29
Financial income	**67**	**68**	**135**	**30**	**71**	**101**
Interest expense on borrowings[1]	(169)	(86)	(255)	(77)	(94)	(171)
Loss on exchange of T-Online shares	(15)	–	(15)	–	–	–
Loss on financial derivative instruments acquired as hedges of net debt[2]	(57)	–	(57)	(6)	–	(6)
Financial expenses	**(241)**	**(86)**	**(327)**	**(83)**	**(94)**	**(177)**
Total	**(174)**	**(18)**	**(192)**	**(53)**	**(23)**	**(76)**

(1) Excluding EADS, the increase in interest expense is principally due to EADS Mandatory Exchangeable Bonds.
(2) Including €50 million related to the derivative financial instrument attached to Mandatory Exchangeable Bonds (see note 2-3-4 above).

Note 11 Income tax expense

11-1 Analysis of income tax expense

Income tax expense breaks down as follows:

	2006			2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Current taxes	(115)	(17)	(132)	(65)	(66)	(131)
Deferred taxes	18	29	47	49	(60)	(11)
Total	**(97)**	**12**	**(85)**	**(16)**	**(126)**	**(142)**

11-2 Tax proof

The following table reconciles income tax expense reported in the income statement to theoretical income tax expense for 2006 and 2005:

	2006			2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Profit before tax	393	13	406	447	397	844
Income from associates	68	23	91	63	31	94
Profit of consolidated companies before tax and income from associates	**325**	**(10)**	**315**	**384**	**366**	**750**
Theoretical tax (expense) gain (1)	(112)	4	(108)	(134)	(128)	(262)
Effect on theoretical tax expense of:						
Profit taxed (losses deducted) at reduced rates	15	–	15	(1)	–	(1)
Tax loss carryforwards used during the year (2)	8	5	13	57	3	60
Tax loss carryforwards arising during the year (2)	(10)	–	(10)	(20)	(2)	(22)
Tax differential on foreign subisidiaries earnings	13	10	23	8	4	12
Limitation on deferred taxes	(15)	(35)	(50)	17	(4)	13
Tax credits and similar	–	5	5	7	5	12
Impairment losses on goodwill and other intangible assets	(7)	–	(7)	(13)	–	(13)
Permanent differences and other	11	23	34	63	(4)	59
Effective tax (expense) gain	**(97)**	**12**	**(85)**	**(16)**	**(126)**	**(142)**

(1) At the French standard rate (34.43% in 2006).
(2) The tax effect of this tax loss 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 carryforwards 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 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Intangible assets	(368)	(29)	(397)	(403)	(21)	(424)
Property, plant and equipment	(53)	(133)	(186)	(44)	(136)	(180)
Non-current financial assets	(32)	(7)	(39)	(51)	(27)	(78)
Inventories	12	66	78	10	4	14
Provisions for employee benefit obligations	27	99	126	30	101	131
Other provisions	47	120	167	55	135	190
Other working capital requirements	178	(240)	(62)	158	(80)	78
Temporary differences (gross amount)	**(189)**	**(124)**	**(313)**	**(245)**	**(24)**	**(269)**
Provision for write-down of deferred tax assets	(142)	(12)	(154)	(131)	(34)	(165)
Temporary differences (net amount)	**(331)**	**(136)**	**(467)**	**(376)**	**(58)**	**(434)**
Tax loss carryforwards	46	99	145	56	90	146
Tax credits	–	38	38	–	32	32
Net deferred tax (liability) asset	**(285)**	**1**	**(284)**	**(320)**	**64**	**(256)**
Deferred tax assets	140	336	476	123	382	505
Deferred tax liabilities	(425)	(335)	(760)	(443)	(318)	(761)

11 - 4 Changes in deferred taxes

	2006			2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Net deferred tax (liability) asset at 1 January	(320)	64	(256)	(341)	269	(72)
Effect of introduction of IAS 32 and 39 at 1 January 2005	–	–	–	(7)	(465)	(472)
Income tax benefit (expense) recognised in the income statement	18	29	47	49	(60)	(11)
Deferred taxes recognised directly in equity	(11)	(96)	(107)	2	305	307
Effect of change in consolidation scope and exchange rates	28	4	32	(23)	15	(8)
Net deferred tax (liability) asset at 31 December	**(285)**	**1**	**(284)**	**(320)**	**64**	**(256)**

Deferred taxes recognised directly in equity can be analysed as follows:

	31 December 2006			1 January 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Available-for-sale investments	(7)	–	(7)	3	–	3
Cash flow hedges	–	–	–	–	160	160
Total	**(7)**	**0**	**(7)**	**3**	**160**	**163**

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 ordinary shares outstanding during the year, excluding treasury shares. Changes in the number of shares as a result of employees exercising their stock options (movements throughout the year) are included using the average of opening and closing balances for the year.

	2006	2005
Profit attributable to equity holders of the parent (in millions of €)	291	670
Number of shares making up the share capital at 31 December	142,691,231	142,042,120
Treasury shares	(7,420,165)	(3,426,123)
Number of shares outstanding at 31 December	135,271,066	138,615,997
Average number of shares outstanding	**136,943,532**	**137,350,790**
Net earnings per share (in €)	**2.13**	**4.88**

Diluted earnings per share

The only category of dilutive ordinary shares relates to unexercised uncovered employee stock options with exercise prices lower than the average listed price of Lagardère SCA share over the reference period ("in-the-money" options).

Net profit attributable to equity holders of the parent used in the calculation of diluted earnings per share is adjusted for the after-tax amount of financial income that would result from the exercise of share subscription options.

	2006	2005
Adjusted profit attributable to equity holders of the parent (in millions of €)	291	671
Average number of shares outstanding	136,943,532	137,350,790
Adjustment to assume conversion of stock options:		
Dilutive stock options ("in-the-money" options)	2,354,220	4,238,732
Other stock options ("out-of-the-money" options)	1,011,554	–
Average number of shares including dilutive stock options	**139,297,752**	**141,589,522**
Diluted earnings per share (in €)	**2.09**	**4.74**

Note 13 Goodwill

	2006			2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
At 1 January	**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)*
Acquisitions	419	13	432	63	16	79
Adjustment arising from recognition of put options granted to minority interests	(29)	(81)	(110)	54	81	135
Goodwill written-off on disposals or reclassified as assets held for sale	(167)	–	(167)	(13)	–	(13)
Impairment losses for the year	–	–	–	(35)	–	(35)
Translation adjustments	(2)	(1)	(3)	15	1	16
Other movements	7	(10)	(3)	(1)	–	(1)
At 31 December	**2,066**	**732**	**2,798**	**1,838**	**811**	**2,649**
Cost	*2,115*	*732*	*2,847*	*1,889*	*811*	*2,700*
Accumulated impairment losses	*(49)*	–	*(49)*	*(51)*	–	*(51)*

Net goodwill in the balance sheet concerns the following companies:

	31 December 2006	31 December 2005
Hachette Filipacchi Médias	596	596
Editis group [(1)]	238	352
Hachette Book group (formerly Time Warner Book)	223	–
Little Brown Book group (formerly Time Warner Book)	51	–
Hodder Headline group	206	216
Lagardere Active Broadcast group	245	172
Hatier group	84	84
Octopus group	53	52
Payot Naville Distribution group	40	40
Salvat group	27	40
Lagardère [(2)]	35	35
Virgin	34	34
Orion group	34	32
Newslink	25	26
Nice Matin	22	22
Lapker group	17	17
S.C.P.E.	16	–
Adjustment arising from recognition of put options granted to minority interests	24	54
Other	96	66
Excluding EADS	**2,066**	**1,838**
EADS [(3)]	732	811
Total	**2,798**	**2,649**

(1) Decrease primarily attributable to the sale of the investment in Dalloz.
(2) Goodwill on Matra Hachette shares purchased prior to the business combination.
(3) Goodwill related to EADS subsidiaries.

Note 14 Intangible assets

Cost

	Publication titles	Other	Total excluding EADS	EADS	Total
At 1 January 2005	**1,339**	**628**	**1,967**	**157**	**2,124**
Acquisitions	1	32	**33**	75	**108**
Changes in scope of consolidation	–	2	**2**	(2)	**0**
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**
Acquisitions	–	29	**29**	85	**114**
Changes in scope of consolidation	–	(2)	**(2)**	4	**2**
Disposals	(2)	(17)	**(19)**	(9)	**(28)**
Translation adjustments	(83)	(5)	**(88)**	–	**(88)**
Reclassifications	14	(6)	**8**	–	**8**
At 31 December 2006	**1,376**	**565**	**1,941**	**307**	**2,248**

Amortisation and impairment losses

	Publication titles	Other	Total excluding EADS	EADS	Total
At 1 January 2005	**(43)**	**(396)**	**(439)**	**(74)**	**(513)**
Amortisation	–	(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)**
Amortisation	–	(25)	**(25)**	(30)	**(55)**
Impairment losses for the year (note 9)	(26)	(5)	**(31)**	–	**(31)**
Changes in scope of consolidation	–	3	**3**	–	**3**
Disposals	–	17	**17**	9	**26**
Translation adjustments	1	4	**5**	–	**5**
Reclassifications	–	12	**12**	2	**14**
At 31 December 2006	**(77)**	**(342)**	**(419)**	**(114)**	**(533)**
Carrying amounts					
At 31 December 2005	**1,395**	**218**	**1,613**	**132**	**1,745**
At 31 December 2006	**1,299**	**223**	**1,522**	**193**	**1,715**

EADS

– research and development costs recognised as an expense amounted to €368 million in 2006 and €310 million in 2005;

– research and development costs recognised as internally generated intangible assets amounted to €131 million in 2006 and €69 million in 2005 and were principally incurred under the Airbus A380 programme

The main Lagardère Media publication titles are owned by the following companies:

Net carrying amounts	**31 December 2006**	**31 December 2005**
Hachette Filipacchi Magazines Inc. (*)	657	760
Rusconi group	164	164
Hachette Filipacchi UK	113	110
Nice Matin	80	80
Hachette Fujin Gaho	53	60
Hachette Filipacchi Médias	32	32
Quillet group	25	25
Hachette Filipacchi SA (Spain)	27	27

(*) Decrease due to the decline in the US dollar exchange rate and recognition of a €24 million impairment loss.

Note 15 Property, plant and equipment

Property, plant and equipment break down as follows by category:

2006 - Cost

	At 1 January 2006	Additions	Changes in scope of consolidation	Disposals	Translation adjustment	Reclassifications	At 31 December 2006
Land	153	–	(1)	(4)	–	2	150
Buildings	548	16	–	(7)	(3)	7	561
Machinery and equipment	414	34	14	(14)	(1)	12	459
Other	484	48	4	(18)	(8)	(6)	504
Assets under construction	28	30	–	(1)	–	(14)	43
Excluding EADS	**1,627**	**128**	**17**	**(44)**	**(12)**	**1**	**1,717**
Land and buildings	909	26	2	(20)	–	79	996
Machinery and equipment	1,734	83	2	(39)	(5)	141	1,916
Other	604	22	1	(61)	(34)	(8)	524
Assets under construction	518	210	1	(3)	4	(189)	541
EADS	3,765	341	6	(123)	(35)	23	3,977
Total	**5,392**	**469**	**23**	**(167)**	**(47)**	**24**	**5,694**

2006 - Depreciation and impairment losses

	At 1 January 2006	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals	Translation adjustment	Reclassifications	At 31 December 2006
Land	(3)	–		–		–	–	(3)
Buildings	(274)	(26)		1	6	2	–	(291)
Machinery and equipment	(311)	(35)		(9)	13	1	(4)	(345)
Other	(342)	(45)		–	17	6	2	(362)
Assets under construction	–	–		–	–	–	–	–
Excluding EADS	**(930)**	**(106)**	**–**	**(8)**	**36**	**9**	**(2)**	**(1,001)**
Land and buildings	(438)	(38)		1	17	–	(33)	(491)
Machinery and equipment	(1,082)	(153)		1	35	–	1	(1,198)
Other	(248)	(20)		(1)	22	15	6	(226)
Assets under construction	(5)	–		–	–	–	–	(5)
EADS	(1,773)	(211)	–	1	74	15	(26)	(1,920)
Total	**(2,703)**	**(317)**	**–**	**(7)**	**110**	**24**	**(28)**	**(2,921)**
Carrying amounts	**2,689**	**152**	**–**	**16**	**(57)**	**(23)**	**(4)**	**2,773**

2005 - Cost

	At 1 January 2005	Additions	Changes in scope of consolidation	Disposals	Translation adjustment	Reclassifications	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	Reclassifications	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**

Investment property

• Excluding EADS

For Group companies other than EADS, balance sheet assets include real estate carried at net value of €78 million at 31 December 2006 and €80 million at 31 December 2005. This property is subject to an operating lease agreement with NMPP and its market value is estimated at €109 million at 31 December 2006 (€93 million at 31 December 2005). Related rental income in 2006 and 2005 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 2006, the carrying amount of these properties (based on Lagardère's percentage interest) was equal to their fair value of €21 million (€20 million in 2005). Related rental income in 2006 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:

	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Cost	130	81	211	130	65	195
Carrying amount	79	21	100	81	12	93

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 2006 are as follows:

Not later than 2007	22
Later than 2007 and not later than 2011	51
Later than 2011	23
Total	**96**

(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 2006	31 December 2005
(i) Net book value of aircraft under operating leases before impairment losses	182	223
Accumulated provision for impairment losses	(41)	(47)
Net book value of aircraft under operating leases	**141**	**176**
(ii) Aircraft under operating leases with the present value of the guarantee being more than 10 %	**157**	**180**
Total net book value of aircraft under operating leases	**298**	**356**

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 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2005	2006	2005
CanalSatellite	34%	34%	935	985	52	45
Marie-Claire	42%	42%	234	234	9	8
Amaury group	25%	25%	68	60	10	8
S.E.T.C.	39%	39%	12	13	1	1
Editions J'ai lu	35%	35%	10	10	1	1
Other			15	14	(5)	–
Excluding EADS			**1,274**	**1,316**	**68**	**63**
EADS(*)			255	226	23	31
Total			**1,529**	**1,542**	**91**	**94**
(*) Including Dassault Aviation	*46%*	*46%*	*238*	*220*	*20*	*31*

Condensed financial information for CanalSatellite is presented below:

	CanalSatellite	
On a 100% basis	31 December 2006	31 December 2005
Balance sheet information		
Total assets	599	593
Total liabilities	447	384
Income statement information		
Net sales	1,133	1,030
Net profit	152	134

Note 17 Joint ventures

The contribution to the consolidated financial statements of joint ventures consolidated by the proportionate method is presented below:

31 December 2006

	EADS	Other	Total
Balance sheet information			
Non-current assets	4,661	31	4,692
Current assets	5,291	69	5,360
Total assets	**9,952**	**100**	**10,052**
Non-current liabilities	3,875	9	3,884
Current liabilities	4,662	58	4,720
Total liabilities	**8,537**	**67**	**8,604**
Income statement information			
Revenue	5,940	245	6,185
Expenses	(5,915)	(232)	(6,147)
Net profit	**25**	**13**	**38**

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**

Note 18 Other non-current assets

Other non-current assets break down as follows:

Carrying amounts	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Non-current investments	671	80	751	124	80	204
Loans and receivables	72	511	583	91	486	577
Derivative financial instruments	–	485	485	–	413	413
Total	**743**	**1,076**	**1,819**	**215**	**979**	**1,194**

Non-current investments include:

Carrying amounts	31 December 2006		31 December 2005	
	Carrying amount	% interest	Carrying amount	% interest
Canal+ France	469	7%		
Newsweb	64	87%		
Viel	42	13%	31	13%
Le Monde SA	36	17%	36	17%
La Dépêche du Midi	12	15%	12	15%
Autofin	3	10%	6	10%
Other	45		39	
Excluding EADS	**671**		**124**	
EADS (*)	80		80	
Total	**751**		**204**	

(*) Investments not consolidated at the level of the EADS group.

Canal+ France and Newsweb were acquired in December 2006 and will be consolidated from 1 January 2007. Other non-current assets are available-for-sale investments.

Fair value adjustments of available-for-sale investments recognised directly in equity represented a net gain of €29 million in 2006 (EADS: gain of €10 million; Lagardère excluding EADS: gain of €19 million). Figures for 2005 were: net gain of €6 million (EADS: gain of €7 million; Lagardère excluding EADS: loss of €1 million).

Loans and receivables break down as follows:

Loans and receivables	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Gross amount	169	548	717	191	546	737
Accumulated write-downs	(97)	(37)	(134)	(100)	(60)	(160)
Carrying amount	**72**	**511**	**583**	**91**	**486**	**577**

Analysis of write-downs	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
At 1 January	(100)	(60)	(160)	(140)	(77)	(217)
Write-downs reversed (recognised) in the year	3	(3)	0	–	7	7
Other movements and translation adjustments	–	26	26	40	10	50
At 31 December	**(97)**	**(37)**	**(134)**	**(100)**	**(60)**	**(160)**

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 2006	31 December 2005
Book Publishing	430	371
Print Media	53	53
Distribution Services	302	296
Lagardère Active	37	46
EADS	2,767	2,487
Other Activities [(1)]	26	25
Cost	**3,615**	**3,278**
Accumulated write-downs [(2)]	(478)	(404)
Carrying amount	**3,137**	**2,874**
(1) Matra Manufacturing & Services spare part inventories.		
(2) Of which EADS	*(236)*	*(181)*

Analysis of write-downs	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
At 1 January	(223)	(181)	(404)	(209)	(144)	(353)
Write-downs recognised in the year	(1)	(54)	(55)	(4)	(38)	(42)
Other movements and translation adjustments	(18)	(1)	(19)	(10)	1	(9)
At 31 December	**(242)**	**(236)**	**(478)**	**(223)**	**(181)**	**(404)**

Note 20 Trade receivables

Trade receivables break down as follows:

	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Trade receivables	1,499	783	2,282	1,433	778	2,211
Accumulated write-downs	(115)	(56)	(171)	(111)	(61)	(172)
Carrying amount	**1,384**	**727**	**2,111**	**1,322**	**717**	**2,039**
Including:						
Due within one year	*1,384*	*707*	*2,091*	*1,322*	*682*	*2,004*
Due beyond one year	*–*	*20*	*20*	*–*	*35*	*35*
	1,384	*727*	*2,111*	*1,322*	*717*	*2,039*

Analysis of write-downs	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
At 1 January	(111)	(61)	(172)	(106)	(57)	(163)
Write-downs reversed (recognised) in the year	10	5	15	(3)	(4)	(7)
Other movements and translation adjustments	(14)	–	(14)	(2)	–	(2)
At 31 December	**(115)**	**(56)**	**(171)**	**(111)**	**(61)**	**(172)**

Securitisations of trade receivables

Certain subsidiaries in the Book Publishing and Print Media divisions have entered into securitisation contracts with debt securitisation funds. The main characteristics of the programmes are as follows:

- Receivables are sold on a no-recourse basis.
- The asset-backed securities issued by the securitisation fund are overcollateralised, with the difference between the carrying amount of the sold receivables and the sale proceeds received from the securitisation fund 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 debt securitisation funds is cancelled and a debt is recognised in liabilities.

The amounts involved at 31 December 2006 and 2005 are as follows:

	31 December 2006	31 December 2005
Assets		
Trade receivables	195	351
Other receivables (*)	(31)	(124)
Liabilities		
Debt	164	227

(*) Guarantee deposits.

Note 21 Other current assets

Other current assets break down as follows:

	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Advances paid	20	–	20	24	–	24
Recoverable taxes and payroll taxes	318	64	382	324	35	359
Derivative financial instruments (*)	454	300	754	16	178	194
Receivable from writers	274	–	274	117	–	117
Receivable from suppliers	152	–	152	156	–	156
Loans	42	19	61	41	40	81
Prepaid expenses	80	58	138	66	50	116
Other	100	252	352	84	263	347
Total	**1,440**	**693**	**2,133**	**828**	**566**	**1,394**
Accumulated write-downs	**(111)**	**(13)**	**(124)**	**(104)**	**(17)**	**(121)**
Carrying amount	**1,329**	**680**	**2,009**	**724**	**549**	**1,273**

(*) See note 27-1-2

	31 December 2006			31 December 2005		
Analysis of write-downs	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
At 1 January	(104)	(17)	(121)	(82)	(7)	(89)
Write-downs (recognised) reversed in the year	(38)	2	(36)	(16)	(5)	(21)
Other movements and translation adjustments	31	2	33	(6)	(5)	(11)
At 31 December	**(111)**	**(13)**	**(124)**	**(104)**	**(17)**	**(121)**

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 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Shares	39	51	90	45	67	112
Bonds	117	–	117	136	–	136
Other	–	82	82	–	626	626
Total	**156**	**133**	**289**	**181**	**693**	**874**

Shares include:
- Excluding EADS: Deutsche Telekom shares received in 2006 in exchange for T-Online shares as part of the merger between the two companies.
- EADS: treasury shares held by EADS. In the financial statements published by EADS, these shares are deducted from equity. For the purposes of the Lagardère consolidation they are reclassified as short-term investments.

Note 23 Net cash and cash equivalents

Details of net cash and cash equivalents reported in the cash flow statement are as follows:

	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Cash and cash equivalents	1,492	1,220	2,712	668	805	1,473
Short-term bank loans and overdrafts	(297)	–	(297)	(196)	–	(196)
Net cash and cash equivalents	**1,195**	**1,220**	**2,415**	**472**	**805**	**1,277**

Note 24 Equity

24-1 Share capital

At 31 December 2006, the share capital of Lagardère SCA amounted to €870.416.509.10, represented by 142.691.231 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:

	2006	2005
Number of shares at 1 January	142,042,120	140,818,685
Shares issued on exercise of subscription options	649,111	1,223,435
Number of shares at 31 December	**142,691,231**	**142,042,120**

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.

Details of the plans outstanding as of 1 January 2006 are presented below. The exercise price and quantities of unexercised options were adjusted on 6 July 2005 (repricing) to reflect the fact that an exceptional dividend was partly paid out of reserves in 2005.

Date of Plan / Date of AGM	Number of options granted at origin	Exercise price before repricing of 6 July 2005 (in €)	Exercise price after repricing of 6 July 2005 (in €)	Number of beneficiaries	Options exercised in 2006	Options forfeited	Options outstanding at end 2006	Period of exercise
Subscription options								
10 Dec. 1999 / 30 May 1997	1,300,800	44.00	43.52	696	623,843	256,210	–	10 Dec. 2001 to 9 Dec. 2006
18 Dec. 2000 / 23 May 2000	1,254,500	63.00	62.31	458	25,268	218,721	1,011,554	18 Dec. 2002 to 17 Dec. 2007
Purchase options								
19 Dec. 2001 / 23 May 2000	1,258,000	47.00	46.48	421	192,793	115,812	818,034	19 Dec. 2003 to 19 Dec. 2008
19 Dec. 2002 / 23 May 2000	1,299,000	52.02	51.45	416	59,981	97,096	1,147,579	19 Dec. 2004 to 19 Dec. 2009
18 Dec. 2003 / 23 May 2000	1,437,250	52.02	51.45	445	20,426	55,108	1,377,847	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004 / 11 May 2004	1,568,750	52.50	51.92	481	–	51,937	1,534,582	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005 / 11 May 2004	1,683,844	n/a	56.97	495	–	26,850	1,656,994	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006 / 11 May 2004	1,844,700	n/a	55.84	451	–	–	1,844,700	14 Dec. 2008 to 14 Dec. 2016

n/a: not applicable.

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 AGM Date of grant	Exercise price (in €)	Date of exercise	Number of options granted	Number of beneficiaries	Options forfeited	Options outstanding at end 2006	Period of repurchase
18 June1997 18 June 1997	37.44	18 June 1997 to 17 June 2007	1,577 (1)	11	64	64 (3)	19 June 2002 to 19 June 2007
18 June 1997 22 July 1999	46.20	22 July 1999 to 21 July 2009	1,525 (2)	63	55	888 (4)	23 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) 617 options were exercised in 2006.
(4) 152 options were exercised in 2006.

24-3 Treasury shares

Changes in the number of shares held in treasury over the last two years were as follows:

	2006	2005
Number of shares held at 1 January	3,426,123	4,733,103
Purchases of treasury shares	4,969,461	963,071
Treasury shares allocated on exercise of stock options	(544,900)	(429,714)
Sales of shares under hedging contracts	(430,519)	(1,840,337)
Number of shares held at 31 December	**7,420,165**	**3,426,123**

Since 2001, stock purchase options have been granted to Group employees at annual intervals. In light of the options outstanding under these plans Lagardère SCA carried out two hedging transactions in November 2006 and November 2005:

– In November 2005. sale of 1.840.337 treasury shares to Barclays Capital Securities Limited with a repurchase option whereby Lagardère SCA is entitled to repurchase all or part of the shares sold; and purchase of call options on 3.493.146 Lagardère SCA treasury shares from Barclays Bank PLC. 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 November 2006, sale of 430.519 treasury shares to Barclays Capital Securities Limited and purchase of call options on 1.659.994 Lagardère SCA shares from Barclays Bank PLC. The sale was concluded for a total price of €24 million and generated a gain of €4 million. The price paid for the call options was €24 million.

Following these transactions, Lagardère SCA's obligation to deliver shares under the option plans set up in the period 2001-2005 was fully covered.

In accordance with IAS 32, all amounts involved in these transactions were recognised in equity.

Also in 2006, the Group purchased 4.969.461 treasury shares at a total cost of €276 million and sold employees 544.900 treasury shares on exercise of stock options for total proceeds of €29 million, generating a non-significant disposal gain. In 2005. the Group purchased 963.071 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 non-significant disposal gain.

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 2006	31 December 2005	2006	2005
Book Publishing	14	16	2	4
Print Media	51	54	8	9
Distribution Services	30	42	12	12
Lagardère Active	5	4	6	2
Excluding EADS	**100**	**116**	**28**	**27**
EADS	27	26	2	5
Total	**127**	**142**	**30**	**32**

Note 25 Provisions

25-1 Provisions for employee benefit obligations

In application of the principles set out in note 4-18 “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:

25-1-1 *Lagardère excluding EADS*

Change in benefit obligation

	2006	2005
Benefit obligation at beginning of the year	340	306
Service cost	15	17
Interest cost	14	13
Benefits paid	(18)	(19)
Settlement of obligations	(6)	(1)
Actuarial loss (gain)	4	16
Changes in scope of consolidation	(8)	–
Translation adjustments and other	–	8
Benefit obligation at end of the year	**341**	**340**
Benefit obligation at end of the year for funded plans	261	252
Benefit obligation at end of the year for unfunded plans	80	88

Change in fair value of plan assets

	2006	2005
Fair value of plan assets at beginning of the year	181	157
Actual return on plan assets	17	15
Employer contributions	25	13
Benefits paid	(12)	(10)
Settlement of obligations	(6)	(1)
Changes in scope of consolidation	–	–
Translation adjustments and other	1	7
Fair value of plan assets at end of the year	**206**	**181**

Calculation of net amount recognised as provision

	2006	2005
Benefit obligation less plan assets	**135**	**159**
Unrecognised actuarial losses	**(16)**	**(17)**
Net amount recognised as provision	**119**	**142**

Asset allocation at 31 December

	2006	2005
Shares	47%	46%
Bonds	36%	36%
Real property	2%	3%
Money market instruments	4%	3%
Other	11%	12%

The expected rate of return on assets is the weighted average rate, determined based on the individual expected long-term return for each class of assets in the financing portfolio, and their actual allocation at valuation date.

Calculation of net expense for the year

	2006	2005
Service cost	15	17
Ineterest cost	13	13
Expected return of plan assets	(9)	(8)
Actuarial losses (recognised) reversed	(3)	1
Effect of limit on assets	–	–
Effect of plan curtailments	–	(2)
Net expense recognised in the income statement	**16**	**21**

Actuarial assumptions used to calculate benefit obligation and expense for the year	2006	2005
Benefit obligation		
Discount rate	3.87%	4.18%
Average expected rate of benefit increase	2.48%	2.47%
Average expected rate of salary increase	2.57%	3.36%
Expected rate of return on assets	5.31%	4.79%
Expected rate of healthcare inflation:		
– Initial	5.00%	5.00%
– Ultimate	2.00%	2.00%
– Year in which ultimate rate is expected to be reached	2027	2024
Expense for the year		
Discount rate	3.51%	4.60%
Average expected rate of benefit increase	2.47%	n/c
Average expected rate of salary increase	2.80%	3.43%
Expected rate of return on assets	4.79%	4.84%
Expected rate of healthcare inflation:		
– Initial	5.00%	5.00%
– Ultimate	2.00%	2.00%
– Year in which ultimate rate is expected to be reached	2024	n/c

n/c: not calculated.

Experience gains and losses for 2006	
Difference between actual and expected returns on plan assets	
Gain (loss)	8
Percentage of plan assets	4.02%
Experience (gains) and losses on plan liabilities	
Losses (gains)	(5)
Percentage of present value of plan liabilities	– 1.61%

Effect on healthcare benefits of a + or –1% change in the rate of increase in healthcare spending			
	Effect of change (2006)		
	At current trend rate	Increase of 1%	Decrease of 1%
Effect on present value of benefit obligation at 31 December 2006	6	10	(5)
Effect on expense for 2006	–	1	–

Expected employer contributions		
	2007	**2006**
Expected employer contributions	11	11

25-1-2 *EADS (based on Lagardère's percentage interest)*

The British employees of Airbus and MBDA are affiliated to BAE Systems' pension schemes, which qualify as multi-employer defined benefit plans. At the end of 2006, BAE Systems supplied detailed information on these pension schemes, and EADS considered this information is now sufficient for proper allocation of the deficit on these schemes between all the participants. Consequently, EADS included its estimated share of this loss in the calculation of its pension obligations at 31 December 2006. Previously, it had expensed its contributions to these plans in the same way as for defined contribution plans.

Change in benefit obligation		
	2006	**2005**
Benefit obligation at beginning of the year	886	785
Service cost	24	23
Interest cost	34	38
Actuarial loss (gain)	(28)	77
Benefits paid	(34)	(31)
Additions (*)	554	–
Other	–	(6)
Benefit obligation at end of the year	**1,436**	**886**

(*) The newly recognised obligations correspond to EADS' share in BAE Systems' pension schemes.

Change in fair value of plan assets	2006	2005
Fair value of plan assets at beginning of the year	119	99
Actual return on plan assets	13	12
Contributions	32	17
Benefits paid	(11)	(9)
Additions (*)	419	–
Other	2	–
Fair value of plan assets at end of the year	**574**	**119**

(*) The newly recognised obligations correspond to EADS' share in BAE Systems' pension schemes.

Calculation of net amount recognised as provision	2006	2005
Benefit obligation less plan assets	862	767
Unrecognised actuarial losses	(264)	(167)
Unrecognised past service cost	(1)	(1)
Net liability recognised as provision	**597**	**599**
Deferred remunerations	20	17
Total provision for employee benefit obligations	**617**	**616**
Including:		
Non-current provisions	*580*	*583*
Current provisions	*37*	*33*

Assumptions used to determine benefit obligation and expense for the year	2006	2005
Discount rate	4.5%	4.0%
Expected rate of salary increase	3.0%	3.0%
Expected rate of inflation	1.9 - 2.0%	1.75 - 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.

Net benefit expense breaks down as follows:

Components of net benefit expense for the year	2006	2005
Service cost	24	23
Interest cost	34	38
Expected return on assets	(9)	(6)
Amortisation of actuarial losses	7	2
Net benefit expense	**56**	**57**

25-2 Provisions for contingencies and losses

Non-current and current provisions cover the following main contingencies and losses:

	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Losses on long-term contracts and other contracts	15	388	403	16	358	374
Restructuring and withdrawal costs	91	11	102	84	9	93
Claims and litigation	158	36	194	191	37	228
Warranty costs	–	28	28	–	26	26
Other provisions	299	560	859	291	285	576
Total	**563**	**1,023**	**1,586**	**582**	**715**	**1,297**
Including:						
Non-current provisions	*195*	*495*	*690*	*249*	*375*	*624*
Current provisions	*368*	*528*	*896*	*333*	*340*	*673*
	563	*1,023*	*1,586*	*582*	*715*	*1,297*

Excluding EADS	At 1 January 2006	Translation adjustment	Change in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 December 2006
Losses on long-term contracts and other contracts	16				(1)			15
Restructuring and withdrawal costs	84			24	(15)	(1)	(1)	91
Claims and litigation	191	(1)		32	(56)	(10)	2	158
Other provisions	291	(2)	7	87	(54)	(31)	1	299
Total	**582**	**(3)**	**7**	**143**	**(126)**	**(42)**	**2**	**563**

EADS	At 1 January 2006	Translation adjustment	Change in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 December 2006
Losses on long-term contracts and other contracts	358	(19)	2	118	(63)	(8)		388
Restructuring and withdrawal costs	9		(2)	15	(3)	(3)	(5)	11
Claims and litigation	37		1	2	(1)	(1)	(2)	36
Warranty costs	26		(1)	13	(7)	(3)		28
Other provisions	285	(1)	(8)	351	(68)	(10)	11	560
Total	**715**	**(20)**	**(8)**	**499**	**(142)**	**(25)**	**4**	**1,023**

Note 26 Debt

26-1 Breakdown of debt

Debt breaks down as follows:

	31 December 2006			31 December 2005		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Mandatory Exchangeable Bonds	1,400	–	1,400	–	–	–
Other bonds	535	235	770	589	248	837
Bank loans	282	171	453	558	203	761
Finance lease liabilities	55	26	81	68	36	104
Debt related to put options granted to minority interests	23	–	23	44	–	44
Other debt	15	102	117	21	140	161
Non-current debt	**2,310**	**534**	**2,844**	**1,280**	**627**	**1,907**
Mandatory Exchangeable Bonds	744	–	744	–	–	–
Other bonds	–	173	173	106	–	106
Bank loans	63	21	84	25	22	47
Finance lease liabilities	13	15	28	11	13	24
Debt related to put options granted to minority interests	31	–	31	32	523	555
Other debt	510	119	629	470	101	571
Current debt	**1,361**	**328**	**1,689**	**644**	**659**	**1,303**
Total debt	**3,671**	**862**	**4,533**	**1,924**	**1,286**	**3,210**

26-2 Analysis of debt by maturity

Debt breaks down as follows by maturity:

By maturity – Including EADS	Under one year (*)	1 to 5 years	Over 5 years	Total
Mandatory Exchangeable Bonds	744	1,400	–	2,144
Other bonds	173	462	309	944
Bank loans	84	320	133	537
Finance lease liabilities	28	66	15	109
Debt related to put options granted to minority interests	31	23	–	54
Other debt	629	52	64	745
At 31 December 2006	**1,689**	**2,323**	**521**	**4,533**
Of which EADS	328	280	254	862
At 31 December 2005	**1,303**	**776**	**1,131**	**3,210**
Of which EADS	659	163	464	1,286

(*) Debt 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 one year (*)	1 to 5 years	Over 5 years	Total
Mandatory Exchangeable Bonds	744	1,400	–	2,144
Other bonds	–	294	241	535
Bank loans	63	272	10	345
Finance lease liabilities	13	51	4	68
Debt related to put options granted to minority interests	31	23	–	54
Other debt	510	3	12	525
At 31 December 2006	**1,361**	**2,043**	**267**	**3,671**
At 31 December 2005	**644**	**613**	**667**	**1,924**

(*) Debt 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 (excluding Mandatory Exchangeable Bonds) and bank loans, excluding EADS:

31 December 2006 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:						
– 7-year notes, for US$150 million	115	54	**169**	EUR	7.25%	EURIBOR +1.099%
– 10-year notes, for US$225 million	178	76	**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	116	–	**116**	EUR	4.965%	6-month EURIBOR +0.88%
10 July 2003 10-year bond issue underwritten by LCL, for €100 million	98	2	**100**	EUR	4.75%	3-month EURIBOR +1.035%
Bonds	**535**	**138**	**673**			
22 June 2005 5-year syndicated loan, for €2,200 million; €250 million drawn at 31 December 2005			**0**	EUR	1-month EURIBOR +0.92%	
21 December 2005 6-year structured loan, for €151 million:						
– Tranche A, for €116 million	116	1	**117**	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	124		**124**			
Bank loans	**345**	**1**	**346**			
Total	**880**	**139**	**1,019**			

(*) Fair value of derivative instruments designated as hedges of debt.

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	–	**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**	**0**	**583**			
Total	**1,278**	**118**	**1,396**			

(*) 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%.

EADS regularly issues commercial paper at floating or fixed interest rates, with individual maturities ranging from 1 day to 12 months. The average interest rate as of 31 December 2006 was 3.3 %, and the issued volume amounted to €1,137 million (the maximum amount authorised in 2003 is €2 billion).

Debt includes liabilities connected with sales financing transactions amounting to €1,702 million, including €480 million at a fixed interest rate of 9.88%, the remaining amount being mainly at variable 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			
31 December 2006	Excluding EADS	EADS	Total Group	%	Excluding EADS	EADS	Total Group	%
Euro	3,151	553	3,704	82%	3,154	553	3,707	79%
US$	406	300	706	15%	542	300	842	18%
Yen	25	–	25	1%	25	–	25	1%
Swiss franc	4	–	4	0%	4	–	4	0%
Pound sterling	41	7	48	1%	41	7	48	1%
Other	44	2	46	1%	44	2	46	1%
Total debt	**3,671**	**862**	**4,533**	**100%**	**3,810**	**862**	**4,672**	**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 authorisation 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 risks

Excluding the Mandatory Exchangeable Bonds which are redeemable in shares, bond borrowings remained stable at 35% of total borrowings.

The credit risk is not significant since debt maturing within two years (excluding Mandatory Exchangeable Bonds) amounts to €748 million, whereas cash and short-term investments total €1,648 million and unused credit line facilities €2,330 million.

• Risks arising from early repayment clauses included in certain contracts

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

Lagardère SCA is subject to such covenants in respect of:
– bonds issued in January 2001 for US$375 million and July 2003 for US$38 million and €116 million;
– structured loans obtained in July 2003 for €70 million and December 2005 for €151 million.

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

At 31 December 2006, none of the above ratio covenants is likely to result in a substantial restriction of the Group's capacity to use its credit lines.

• Interest rate risks

The Group does not use active interest rate management techniques in relation to any of its financial assets or liabilities.

Bank loans and bond borrowings (excluding Mandatory Exchangeable Bonds) bear interest at variable rates, either because they were originally issued at variable rates, or because they were converted at the outset from fixed rates to variable rates. The value of derivative hedging instruments corresponding to this conversion is stated in the "Borrowings" table of note 26-3.

Cash and cash equivalents are invested in non-risk mutual funds, with no derivative instruments.

Cash and cash equivalents total €1,492 million. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group's €1,473 million variable rate borrowings (excluding Mandatory Exchangeable Bonds and debt related to repurchases of minority interests). The risk of a rise in the cost of borrowings due to an increase in interest rates is offset by the higher income that would be earned on cash and cash equivalents as a result of such an increase.

• Exchange rate risks

The Group's exposure to foreign exchange rate risks on commercial transactions is very limited owing to the nature of its business activities in France and in foreign countries. At 31 December 2006, foreign currency transactions to hedge this exposure only comprise forward currency sales agreements amounting to €16 million, and forward currency purchase agreements amounting to €11 million.

In general, normal operating activities are financed through short-term and variable-rate borrowings denominated in the local currency, in order to avoid exchange rate risks.

For longer term borrowings used to finance assets outside France, the Group occasionally converts borrowings obtained in euros into the local currency, using currency swaps. In 2006, currency swaps were entered into for periods of less than three months, and renewed at the end of each quarter. Their market value at 31 December 2006 is zero.

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

• Equity risks

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

Equity investments

Companies	Number of securities	Market price on 31 December 2006	Market value at 31 December 2006
Lagardère SCA	7,420,165	61.00 €	452,630,065 €
EADS	122,223,852	26.10 €	3,190,042,537 €
Deutsche Telekom (formerly T-Online)	2,836,835	13.84 €	39,261,796 €
Viel et Cie	8,917,677	4.75 €	42,358,966 €
Newsweb	2,497,651	24.19 €	60,418,178 €

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

As a listed company, EADS is subject to stock market changes. As a result of the April 2006 issue of Mandatory Exchangeable Bonds (see note 2), the Lagardère Group is guaranteed a price of no less than €32.60 per EADS share, for 50% of its total investment. However, in view of the consolidation method applied for the EADS group, the value of this investment in Lagardère's consolidated financial statements is not affected by these changes.

The Deutsche Telekom shares were received in exchange for T-Online shares in 2006 and are included in "Short-term investments" at the amount of €39 million, or €13.65 per share, their average trading price in December 2006.

The investment in Viel et Cie is included in "Other non-current assets" at the amount of €42 million, corresponding to their trading price on 31 December 2006.

Newsweb securities were purchased in December 2006. They are recorded at acquisition cost (€64 million), and represent 87% of the company's capital at 31 December 2006. This investment will be fully consolidated from 1 January 2007.

27-1-2 *Carrying amount of derivative financial instruments*

Financial assets and liabilities measured at fair value consist of the following derivative instruments:

Fair value of derivative instruments

Excluding EADS	**31 December 2006**	**31 December 2005**
Financial instruments acquired as hedges of debt, with positive fair values (current assets)	454	9
Financial instruments acquired as hedges of debt, with negative fair values (current liabilities)	(139)	(127)
Other derivative instruments with positive fair values (current assets)	–	7
Total	**315**	**(111)**

At 31 December 2006, the positive fair value of hedging contracts shown above (€454 million) relates entirely to the derivative instrument embedded in Mandatory Exchangeable Bonds.

It is comprised of:
– the effective portion of the hedge (€374 million), with a corresponding increase to equity;
– the net amount of the ineffective portion (€80 million).

For details of this transaction, see note 2-3-4. – Measurement of the derivative.

27-1-3 *Notional amounts of hedging contracts by maturity*

Excluding EADS	2007	2008	2009	2010	2011	Over 5 years	**Total**	Fair value
Fair value hedges of debt		239			406	250	**895**	(139)

27-1-4 *Fair value of assets and liabilities*

Excluding EADS	31 December 2006		31 December 2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Other non-current assets	743	743	215	215
Trade receivables	1,384	1,384	1,322	1,322
Other current assets	1,329	1,278	724	724
Short-term investments	156	156	181	181
Cash and cash equivalents	1,492	1,492	668	668
Liabilities				
Current and non-current debt	3,671	3,671	1,280	1,280
Other non-current liabilities	91	91	56	56
Trade payables	1,786	1,786	644	644
Other current liabilities	1,340	1,340	1,260	1,260

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 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. Therefore, as long as the actual gross foreign currency cash inflows (per month) exceed the portion designated as being hedged, a postponement or cancellation of sales transactions and corresponding cash inflows have no impact on the hedging relationship. As hedging instruments, EADS primarily uses foreign currency forwards.

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. 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 can represent 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 2006). 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 transaction and derivative 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 2006**	**31 December 2005**
Currency contracts with positive fair values	777	585
Currency contracts with negative fair values	(10)	(112)
Interest rate contracts with positive fair values	8	6
Interest rate contracts with negative fair values	(25)	(23)
Embedded foreign currency derivatives with positive (negative) fair value	4	(3)
Total	**754**	**453**

Derivative financial instruments are carried in the balance sheet as follows:

EADS	**31 December 2006**	**31 December 2005**
Non-current assets	485	413
Current assets	304	178
Non-current liabilities	(23)	(71)
Current liabilities	(12)	(67)
Total	**754**	**453**

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 2006 are as follows, specified by year of expected maturity (based on Lagardère's percentage interest):

	Remaining period			
EADS	Under 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange contracts				
Net forward sales (purchases) contracts	1,643	3,314	(1)	4,956
Structured US$ sales contracts:				
– Purchases of US$ call options	50	44	–	94
– Purchases of US$ put options	133	44	–	177
– Written US$ call options	133	44	–	177
– Foreign exchange swap contracts	534	5	32	571
Interest rate contracts	28	211	467	706
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:

EADS	**31 December 2006** Carrying amount	Fair value	**31 December 2005** Carrying amount	Fair value
Assets				
Other non-current assets	1,076	1,076	979	979
Trade receivables	727	727	717	717
Other current assets	680	680	549	549
Short-term investments	133	133	693	693
Cash and cash equivalents	1,220	1,220	805	805
Liabilities				
Current and non-current debt	862	885	1,286	1,315
Other non-current liabilities	1,932	1,932	1,759	1,759
Trade payables	1,118	1,118	992	992
Other current liabilities	2,688	2,688	2,744	2,744

Note 28 Other liabilities

Other liabilities break down as follows:

	31 December 2006			**31 December 2005**		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Due to suppliers of fixed assets	44	–	44	2	–	2
Repayable advances	–	753	753	–	740	740
Other advances and prepayments	–	945	945	–	734	734
Derivative financial instruments	–	23	23	–	71	71
Other liabilities	47	211	258	54	214	268
Other non-current liabilities	**91**	**1,932**	**2,023**	**56**	**1,759**	**1,815**
Derivative financial instruments	139	12	151	127	67	194
Accrued taxes and employee benefit expense	561	179	740	589	182	771
Advances and prepayments	24	2,123	2,147	26	2,104	2,130
Due to writers	183	–	183	109	–	109
Due to customers	125	234	359	146	235	381
Other liabilities	195	67	262	133	70	203
Deferred income	113	73	186	130	86	216
Other current liabilities	**1,340**	**2,688**	**4,028**	**1,260**	**2,744**	**4,004**

Note 29 Operating leases

29-1 Lagardère excluding EADS

Recurring operating profit includes rental expense of €153 million in 2006.

Minimum future lease payments under non-cancellable operating leases, including minimum rentals provided for in retail shops concession agreements, amount to €726 million at 31 December 2006, and break down as follows by due date:

	31 December 2006
2007	178
2008	148
2009	119
2010	95
2011	50
2012 and beyond	136
Total	**726**

29-2 EADS

At 31 December 2006, future nominal operating lease payments due by EADS as a lessee under rental and lease agreements (unrelated to aircraft sales financing) amount to €153 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 2007	19
Later than 2007 and not later than 2011	51
Later than 2011	83
Total	**153**

Note 30 Commitments and contingent assets and liabilities

30-1 Lagardère and subsidiaries (excluding EADS)

30-1-1 *Off-balance sheet commitments*

	31 December 2006	31 December 2005
Commitments given in the normal course of business		
– Guarantees and performance bonds	48	47
– Guarantees given to third parties and non-consolidated companies	15	59
Commitments on assets	2	3
Commitments to repurchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	16	17
Commitments received		
– Counter-guarantees of commitments given	1	1
– Other commitments received	19	19
Confirmed, unused lines of credit	2,330	2,106

Commitments to sell shares

The Group has granted promises to sell valid at 31 December 2006 concerning certain investments, the two largest concerned being the shares held indirectly in EADS (14.98% subject to the gradual reduction of this investment to approximately 7.5% – see note 2 on the issue of Mandatory Exchangeable Bonds), and the investment in CanalSatellite (34%). These sales will take place 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 certain Lagardère business divisions.

The shareholder agreement signed in 2000 between Lagardère and Canal+ Group, stipulating Lagardère's commitment to sell its investment in CanalSatellite, became null and void on 4 January 2007. Under new agreements between Vivendi, Canal+ Group and Lagardère, Vivendi has a drag-along right that could force Lagardère to sell its investment in Canal+ France should Vivendi accept an outside offer for acquisition of at least 95% of the capital of Canal+ France (subject to prior application of Lagardère's pre-emptive bid right).

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 delay caused cost overruns which led Matra Transport to file a claim with a Taiwanese arbitration tribunal. The Taipeh arbitration tribunal decided on 6 October 1993 to award Matra Transport an amount in excess of FRF200 million (€30.49 million). DORTS contested this decision in a succession of legal proceedings, but its appeal was finally rejected by a ruling of 24 November 2000.

As this ruling made the arbitration tribunal's decision of 6 October 1993 enforceable, Matra Transport began proceedings before the District Court in 2001 for execution of the decision. 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. The litigation was finally settled when the Supreme Court found in favour of Matra Transport in a ruling issued on 22 July 2005.

Matra Transport began action before the District Court in August 2005 to end the suspension of execution of the arbitration tribunal's decision of 1993 against DORTS, which had been stayed in 2001. DORTS took further action against this move, claiming that Matra Transport was not legally able to start such proceedings. On 6 December 2005, then on 30 November 2006, the District Court decided that Matra Transport did indeed have the right to take the action and seek execution of the decision of 6 October 1993 against DORTS.

DORTS lodged an appeal against this decision before the Supreme Court. Until a final legal solution to this litigation between Matra Transport and DORTS is found, execution of the decision of 6 October 1993 will remain suspended.

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.

• Litigation with ABN AMRO

A shareholder who converted bonds issued in 1993 and 1994 and exercised share subscription warrants issued in April 1994 initiated legal action in the Paris commercial court on 31 May 2006, claiming damages for the prejudice allegedly caused by the lack of adjustment to the terms of exercising the warrants and converting the bonds after Lagardère SCA distributed dividends for 1992, 1993 and 1994 partly paid out of a "contribution premium" account. Although the Paris appeal court upheld a similar claim by a shareholder in 1999 concerning the exercise of share subscription warrants, Lagardère considers that the current claims are inadmissible (primarily under the statute of limitations), and that in any case the claimant's valuation of the prejudice is unfounded.

• Inquiry by the stock market regulator AMF and legal investigation

In May 2006, the AMF began an inquiry into the market for EADS shares, and the financial information disclosed by EADS since the start of the second half-year of 2005. AMF officials carried out enquiries on EADS premises on several occasions, once at the offices of Lagardère SCA.

Following a complaint by an association of small EADS shareholders and one individual EADS shareholder, a legal investigation for insider trading was initiated. Searches took place as part of the investigation, including on the premises of Lagardère SCA.

• Action filed by Odile Jacob for cancellation of the decision approving Wendel Investissement as buyer of Editis assets

The written action filed by Odile Jacob for cancellation of the decision of January 2004 approving Wendel Investissement as buyer of the Editis assets surrendered by order of the European Commission came to an end in 2006. This case, and the action against the Commission's decision of January 2004, are due to come before the Court of First Instance by the end of 2007.

Even in the unlikely event that these decisions are questioned by the Court of First Instance, none of the existing information suggests that the sale of Editis assets to Wendel Investissement will certainly be challenged.

• 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 accepted by the companies, and also for the amount estimated as the risk corresponding to the disputes still pending.

• Governmental, litigation or arbitration procedures

In the normal course of its business, the Group is involved in a number of other disputes principally related to contract execution. Adequate provisions are made, where considered necessary, to cover any risks that may arise from general or specific disputes.

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

30-2 EADS

Lagardère has given no guarantees in favour of EADS which have not been counter-guaranteed by EADS NV 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 considers 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 in 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 2006, related accumulated impairment amounts to €41 million (2005: €48 million) for operating leases, €30 million (2005: €59 million) for loans and finance leases and €0 (2005: €29 million) for non-current assets classified as held for sale. In 2006, €4 million (2005: €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:

Not later than 2007	27
Later than 2007 and not later than 2011	105
Later than 2011	97
Total	**229**
Including: commitments where the transaction has been sold to third parties	(132)
Total aircraft lease commitments where EADS bears the risk (not discounted)	**97**

Total aircraft lease commitments of €229 million at 31 December 2006 arise from aircraft head-leases and are typically backed by corresponding sublease income from customers in an amount of €164 million. A large part of these lease commitments (€132 million at 31 December 2006) 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 €61 million at 31 December 2006, as part of the provision for aircraft financial risk.

At 31 December 2006 and 2005. consolidated – on and off balance sheet – commercial aviation sales financing exposure is as follows (Airbus: 100%; ATR: 50%):

	31 December 2006	**31 December 2005**
Total gross exposure	253	533
Estimated fair value of collateral (aircraft)	(118)	(319)
Net exposure (fully provided for)	**135**	**214**

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 2006, the nominal value of asset value guarantees provided to airlines that do not exceed the 10% criteria amount to €164 million, excluding €69 million for which 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 €95 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 2006 will generally not be exercisable prior to 2016, and, therefore, an increase in near-term exposure is not expected.

With respect to ATR, EADS and Finmeccanica are 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.

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*

In October 2004, the United States and the European Union brought a claim before the World Trade Organisation ("WTO") concerning government subsidisation of Boeing and Airbus. The exact timing of further steps in the litigation process will depend on rulings by the expert panels formed, and the outcome of negotiations between the U.S. and the EU. It is the task of the WTO panels to rule on the merits of the cases.

The French Financial Market Authority (AMF) and the German Federal Financial Supervisory Authority (BaFin) began investigations in 2006 into the market for EADS shares and the financial disclosures by EADS concerning delays on the A380 programme. Several individual shareholders, and an association of shareholders, have filed civil actions against the company in France and Germany claiming compensation for the losses allegedly suffered in connection with disclosure of A380 programme delays.

Except for the situations described above, EADS is not aware of any exceptional item 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, activities or results of the group taken as a whole.

Note 31 Related party transactions

31-1 Management remuneration

The total gross remuneration attributed to the members of Lagardère SCA's Executive Committee for 2006 (excluding remuneration paid by EADS) amounted to €8.2 million and €13.3 million including related charges; this figure includes a provision established in 2006 under the additional pension plan. In addition, a contractual indemnity of €2.97 million was paid to Mr. Gérald de Roquemaurel when he left the Group.

Attendance fees received by the persons concerned as members of other Group companies' Boards of Directors (excluding EADS) amounted to €90,785 in 2006. They were also attributed 230,000 options to purchase Lagardère SCA shares in 2006.

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 agreements, in Lagardère SCA's Annual Report.

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 2006, LC&M invoiced €17 million to the Group, compared to €15 million in 2005. Payroll costs recorded by LC&M amounted to €13.3 million. This figure corresponds to €8.2 million for gross salaries and includes a pension provision. After deducting other expenses (support costs reimbursed to the Group and outside resources costs), this left operating profit after tax from the above agreement 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 2006, distribution commission invoiced to the Lagardère Group by NMPP amounted to €117 million (€132 million in 2005).

Lagardère also invoiced NMPP a total of €25 million (unchanged from 2005) for services in 2006, including property rental.

Other transactions

The other transactions with related parties in 2006 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

Acquisition of Sportfive

On 19 November 2006, Lagardère and S5 Hattrick SARL (a company indirectly owned by Advent International, RTL Group and Goldman Sachs Private Equity) signed an agreement under which, subject to certain conditions, Lagardère will become the owner of 100% of the shares and voting rights of the Sportfive Group SAS, which heads the Sportfive group, for an enterprise value of €865 million. This operation required the approval of the relevant competition authorities, which was received on 18 January 2007.

As all the conditions stipulated in the contract of 19 November 2006 were fulfilled, the closing operations took place on 24 January 2007, at which date Hachette SA became the owner of Sportfive. Sportfive will be fully consolidated from 2007.

A leading manager of television broadcasting and marketing rights for European football, Sportfive works in partnership with sports bodies and clubs to help them draw maximum benefit from their rights. These rights comprise broadcasting rights, which are bought by television channels and other content distribution platforms (including Internet and mobile phones) and the “marketing” rights that enable advertising buyers to communicate through various channels and materials (players’ shirts, signs and stadium sponsoring).

Aqcuisition of an investment in Canal+ France

The merger process initiated in early 2006 with Vivendi Universal and Canal+ Group culminated on 4 January 2007 in the acquisition by Lagardère Active of a 20% investment in the capital of Canal+ France, the new entity formed by the merger between CanalSatellite and TPS. This investment was undertaken through a contribution on 4 January 2007 of Lagardère Active’s 34% holding in CanalSatellite, preceded by the acquisition on 19 December 2006 of Canal+ France shares for the sum of €469 million.

The 34% holding in CanalSatellite continues to be accounted for by the equity method in the financial statements at 31 December 2006, and the shares in Canal+ France are recorded as unconsolidated investments. In 2007, the 20% investment in Canal+ France will be accounted for by the equity method.

Note 33 List of consolidated companies

Fully consolidated companies at 31 december 2006

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
BOOK PUBLISHING				
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	pl. du Moulin-Wette - 60120 BONNEUIL-LES-EAUX, FRANCE	711 720 458	100.00	100.00
CALMANN LÉVY	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 ÉDITEUR 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
ÉDITION N°1	43 quai de Grenelle - 75015 PARIS, FRANCE	312 285 745	100.00	100.00
ÉDITIONS GRASSET ET FASQUELLE	61 rue des Saints-Pères - 75006 PARIS, FRANCE	562 023 705	95.00	95.30
ÉDITIONS JEAN-CLAUDE LATTÈS	17 rue Jacob - 75006 PARIS, FRANCE	682 028 659	100.00	100.00
ÉDITIONS LAROUSSE	21 rue du Montparnasse - 75006 PARIS, FRANCE	451 344 170	99.94	99.95
ÉDITIONS LAROUSSE MEXIQUE	MEXICO CITY, MEXICO		100.00	100.00
ÉDITIONS STOCK	27 rue Cassette - 75006 PARIS, FRANCE	612 035 659	99.89	100.00
EDUCATION MANAGMENT SA	58 rue Jean-Bleuzen - 92170 VANVES, FRANCE	582 057 816	100.00	100.00
FERNAND HAZAN ÉDITEUR	64 quai Marcel-Cachin - 94290 VILLENEUVE-LE-ROI, FRANCE	562 030 221	99.94	100.00
GIE NORMA	103 avenue des Champs-Élysées - 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
HL 93	43 quai de Grenelle - 75015 PARIS, FRANCE	390 674 133	99.99	99.99
HL FINANCES	58 rue Jean-Bleuzen - 92170 VANVES, FRANCE	384 562 070	99.90	100.00
HACHETTE CANADA	MONTREAL, CANADA		100.00	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 LIVRE UK	LONDON, UNITED KINGDOM		100.00	100.00
HACHETTE LIVRE USA	BOSTON, USA		100.00	100.00
HACHETTE PARTWORKS Ltd	LONDON, UNITED KINGDOM		100.00	100.00
HATIER DÉVELOPPEMENT	1 avenue Gutemberg - 78310 MAUREPAS, FRANCE	302 655 089	100.00	100.00
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 ARTHÈME FAYARD	75 rue des Saints-Pères - 75006 PARIS, FRANCE	562 136 895	99.94	99.94
LIBRAIRIE GÉNÉRALE FRANCAISE (LGF)	43 quai de Grenelle - 75015 PARIS, FRANCE	542 086 749	59.99	59.99
LITTLE BROWN BOOK GROUP	LONDON, UNITED KINGDOM		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
MULTIMÉDIA ÉDUCATION RÉFÉRENCE	58 rue Jean-Bleuzen - 92170 VANVES, FRANCE	484 213 954	100.00	100.00
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
LES ÉDITIONS DIDIER	13 rue de l'Odéon - 75006 PARIS, FRANCE	313 042 541	100.00	100.00
LES ÉDITIONS FOUCHER	31 rue de Fleurus - 75006 PARIS, FRANCE	352 559 066	100.00	100.00
LES ÉDITIONS 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 ÉDITEUR	6 rue d'Assas - 75006 PARIS, FRANCE	572 022 978	100.00	100.00
SCI ASSAS RASPAIL	8 rue d'Assas - 75006 PARIS, FRANCE	315 844 431	100.00	100.00
SCI DU 63 BOULEVARD RASPAIL	63 boulevard Raspail - 75006 PARIS, FRANCE	315 830 034	100.00	100.00
SCI DU 8-8 *bis* RUE D'ASSAS	8 rue d'Assas - 75006 PARIS, FRANCE	315 844 423	100.00	100.00
HACHETTE LIVRE SPAIN GROUP				
HACHETTE LIVRE ESPANA SA (formerly 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
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
HACHETTE LIVRE AUSTRALIA PTY LTD	SYDNEY, AUSTRALIA		100.00	100.00
HACHETTE LIVRE NEW ZEALAND	AUCKLAND, NEW ZEALAND		100.00	100.00
JOHN MURRAY (PUBLISHER) LTD	LONDON, UNITED KINGDOM		100.00	100.00
PHILIP ALLAN UPDATES LTD	LONDON, UNITED KINGDOM		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
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
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
EDICIONS XERAIS DE GALICIA SA	VIGO, SPAIN		100.00	100.00
GRUPO EDITORIAL BRUNO SL	MADRID, SPAIN		100.00	100.00
HACHETTE BOOK GROUP				
HACHETTE BOOK GROUP USA	BOSTON, USA		100.00	100.00
LEARN TECHNOLOGIES INTERACTIVE INC.	BOSTON, USA		29.52	29.52
LITTLE BROWN & COMPANY INC.	BOSTON, USA		100.00	100.00
PUBLISHER' S ADVERTISING INC.	BOSTON, USA		100.00	100.00
THOMAS C. LOTHIAN PTY LTD (AUSTRALIA)	BOSTON, USA		100.00	100.00
TWBG HOLDINGS INC.(DELAWARE)	BOSTON, USA		100.00	100.00
WARNER BOOKS INC.	BOSTON, USA		100.00	100.00
PRINT MEDIA				
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
BEGONIA PICTURES	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	489 344 309	99.97	100.00
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 PUBLICITÉ (CIPP)	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
DIVERSIFIED MEDIA COMPANY LTD	NICOSIA, CYPRUS		50.98	100.00
EBS MEDIA COMPETENCE	AMSTERDAM, THE NETHERLANDS		72.52	75.00
ECEP	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	300 938 826	99.97	100.00
EDITION HD	MINA EL HOSN, LEBANON		50.98	51.00
EDITORAS DE REVISTAS Y SUPLEMENTOS SL	MADRID, SPAIN		99.97	100.00
EDIZIONI ITALO FRANCESI (EDIF)	MILAN, ITALY		99.97	100.00
EUROSUD PUBLICITÉ	248 avenue Roger-Salengro - 13015 MARSEILLE, 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
FINANCIÈRE COMBOUL	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	423 101 971	99.96	100.00
FRANCE-CANADA ÉDITIONS 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

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
HACHETTE ÉDITION VENTURES	BRUSSELS, BELGIUM		50.98	51.00
HACHETTE FILIPACCHI 2000 SPOL	PRAGUE , CZECH REPUBLIC		50.98	51.00
HACHETTE FILIPACCHI ASSOCIÉS	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 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 SA	MADRID, SPAIN		99.11	99.14
HACHETTE FILIPACCHI SVERIDGE 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 SA	MADRID, SPAIN		99.32	100.00
HACHETTE MAGAZINE VDB	AMSTERDAM, THE NETHERLANDS		96.67	96.70
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
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 SCANDINAVIA	STOCKHOLM, SWEDEN		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 MARSEILLE, FRANCE	056 806 813	99.79	99.84
LES ÉDITIONS FILIPACCHI	151 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	712 003 516	99.97	100.00
LIBERSANTE	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	433 708 112	27.11	53.17
MAISON D'ÉDITION HFS	MOSCOW, RUSSIA		50.98	100.00
MARSEILLE PRESSE	248 avenue Roger-Salengro - 13015 MARSEILLE, FRANCE	440 993 871	99.79	99.00
MÉTROPOLE MEDIA PRESSE	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	424 798 577	99.97	100.00
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	78.57	98.15
NOU. MAG. SRL	MILAN, ITALY		100.00	100.00
OSIRIS	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	328 349 519	99.97	99.88

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
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 (PGL)	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	338 195 720	99.97	100.00
QUILLET SA	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	542 043 971	99.96	99.99
REVISTAS HISPANO AMERICANAS	MADRID, SPAIN		99.11	100.00
SOCIÉTÉ DE CONCEPTION DE PRESSE ET D'ÉDITION (S.C.P.E.)	149-151 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	431 876 499	84.97	85.00
SOCIÉTÉ DE PRESSE H&H	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	452 134 307	99.97	100.00
SOCIÉTÉ DE TRAITEMENT DES PRODUITS DE PRESSE (STPP)	10 rue Thierry-Le-Luron - 92300 LEVALLOIS-PERRET, FRANCE	732 053 491	99.97	100.00
SOCIÉTÉ D'EXPLOITATION DES AGENCES DE PRESSE	7-9 rue de la Bourse - 75002 PARIS, FRANCE	391 817 467	99.97	100.00
SOCIÉTÉ D'INFORMATION ET DE PUBLICATION	151 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	324 864 172	99.92	100.00
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
THOTNET	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	433 934 312	50.98	51.00
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
IMG	MOSCOW, RUSSIA		43.35	85.00
ANTENNA-MINSK	MINSK, RUSSIA		23.83	55.00
EDITORIAL OFFICE OF NEWSPAPER ANTENNA	MOSCOW, RUSSIA		47.16	100.00
GAZETA NIZHEGORODSKI RABOCHI	NIZHNIY NOVGOROD, RUSSIA		22.33	51.54
GAZETA PRIZYV -VLADIMIR	VLADIMIR, RUSSIA		20.80	48.00
IMG PERM	PERM, RUSSIA		30.35	70.00
IMG SIBIR	SIBIR, RUSSIA		32.51	75.00
IMG URAL	URAL, RUSSIA		43.33	100.00
IMG VOLGA	VOLGA, RUSSIA		36.85	85.00
MEDIA RESERVE-VLADIMIR	VLADIMIR, RUSSIA		43.33	100.00
MEDIA RESERVE-VOLGOGRAD	VOLGOGRAD , 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

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
MIG MOSCOU	MOSCOW, RUSSIA		43.33	100.00
RG PRESS-SERVICE	EKATERINBURG, RUSSIA		43.33	100.00
TELESEM-ASTRAKHAN	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-IRKUSTK	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-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-SAINT PETERSBOURG	SAINT-PETERSBURG, RUSSIA		43.23	92.72
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
TELESEM-ULIANOVSKE	ULIANOVSK, RUSSIA		28.17	65.00
TELESEM-VLADIMIR	VLADIMIR, RUSSIA		32.50	75.00
TELESEM-VO VLADIVOSTOKE	VLADIVOSTOK, RUSSIA		14.59	51.00
TELESEM-YAROSLAVI	YAROSLAVL, RUSSIA		43.33	100.00
VA-BANK-KAZAN	KAZAN, RUSSIA		22.10	51.00
DISTRIBUTION SERVICES				
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 Saint-Exupéry - 77290 COMPANS, FRANCE	408 053 809	55.56	65.76

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
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
AMADEO	PRAGUE, CZECH REPUBLIC		100.00	100.00
AMP	BRUSSELS, BELGIUM		100.00	100.00
ALVADIS	BRUSSELS, BELGIUM		99.99	100.00
CHAUSSEM	BRUSSELS, BELGIUM		99.99	99.99
CURTIS CIRCULATION COMPANY	PENNSAUKEN, USA		90.00	90.00
DISTRIDIJLE	MALINES, BELGIUM		100.00	100.00
DISTRILIM-LPA	HASSELT, BELGIUM		100.00	100.00
DISTRISUD	LIEGE, BELGIUM		99.92	99.92
DISTRIVESDRE	VERVIERS, BELGIUM		100.00	100.00
DISTRIWEST NV	REKKEM, BELGIUM		92.99	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		65.00	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		92.99	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
HDS AUSTRALIA PTY	SYDNEY, AUSTRALIA		100.00	100.00
HDS CANADA	MONTREAL, CANADA		100.00	100.00
HDS DEUTSCHLAND	HUERTH HERMUELHEIM, GERMANY		100.00	100.00
HDS EINZELHANDEL	DIETZENBACH, GERMANY		100.00	100.00
HDS HONG KONG	HONG KONG, CHINA		100.00	100.00
HDS POLSKA	WARSAW, POLAND		100.00	100.00
HDS RETAIL CZ	PRAGUE, CZECH REPUBLIC		100.00	100.00
HDS RETAIL NORTH AMERICA	NEW YORK, USA		100.00	100.00
HFP PHENIX	2 route de Paris - 77230 VILLENEUVE-SOUS-DAMMARTIN, FRANCE	300 794 286	41.40	49.00
IBD	OSTENDE, BELGIUM		100.00	100.00
LE FURET DU NORD	37 rue Jules-Guesde - 59160 LOMME, FRANCE	459 500 864	99.85	99.85
MARKEDIS	MADRID, SPAIN		100.00	100.00
MEDICOM SANTÉ	126 rue Jules-Guesde - 92300 LEVALLOIS-PERRET, FRANCE	451 199 947	51.00	51.00
M. TRAFIK	PRAGUE, CZECH REPUBLIC		100.00	100.00
MUSIC RAILWAY	52 avenue des Champs-Élysées - 75008 PARIS, FRANCE	414 434 431	99.99	100.00
NAVILLE	CAROUGE, SWITZERLAND		65.00	100.00
NEWSLINK	SYDNEY, AUSTRALIA		100.00	100.00
OLF	FRIBOURG, SWITZERLAND		65.00	100.00
PAYOT NAVILLE DISTRIBUTION	FRIBOURG, SWITZERLAND		65.00	65.00
PAYOT SA	LAUSANNE, SWITZERLAND		65.00	99.97

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
PHENIX AELIA PARTENAIRE	114 avenue Charles-de-Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE	447 571 019	52.17	100.00
PRESSE IMPORT SA	CORMINBŒUF, SWITZERLAND		65.00	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		81.73	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
SARESCHRI	114 avenue Charles-de-Gaulle - 92200 NEUILLY-SUR-SEINE, FRANCE	418 459 566	42.25	50.00
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
TIZZIT SA	BRUSSELS, BELGIUM		100.00	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 BROADCAST				
LAGARDERE ACTIVE BROADCAST	57 rue Grimaldi - 98000 MONACO	775 751 779	99.18	99.32
13 PRODUCTION	6 A rue Crinas-Prolongée - 13007 MARSEILLE, FRANCE	332 148 303	66.20	100.00
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	35.75	45.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
AVA PRESS (MELODIA SAINT PETERSBOURG UKV)	SAINT-PETERSBURG, RUSSIA		99.18	100.00
BR COM	28 rue François 1er - 75008 PARIS, FRANCE	421 379 108	99.18	100.00
CERT	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 CHAÎNES THÉMATIQUES	78 rue Olivier-de-Serres - 75015 PARIS, FRANCE	392 810 263	64.46	99.99
DEMD PRODUCTIONS	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		87.28	80.00
ÉDITIONS MUSICALES FRANCOIS 1er	14 rue Pergolèse - 75016 PARIS, FRANCE	381 649 771	66.27	100.00
EKBY (MELODIA ST PETERSBOURG FM)	SAINT-PETERSBURG, RUSSIA		99.18	100.00
EUROPA MEDIA GROUPE	MOSCOW, RUSSIA		99.18	100.00
EUROPA PLUS FRANCE	26 *bis* rue François 1er - 75008 PARIS, FRANCE	354 076 176	97.19	97.97
EUROPE 1 IMMOBILIER	26 *bis* rue François 1er - 75008 PARIS, FRANCE	622 009 959	89.19	90.00
EUROPE 1 TÉLÉCOMPAGNIE	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 DÉVELOPPEMENT	57 rue Grimaldi - 98000 MONACO		66.09	100.00
EUROPE DEVELOPPEMENT CZECH REPUBLIC	PRAGUE, CZECH REPUBLIC		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
FM HOLDING	MOSCOW, RUSSIA		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 PREMIÈRE & 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		99.18	100.00
INFINITIV	PRAGUE, CZECH REPUBLIC		99.18	100.00
IRS FRANCE	28 rue François 1er - 75008 PARIS, FRANCE	378 394 258	99.18	100.00
JEUNESSE INTERACTIVE	12 rue d'Oradour-sur-Glane - 75015 PARIS, FRANCE	491 848 222	81.48	100.00
KANOKO BV	AMSTERDAM, THE NETHERLANDS		99.18	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 PUBLICITÉ	28 rue François 1er - 75008 PARIS, FRANCE	383 085 883	99.18	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDERE ACTIVE PUBLICITÉ INTERNET	28 rue François 1er - 75008 PARIS, FRANCE	407 529 320	99.18	100.00
LAGARDERE ACTIVE PUBLICITÉ RÉGIONS	28 rue François 1er - 75008 PARIS, FRANCE	329 209 993	99.18	100.00
LAGARDERE ACTIVE PUBLICITÉ 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
LAGARDÈRE IMAGES	28 rue François 1er - 75008 PARIS, FRANCE	334 595 881	64.46	65.00
LAGARDÈRE IMAGES INTERNATIONAL	1 rond-point Victor-Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE	612 039 164	66.20	100.00
LAGARDÈRE NETWORKS INTERNATIONAL	1 rond-point Victor-Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE	381 651 744	66.27	100.00
LAGARDÈRE THÉMATIQUES	32 rue François 1er - 75008 PARIS, FRANCE	350 787 594	81.48	100.00
LARI DEUTSCHLAND GMBH	SAARBRUCK, GERMANY		99.18	100.00
LÉO 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	1 rond-point Victor-Hugo - 92130 ISSY-LES-MOULINEAUX, FRANCE	424 230 225	66.20	100.00
MANACO	MOSCOW, RUSSIA		99.18	100.00
MATCH TV	28 rue François 1er - 75008 PARIS, FRANCE	438 604 738	64.46	99.97
MAXIMAL NEWS TÉLÉVISION	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 ZAO	MOSCOW, RUSSIA		99.18	100.00
MEZZO	28 rue François 1er - 75008 PARIS, FRANCE	418 141 685	48.89	60.00
NOVOE PODMOKOVYE	MOSCOW, RUSSIA		99.18	100.00
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
PROMARKETING PLUS	SAINT-PETERSBURG, RUSSIA		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 KATUSHA (ELDORADIO)	SAINT-PETERSBURG, RUSSIA		99.18	100.00
RADIO MERCHANDISING COMPANY	PRAGUE, CZECH REPUBLIC		99.18	100.00
RADIO REGION (MELODIA MOSCOW)	MOSCOW, RUSSIA		99.18	100.00
RADIO STACJA	WARSAW, POLAND		66.45	67.00
RADIOZET	WARSAW, POLAND		99.18	100.00
RÉGIE 1	28 rue François 1er - 75008 PARIS, FRANCE	383 154 663	50.38	51.00
RÉGIE RADIO MUSIC	26 *bis* rue François 1er - 75008 PARIS, FRANCE	341 949 923	99.18	100.00
RFM ENTREPRISE (formerly EUROPE FM)	28 rue François 1er - 75008 PARIS, FRANCE	405 188 871	99.18	100.00
RG FREKVENCE 1	PRAGUE , CZECH REPUBLIC		99.18	100.00
RRM BUCAREST	BUCHAREST, ROMANIA		99.18	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
RRM PRAGUE	PRAGUE , CZECH REPUBLIC		99.18	100.00
SAC (RADIO 7)	MOSCOW, RUSSIA		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	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
EUROPA PLUS ZAO GROUP				
EUROPA PLUS ZAO	MOSCOW, RUSSIA		97.19	100.00
EUROPA PLUS NIJNI NOVGOROD	NIZHNIY NOVGOROD, RUSSIA		97.19	100.00
EUROPA PLUS SAINT-PÉTERSBOURG ZAO	SAINT-PETERSBURG, RUSSIA		97.19	100.00
EUROPA PLUS VYBORG	SAINT-PETERSBURG, RUSSIA		82.61	85.00
INTEGRATED NETWORKS	MOSCOW, RUSSIA		49.57	51.00
LAROCCO GROUP	MOSCOW, RUSSIA		97.19	100.00
MEDIA PLUS REGION (SAMRA&TOGLIATTI)	MOSCOW, RUSSIA		49.57	51.00
MMT	MOSCOW, RUSSIA		49.57	51.00
OMEGA	MOSCOW, RUSSIA		97.19	100.00
RADIO FM	MOSCOW, RUSSIA		97.19	100.00
RADIO FM SAINT-PÉTERSBOURG	SAINT-PETERSBURG, RUSSIA		97.19	100.00
RADIO RETRO ZAO	MOSCOW, RUSSIA		97.19	100.00
RADIO VOLNA	YEKATERINBURG, RUSSIA		49.57	51.00
RETRO NOVOSIBIRSK	NOVOSIBIRK, RUSSIA		49.57	51.00
SOLANGE	MOSCOW, RUSSIA		97.19	100.00
LAGARDERE ACTIVE BROADBAND				
LAGARDERE ACTIVE	121 avenue de Malakoff - 75116 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	43-45 avenue Victor-Hugo - 93534 AUBERVILLIERS, FRANCE	415 096 502	100.00	100.00
HACHETTE MUTIMÉDIA	43-45 avenue Victor-Hugo - 93534 AUBERVILLIERS, FRANCE	390 287 407	100.00	100.00
LANA	NEW YORK, USA		100.00	100.00
LAGARDERE ACTIVE BROADBAND	43-45 avenue Victor-Hugo - 93534 AUBERVILLIERS, FRANCE	343 611 208	100.00	100.00
LAGARDERE ACTIVE BROADBAND MANAGEMENT	43-45 avenue Victor-Hugo - 93534 AUBERVILLIERS, FRANCE	420 442 428	100.00	100.00
LAGARDÈRE MANAGMENT INC.	NEW YORK, USA		100.00	100.00
LAGARDÈRE SPORT	28 rue François 1er - 75008 PARIS, FRANCE	491 036 273	100.00	100.00
MEDIACAST	43-45 avenue Victor-Hugo - 93534 AUBERVILLIERS, FRANCE	428 706 170	100.00	100.00
LAGARDÈRE TÉLÉVISION HOLDINGS	121 avenue de Malakoff - 75116 PARIS, FRANCE	401 570 502	100.00	100.00
LEGION GROUP				
LEGION GROUP SA	121 avenue de Malakoff - 75116 PARIS, FRANCE	388 581 555	100.00	100.00
FABIAN HOLDINGS	AMSTERDAM, THE NETHERLANDS		100.00	100.00
LEGION UK	LONDON, UNITED KINGDOM		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
OTHER ACTIVITIES				
LAGARDÈRE SCA	4 rue de Presbourg - 75116 PARIS, FRANCE	320 366 446		
ARLIS	6 rue Laurent-Pichat - 75116 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 - 75116 PARIS, FRANCE	400 231 072	100.00	100.00
DESIRADE	121 avenue de Malakoff - 75116 PARIS, FRANCE	402 345 268	100.00	100.00
ECRINVEST 4	121 avenue de Malakoff - 75116 PARIS, FRANCE	434 211 793	100.00	100.00
ECRINVEST 7	121 avenue de Malakoff - 75116 PARIS, FRANCE	451 291 371	100.00	100.00
EDIFINANCE PARTICIPATION	121 avenue de Malakoff - 75116 PARIS, FRANCE	440 143 741	100.00	100.00
FINANCIÈRE DE PICHAT (formerly ARJIL ET ASSOCIÉS)	6 rue Laurent-Pichat - 75116 PARIS, FRANCE	315 782 490	99.92	100.00
FINANCIÈRE DE PICHAT ET CIE (formerly ARJIL ET CIE)	6 rue Laurent-Pichat - 75116 PARIS, FRANCE	320 366 453	99.92	99.92
HACHETTE SA	4 rue de Presbourg - 75116 PARIS, FRANCE	402 345 128	100.00	100.00
HELIOS	121 avenue de Malakoff - 75116 PARIS, FRANCE	433 436 870	100.00	100.00
HOLPA	121 avenue de Malakoff - 75116 PARIS, FRANCE	572 011 526	100.00	100.00
LAGARDÈRE NORTH AMERICA Inc.	NEW YORK, USA		100.00	100.00
LAGARDÈRE RESSOURCES	121 avenue de Malakoff - 75116 PARIS, FRANCE	348 991 167	100.00	100.00
MNC	121 avenue de Malakoff - 75116 PARIS, FRANCE	345 078 927	100.00	100.00
MP 55	121 avenue de Malakoff - 75116 PARIS, FRANCE	344 646 021	100.00	100.00
MP 65	121 avenue de Malakoff - 75116 PARIS, FRANCE	348 971 854	99.42	99.42
MP 98	121 avenue de Malakoff - 75116 PARIS, FRANCE	387 941 636	99.42	100.00
MATRA MANUFACTURING & SERVICES - DEP	4 rue de Presbourg - 75116 PARIS, FRANCE	318 353 661	100.00	100.00
MATRA PARTICIPATIONS	4 rue de Presbourg - 75116 PARIS, FRANCE	303 600 902	100.00	100.00
MATRAVISION INC.	NEW YORK, USA		100.00	100.00
NOUVEL ELAN CROIX CATELAN	121 avenue de Malakoff - 75116 PARIS, FRANCE	433 565 819	100.00	100.00
PROMOTEC 5000 SL	MADRID, SPAIN		100.00	100.00
SOFRIMO	121 avenue de Malakoff - 75116 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 LAGARDÈRE	121 avenue de Malakoff - 75116 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	343 607 255	100.00	100.00
SOFIMATRANS	4 rue de Presbourg - 75116 PARIS, FRANCE	325 646 388	100.00	100.00

Companies consolidated using the proportionate method at 31 december 2006

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
BOOK PUBLISHING				
HARLEQUIN SA	83-85 boulevard Vincent-Auriol - 75013 PARIS, FRANCE	318 671 591	50.00	50.00
PRINT MEDIA				
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. Z00	WARSAW, POLAND		49.00	49.00
HACHETTE MARIE CLAIRE ITALIA	MILAN, ITALY		49.00	49.00
HACHETTE MARIE CLAIRE RUSSIE	MOSCOW, RUSSIA		25.00	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
SOCIETÉ DE PRESSE FÉMININE	149 rue Anatole-France - 92300 LEVALLOIS-PERRET, FRANCE	441 174 554	49.98	50.00
PSYCHOLOGIE 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				
ADL PARTNER SUISSE	CAROUGE, SWITZERLAND		32.50	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
SOCIÉTÉ 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-Élysées - 75008 PARIS, FRANCE	432 573 806	51.00	51.00
LAGARDERE ACTIVE				
LAGARDERE ACTIVE BROADCAST GROUP				
107.89 ANTENNE AC GmbH	WÜRSELEN, GERMANY		44.55	100.00
107.89 ANTENNE AC GmbH & Co. KG	WÜRSELEN, GERMANY		44.55	100.00
CAPITAL IMAGE	64 rue du Château – 92100 BOULOGNE-BILLANCOURT, FRANCE	453 909 848	33.10	50.00
EURO RADIO SAAR	SAARBRUCK, GERMANY		44.55	45.00
GULLI (JEUNESSE TV)	12 rue d'Oradour-sur-Glane - 75015 PARIS, FRANCE	480 937 184	42.55	66.00
MAX LOYD	PRAGUE, CZECH REPUBLIC		34.00	34.00
NOUVELLES TÉLÉVISONS NUMÉRIQUES	28 rue François 1er - 75008 PARIS, FRANCE	449 779 487	21.49	33.33
PHARE OUEST PRODUCTIONS	14 rue Pergolèse - 75116 PARIS, FRANCE	449 491 166	33.10	50.00
RADIO 3000	EUPEN, BELGIUM		21.83	49.00
RADIO POGODA (CLASSIC FM)	WARSAW, POLAND		48.60	49.00
RADMARK	RIVOGNA, SOUTH AFRICA		47.14	47.53

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
VIRGIN MEGA	52 avenue des Champs-Élysées - 75008 PARIS, FRANCE	432 573 806	48.60	49.00
OTHER ACTIVITIES				
SOGEADE	121 avenue de Malakoff - 75116 PARIS, FRANCE	401 959 994	50.00	50.00
EADS GROUP				
EADS and its subsidiaries	AMSTERDAM, THE NETHERLANDS		14.98	14.98

Companies consolidated using the equity method at 31 December 2006

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
BOOK PUBLISHING				
ÉDITIONS J'AI LU	87 quai Panhard-et-Levassor - 75013 PARIS, FRANCE	582 039 673	35.33	35.33
PRINT MEDIA				
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
ÉDITIONS PHILIPPE AMAURY	25 avenue Michelet - 93400 SAINT-OUEN, FRANCE	552 102 121	24.99	25.00
GUTS	99-103 rue de Sèvres - 75008 PARIS, FRANCE	399 391 879	33.36	33.39
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	10 boulevard des Frères-Voisin 92130 ISSY-LES-MOULINEAUX, FRANCE	383 953 601	41.99	42.00
LES PUBLICATIONS TRANSCONTINENTALES HACHETTE	MONTREAL, CANADA		49.99	100.00
PUBLIFA	12 rue Ampère - 75017 PARIS, FRANCE	429 556 640	49.99	50.00
SETC	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
SOCIÉTÉ FRANCAISE D'ÉDITIONS DE JOURNAUX ET D'IMPRIMÉS COMMERCIAUX (SFEJIC)	25 avenue du Président-Kennedy - 68000 MULHOUSE, FRANCE	945 750 735	20.01	20.01
LAGARDERE ACTIVE				
LAGARDERE ACTIVE BROADCAST GROUP				
EUROPE RÉGIES OUEST	16 avenue Henry-Fréville - 35200 RENNES, FRANCE	410 666 150	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	BUCHAREST, ROMANIA		19.84	20.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDERE ACTIVE BROADBAND				
CANALSATELLITE	85-89 quai André-Citroën - 75711 PARIS Cedex 15, 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
CELLFISH GROUP				
CELLFISH MEDIA LLC	NEW YORK, USA		63.94	25.00
CELLFISH France (ex-PLURIMEDIA)	43-45 avenue Victor-Hugo - 93534 AUBERVILLIERS, FRANCE	420 919 904	63.94	25.00
LEGION TELEKOMMUNIKATION	DUSSELDORF , GERMANY		63.94	25.00
PLURIMEDIA SPECTACLES	43-45 avenue Victor-Hugo - 93534 AUBERVILLIERS, FRANCE	334 937 563	63.94	25.00
WAP TOO	8 rue de Hanovre - 75002 PARIS, FRANCE	431 411 016	63.94	25.00
OTHER ACTIVITIES				
C.V.T.	121 avenue de Malakoff - 75016 PARIS, FRANCE	304 233 406	50.00	50.00

Note 34 Consolidated financial statements for 2005 and 2004

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 and the related audit report appearing on pages 146 to 281 of the French Reference Document for 2005, filed with the Autorité des Marchés Financiers (AMF) on 4 April 2005 under registration number D.06-0207.
- The consolidated financial statements 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 information included in the documents listed above but not reproduced here is either irrelevant for investors or covered in another part of this Reference Document.

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)	2004	2005	2006
Operating revenues	1	–	13
Operating loss	(25)	(26)	(26)
Net financial income (loss)	6	134	(13)
Earnings before tax and exceptional items	(19)	108	(39)
Exceptional profit	87	1	178
Preferred remuneration	(2)	–	–
Income tax gain	65	87	80
Net profit	**131**	**196**	**219**

• The operating loss of €26 million for 2006 essentially resulted from operating costs incurred by the holding company. Operating revenues in 2006 consisted of fees included in operating expenses and reinvoiced to other Group entities, which therefore had no impact on the operating result.

• Details of net financial income are as follows:

(in millions of euros)	2004	2005	2006
Interest income on marketable securities and other	2	8	14
Interest income on receivables and loans to subsidiaries	65	48	62
Interest on borrowings and other financing	(61)	(50)	(151)
Interest on perpetual subordinated notes 1992, less premium	(3)	(3)	(6)
Dividends received or to be received	17	118	72
Changes in provisions	(11)	23	26
Other	(3)	(10)	(30)
Financial income (loss)	**6**	**134**	**(13)**
Interest on perpetual subordinated notes 1988, less premium	(2)	–	–
Financial income and preferred remuneration	**4**	**134**	**(13)**
Gain (loss) on corporate financing (excluding dividends, provisions and other	1	3	(81)

Financial income for 2006 was a net loss of €13 million compared with a net gain of €134 million in 2005.

- This is explained as follows:
  - there was a €81 million increase in net financial expenses, mainly attributable to the issuance of Mandatory Exchangeable Bonds on 10 April 2006;
  - dividends received from Désirade (the holding company for Lagardère's investment in EADS) were lower, at €61 million in 2006 after €109 million in 2005;
  - €20 million of expenses were recorded in connection with the issue of Mandatory Exchangeable Bonds.
- Exceptional items generated a profit of €178 million for 2006, including:
  - a profit of €132 million related to the cancellation of 1988 perpetual subordinated notes and the corresponding premiums following their repurchase by Lagardère for a symbolic amount;
  - the balance, and the major factor in the exceptional profit, consisted of amounts reversed from provisions for risks.
- The €80 million income tax gain for 2006 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 Dec. 2004**	**31 Dec. 2005**	**31 Dec. 2006**
Fixed assets	6,109	5,955	6,299
Trade receivables and other	60	196	203
Group financing	278	–	–
Cash and cash equivalents	604	3	716
Total assets	**7,051**	**6,154**	**7,218**

Liabilities and shareholders' equity

(in millions of euros)	**31 Dec. 2004**	**31 Dec. 2005**	**31 Dec. 2006**
Shareholders' equity	2,969	2,791	2,879
Other permanent funds	416	416	–
Provisions for risks and liabilities	172	139	111
Borrowings	3 429	2 711	4 158
Short-term bank loans	2	29	1
Other liabilities	63	68	69
Total liabilities and shareholders' equity	**7,051**	**6,154**	**7,218**

Cash provided by operating activities amounted to €113 million for 2006, after a €86 million decrease in working capital requirements, mainly resulting from accrued interest on the Mandatory Exchangeable Bonds, which matures in 2007 (€80 million).

Net cash of €617 million was used in investing activities, including €276 million for purchases of treasury shares and a €361 million increase in loans to Group subsidiaries.

Cash provided by financing activities amounted to €1,245 million in 2006, resulting from the following:
- dividends paid (€160 million);
- a capital increase of €29 million resulting from the exercise of stock options by employees;
- an increase in borrowings, corresponding to issue of Mandatory Exchangeable Bonds (€1,992 million);
- reimbursements of loans totalling €391 million, including a €250 million drawing on the 2005 syndicated loan and the €141 million five-year tranche of the US private placement notes;
- a decrease of €225 million in cash deposits by subsidiaries.

All of the above changes resulted in a €741 million increase in cash and cash equivalents, which was positive at 31 December 2006 (€715 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 2004**	**31 December 2005**	**31 December 2006**
Net cash surplus (indebtedness)	(2,549)	(2,737)	(3,443)

Net indebtedness increased by €706 million in 2006, mostly as a result of cash used in operating and investing activities (€504 million), dividends paid (€160 million), and increased interest accrued on borrowings and financial liabilities (€80 million), offset by the proceeds of the capital increase (€29 million) and the effect of translation adjustments on indebtedness.

6 - 5 Parent Company financial statements at 31 December 2006

Parent Company Balance Sheet at 31 December 2006

Assets

(in millions of euros)	31 December 2006 Gross	31 December 2006 Depreciation, amortisation and provisions	31 December 2006 Net	31 Dec. 2005 Net	31 Dec. 2004 Net
Intangible assets	–	–	–	–	–
Tangible assets	–	–	–	–	–
Financial assets – Investments in subsidiaries and affiliates	3,320	167	3,153	3,099	3,051
– Loans and advances to subsidiaries and affiliates	2,607	26	2,581	2,241	2,385
– Other long-term investments	374	1	373	147	212
– Loans	–	–	–	–	–
– Other financial items	192	–	192	468	461
Fixed assets	**6,493**	**194**	**6,299**	**5,955**	**6,109**
Trade receivables	–	–	–	–	–
Other receivables	183	2	181	195	335
Marketable securities	713	–	713	–	601
Cash and cash equivalents	3	–	3	3	3
Prepaid expenses	–	–	–	–	–
Current assets	**899**	**2**	**897**	**198**	**939**
Deferred charges	–	–	–	1	**2**
Translation adjustment	22	–	22	–	1
Total assets	**7,414**	**196**	**7,218**	**6,154**	**7,051**

Parent Company Balance Sheet at 31 December 2006

Liabilities and shareholders' equity			
(in millions of euros)	31 December 2006 Net	31 December 2005 Net	31 December 2004 Net
Share capital	870	866	859
Share and other premiums	1,636	1,611	1,579
Reserves			
– Legal reserve	87	87	87
– Tax-regulated reserves	–	–	120
– Other reserves	31	31	1
Retained earnings	36	–	192
Net profit for the year	219	196	131
Shareholders' equity	**2,879**	**2,791**	**2,969**
Perpetual subordinated notes	–	416	416
Shareholders' equity and other permanent funds	**2,879**	**3,207**	**3,385**
Provisions for risks and liabilities	111	139	172
Special borrowings	287	287	287
Borrowings			
– Bonds	2,757	825	1,602
– Bank loans	222	499	777
– Loans from subsidiaries and affiliates	893	1,129	765
Trade payables	23	15	18
Other payables	8	28	5
Deferred income	–	–	–
Translation adjustment	38	25	40
Total liabilities and shareholders' equity	**7,218**	**6,154**	**7,051**

Parent Company Income Statement for the year ended 31 December 2006

Income statement			
(in millions of euros)	**2006**	**2005**	**2004**
Operating revenues	13	–	1
Operating expenses	(39)	(26)	(26)
Operating loss	**(26)**	**(26)**	**(25)**
Financial income	206	206	116
Financial expenses	(224)	(96)	(99)
Changes in provisions	5	24	(11)
Net financial income (loss)	**(13)**	**134**	**6**
Earnings before tax and exceptional items	**(39)**	**108**	**(19)**
Exceptional profit	**178**	**1**	**87**
Preferred remuneration	–	–	(2)
Income tax gain	80	87	65
Net profit	**219**	**196**	**131**

Parent Company Statement of Cash Flows for the year ended 31 December 2006

Cash flows			
(in millions of euros)	**2006**	**2005**	**2004**
Net profit	219	196	131
Reversal of depreciation, amortisation and provisions	(56)	(72)	(82)
Loss (gain) on disposals of fixed assets	(4)	21	(3)
Gain on redemption and cancellation of 1988 perpetual subordinated notes	(132)	–	–
Changes in working capital requirements	86	(133)	(9)
Cash provided by operating activities	**113**	**12**	**37**
Acquisition of long-term investments	(728)	(345)	(198)
Proceeds from disposals of long-term investments	37	82	–
Decrease in loans and receivables	74	436	944
Cash provided by (used in) investing activities	**(617)**	**173**	**746**
Cash provided by (used in) operating and investing activities	**(504)**	**185**	**783**
Dividends paid	(160)	(414)	(126)
Decrease in borrowings and financial liabilities	(391)	(1 467)	(101)
Capital increase	29	40	32
Increase in borrowings	1,992	401	–
Changes in Group financing	(225)	627	(229)
Cash provided by (used in) financing activities	**1,245**	**(813)**	**(424)**
Change in net cash and cash equivalents	741	(628)	359
Net cash and cash equivalents at beginning of year	(26)	602	243
Net cash and cash equivalents at end of year	**715**	**(26)**	**602**

Notes to Parent Company financial statements at 31 December 2006

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.

Accounting 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 price. 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 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.

Notes to the Parent Company financial statements

(all figures are in millions of euros)

Note 1 Fixed assets

Changes in the gross value of fixed assets were as follows:

	1 January 2006	Increase	Decrease	31 December 2006
Tangible assets	–	–	–	–
Financial assets				
Investments in subsidiaries and affiliates and other long-term investments	3,452	292	50	3,694
Loans and advances to subsidiaries and affiliates	2,249	432	74	2,607
Other financial assets	468	7	283	192
Total fixed assets	**6,169**	**731**	**407**	**6,493**

Changes in depreciation, amortisation and provisions for write-downs can be analysed as follows

	1 January 2006	Increase	Decrease	31 December 2006
Financial assets				
Investments in subsidiaries and affiliates and other long-term investments	206	–	38	168
Loans and advances to subsidiaries and affiliates	8	18	–	26
Total	**214**	**18**	**38**	**194**

Note 2 Receivables

At 31 December 2006, the maturity of receivables was as follows:

	Gross	Due within one year	Due after one year
Long-term receivables	2,799	45	2,754
Short-term receivables	182	66	116
Total	**2,981**	**111**	**2,870**

Note 3 Marketable securities

	31 Dec. 2006	31 Dec. 2005
At cost	713	–
Provision for write-down	–	–
Net book value	713	–
Market value	725	–
Unrealised gains	**12**	**0**

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 2005	866	1,729	–	196	2, 791
Capital increase (*)	4	25	–	–	29
Dividends paid	–	–	(160)	–	(160)
Allocation of net profit for 2005	–	–	196	(196)	–
Net profit for the year	–	–	–	219	219
Shareholders' equity at 31 December 2006	**870**	**1,754**	**36**	**219**	**2,879**

(*) Employee stock options exercised (€29 million).

The share capital comprises 142,691,231 shares of €6.10 par value each.

Note 5 Perpetual subordinated notes

On 30 November 2006, Lagardère exercised the following contractual rights:

– the right to redeem, at symbolic prices, perpetual subordinated notes issued by Matra SA and Hachette SA in December 1988 for totals of US$250 million and US$200 million respectively,

– the right to terminate agreements with a finance company transferring the servicing of the debt to the finance company from year sixteen, against payment of premiums.

After redemption, the perpetual subordinated notes were cancelled, which led to recognition of a profit of €132 million equivalent to the difference between the restated premiums recorded in assets and the value of the perpetual subordinated notes recorded in liabilities. This profit was included in exceptional items.

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 expenses". 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 2006 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 2006 amounted to €18 million.

B *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 2006 amounted to €4 million.

C *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 2006 amounted to €6 million.

D ***Lagardère SCA undertook a bond issue entirely subscribed by IXIS Corporate & Investment Bank and Nexgen Capital Limited, for a total nominal amount of €1,992,186,000. The bonds are exchangeable for a maximum of 61,110,000 existing EADS N.V. shares, in three tranches of a maximum of 20,370,000 shares each, on 25 June 2007, 2008 and 2009.***

When the bonds are exchanged, Lagardère SCA will be entitled to receive the full benefit of any rise in the EADS share price up to a maximum of 115% of the reference price set at €32.60 per share, by reducing the number of EADS shares to deliver to bondholders to a number no lower than 53,139,130 shares. Conversely, Lagardère cannot be obliged to deliver more than 61,110,000 EADS shares in the event the share price declines to below the reference price.

61,110 Mandatory Exchangeable Bonds were issued on 11 April 2006 at the price of €32,600 each, paying an annual coupon of 7.7%.

The interest expense for 2006 amounted to €111 million.

Note 8 Maturities of liabilities

	31 December 2006	Due withing one year	Due between one and five years	Due after five years
Perpetual subordinated notes	287	–	–	287
Bonds	2,757	756	1,751	250
Bank loans	222	1	221	–
Other debt	893	597	–	296
Trade and other payables	31	31	–	–
Total	**4,190**	**1,385**	**1,972**	**833**

Note 9 Provisions

Type of provisions	1 January 2006	Increases	Reversals	31 December 2006
Provisions for risks and liabilities	139	22	50	111
Sub-total	139	22	50	111
Provisions for write-downs				
– Investments	214	18	38	194
– Other	2	–	–	2
Sub-total	216	18	38	196
Total	**355**	**40**	**88**	**307**
Including increases and reversals:				
– Relating to financial items		*40*	*45*	
– Relating to exceptional items			*43*	

Note 10 Transactions with subsidiaries and affiliates (net values) – Balance sheet

	Assets		Liabilities
Financial assets	5,734	Borrowings	893
Short-term receivables	49	Trade and other payables	13
Other	22	Other	38

Note 11 Transactions with subsidiaries and affiliates – Income statement

	Expenses		Revenues
Interest on loans	167	Income from subsidiaries and affiliates	32
Losses related to subsidiaries	45	Profits related to subsidiaries	22

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:**	
Financial assets	1	Borrowings	92
Short-term receivables	–	Trade and other payables	8
Cash and cash equivalents	–		
Total	**1**	**Total**	**100**

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

	2006	**2005**
Financial income		
Financial income on long-term investments	167	191
Income on other investments and long-term receivables	7	7
Other interest and similar income	–	–
Net income on marketable securities	14	8
Reversals of provisions	45	75
Foreign exchange gains	18	–
Financial expenses		
Interest and similar expenses	(221)	(93)
Increases in provisions	(40)	(51)
Foreign exchange losses	(3)	(3)
Net financial income (loss)	**(13)**	**134**

Note 15 Exceptional profit

	2006	**2005**
Net gain (loss) on disposals of assets	4	(21)
Increases and reversals of provisions	43	9
Other exceptional income and expenses	131	13
Exceptional profit	**178**	**1**

Note 16 Income tax

The €80 million tax gain for 2006 corresponds primarily to taxes paid by subsidiaries included in the tax consolidation group. At 31 December 2006, the tax group comprising Lagardère SCA and its subsidiaries had a tax loss carryforward of some €170 million.

Note 17 Off-balance sheet commitments

Commitments given	Amount	***Commitments received***	Amount
Commitments to deliver shares under employee stock option plans	445	Waivers of debt to be reinstated if the beneficiary becomes profitable	1
Bank interest on long-term loans	396	Unused lines of credit	2,200

Transactions on derivatives

A. Lagardère uses purchases of call options or sales with a repurchase option to cover all the stock option plans introduced for Group employees in the years 2001 to 2005. These operations have no significant impact on Lagardère's equity or net indebtedness.

At 31 December 2006, positions were as follows:

• *Call options:*
- 214,162 options at €46.48 for Lagardère Plan 2001 stocks .... €10 million
- 1,403,521 options at €51.45 for Lagardère Plan 2003 stocks .... €72 million
- 1,572,763 options at €51.92 for Lagardère Plan 2004 stocks .... €82 million
- 1,659,994 options at €56.97 for Lagardère Plan 2005 stocks .... €95 million

• *Sales with a repurchase option:*
- 613,860 options at €46.48 for Lagardère Plan 2001 stocks .... €29 million
- 1,196,126 options at €51.45 for Lagardère Plan 2002 stocks .... €62 million

If the future exercise of repurchase options cannot be demonstrated with sufficient certainty, due to their maturity dates for instance, the options continue to be recorded as off balance sheet commitments.

B. As part of its financial policy to reduce foreign exchange and interest rate risks, the Company takes hedging positions using financial instruments on organised markets or arranged by private contracts.

The following operations are concerned at 31 December 2006:
- Forward sales of currencies. . . . .€310 million
- Currency swaps . . . .€457 million (1)

Commitments arising from interest rate hedging transactions (contractual amounts):
- Interest rate swaps in euros . . . .€979 million
- Other interest rate swaps . . . .€457 million (1)

(1) Financial hedges covering the US$375 million and US$38 million bond borrowings by a single currency and interest rate swap agreement.

Subsidiaries and affiliates at 31 December 2006

(in millions of euros) **Information on investments with book value in excess of 1% of Lagardère SCA's share capital or with significant influence**	Share capital	Reserves	Share of capital held (%)	
A . Subsidiaries (Lagardère SCA's holding: at least 50%)				
DESIRADE (121, Avenue de Malakoff - 75116 Paris, France)	466,933	254,540	100.00	
HACHETTE SA (4, Rue de Presbourg - 75116 Paris, France)	793,000	260,270	100.00	
HOLPA (121, Avenue de Malakoff - 75116 Paris, France)	536	2,807	98.54	
MATRA MANUFACTURING & SERVICES (4, Rue de Presbourg - 75116 Paris, France)	13,528	15,052	100.00	
LAGARDERE RESSOURCES (121, Avenue de Malakoff - 75116 Paris, France)	11,666	(27,856)	100.00	
MATRA PARTICIPATIONS (4, Rue de Presbourg - 75116 Paris, France)	15,250	3,214	100.00	
MATRAVISION Inc. (1633 Broadway - 45 th Floor New York, NY 10019) (USA)	$ 30	$ 133,871	99.99	
MNC (121, Avenue de Malakoff - 75116 Paris, France)	89,865	19,505	100.00	
SOFIMATRANS (4, Rue de Presbourg - 75116 Paris, France)	29,884	16,022	100.00	
SYMAH (121, Avenue de Malakoff - 75116 Paris, France)	37	(2)	100.00	
B . Affiliates (Lagardère SCA's holding: 10-50%)				
FINANCIERE DE PICHAT & Compagnie (6, Rue Laurent Pichat - 75116 Paris, France)	99,169	20,136	47.95	
HACHETTE FILIPACCHI MEDIAS (149-151 Rue Anatole France - 92534 Levallois-Perret, France)	64,588	430,869	35.10	
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 . Affiliates not included in paragraph B above – Other affiliates				
C . Other significant investments not included in paragraph C above – Other significant investments				

Book value of shares held		Outstanding loans and advances granted by the Company	Guarantees given by the Company	Net sales for the last fiscal year	Net profit (loss) for the last fiscal year	Dividends received by the Company during the year
Gross	Net					
612,312	612,312				83,039	61,117
1,058,483	1,058,483	1,267,488			18,273	
16,886	3,373				79	
94,035	61,590			62,457	32,954	
26,332		23,162		78,601	(8,964)	
25,444	25,444	62,768			(6,606)	
85,168	85,168				$ 3,509	
112,732	112,732				4,411	
36,789	36,789				138	
75,511	13				(22)	
78,587	58,928				3,551	192
1,097,972	1,097,972				30,092	10,628
50	50					

Investment portfolio at 31 December 2006

I. Investments in subsidiaries and affiliates *(in thousands of euros)*		
A. Investments in French companies		
Book value above €15,000		3,067,673
Number of shares held		
122,233,852	Désirade	612,312
51,997,499	Hachette	1,058,483
14,169,270	Hachette Filipacchi Médias	1,097,972
105,716	Holpa	3,373
845,465	Matra Manufacturing & Services	61,590
999,981	Matra Participations	25,444
7,848,480	MNC	112,732
3,117,885	Financière de Pichat & Compagnie	58,928
1,953,210	Sofimatrans	36,789
5,000	Sogeade Gérance	50
Book value below €15,000		13
Total investments in French companies		**3,067,686**
B. Investments in non-French companies		
Number of shares held		
30,112	Matravision Inc.	85,168
Book value below €15,000		0
Total investments in non-French companies		**85,168**
Total investments in subsidiaries and affiliates		**3,152,854**
II. Other long-term investments		
C. Investment funds		386
Total investment funds		**386**
D. Treasury shares		372,585
Total treasury shares		**372,585**
Total other investments		**372,971**

III. Short-term investments		
A. French securities		
1. Mutual funds		**40,524**
Number of shares or units held		
18,500	Orsay Sécurité	39,249
25	Natexis Sécurité Jour	1,275
2. Collective investment funds		**672,208**
Number of shares or units held		
178	BNP PARIBAS Eonia Prime	90,635
773	SGAM AI Money	80,083
76	Clam Trésorerie 3 Mois	69,266
27,500	Ixis Trésorerie Plus	300,058
4,500	HSBC Eotop	49,270
53	Clam Trésorerie Eonia	10,282
308	Natexis Sécurité Plus	72,614
Total short-term investments (net book value)		**712,732**

Five-year financial summary

	2002	2003	2004	2005	2006
I Financial position at year-end *(in euros)*					
a) Share capital	849,229,824	851,664,914	858,993,979	866,456,932	870,416,509
b) Number of ordinary shares outstanding	139,218,004	139,617,199	140,818,685	142,042,120	142,691,231
c) Maximum number of shares to be issued upon exercise of stock options	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	926	2,357	1,072	258	13,245
b) Earnings before tax, depreciation, amortisation and provisions	(72,115)	15,421	(9,021)	76,291	91,035
c) Income tax	53,316 (2)	50,774 (2)	65,396 (2)	87,008 (2)	79,708 (2)
d) Earnings after tax, depreciation, amortisation and provisions	(65,952)	91,572	131,631	196,553	218,565
e) Total dividends	111,227	122,815	410,518	153,613	(3)
III Earnings per share *(in euros)*					
a) Earnings per share after tax, but before depreciation, amortisation and provisions	(0.14)	0.47	0.40	1.15	1.20
b) Earnings per share after tax, depreciation, amortisation and provisions	(0.47)	0.66	0.93	1.38	1.53
c) Dividend per share	0.82	0.90	1.00+2.00 (4)	1.10	(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 €1.20 per share.
(4) Exeptional dividend of €2 per share.

This page intentionally left blank.

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, 2006, on:
- the audit of the accompanying financial statements of Lagardère SCA,
- the justification of our assessments,
- 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, 2006 and the results of its operations for the year then ended, in accordance with accounting rules and principles applicable in France.

II Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code 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 thus took place in the context of our audit of the financial statements taken as a whole, and therefore contributed to the formation of our 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 observation to report regarding:

- the fair presentation and the coherence 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,
- the sincerity of the information disclosed in the management report regarding the salaries and benefits paid to members of the management bodies, or the commitments made in their favour when they take up, leave or change their function or subsequently.

Courbevoie and Neuilly-sur-Seine, 27 March 2007.

The Statutory Auditors

MAZARS & GUÉRARD	ERNST & YOUNG et Autres
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, 2006.

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.

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 statement 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 of the Group as at 31 December 2006 and the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

II Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- As disclosed in note 4-10 to the consolidated financial statements, Lagardère reviews the various intangible assets of the Media branch for impairment at least once a year. We have reviewed the data and assumptions used as a basis for determining the assets' recoverable values, for comparison with their book value. In particular, this recoverable value has been determined based on cash flow projections prepared by the Group. We have assessed the reasonableness of such estimates.
- Note 2-3-4 to the consolidated financial statements presents the accounting treatment used by Lagardère for the Mandatory Exchangeable Bonds and the related embedded derivative. The Group decided to amortise the initial value of the embedded derivative on a straight-line basis, although IFRSs adopted in the European Union require these derivatives to be adjusted to fair value at each year-end through profit and loss. We have assessed the impact of this treatment, chosen as a result of the overall features of the Mandatory Exchangeable Bond issue, and the related information reported in the notes to the consolidated financial statements.

These assessments thus took place in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of our opinion 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 observation to report as to its fair presentation and its coherence with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, 27 March 2007.

The Statutory Auditors

MAZARS & GUÉRARD	ERNST & YOUNG et Autres
Jacques Kamienny	Jean-François Ginies

6 - 8 Report of the Statutory Auditors on regulated agreements and commitments

(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 and commitments.

Our role does not include identifying any undisclosed agreements or commitments. We are required to report to you, based on the information provided, on the main terms and conditions of the agreements and commitments disclosed to us, without commenting on their 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 such agreements and commitments are 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 is coherent with the underlying documents.

Agreements and commitments 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 not been informed of any agreement or commitment entered into during the year and previously authorised by your Supervisory Board.

Agreements and commitments 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 agreements and commitments, approved in previous years, have continued to apply during the year under review.

• Lagardère Capital & Management

Service Agreement

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 execution of the services rendered under the Service Agreement, plus a ten per cent margin, with an absolute upper limit of €1 million for that margin.

Introduction of an additional pension plan for certain Lagardère Capital & Management employees who are members of Lagardère Group's Executive Committee

At its meeting of 14 September 2005, your Supervisory Board approved the introduction of an additional pension plan by Lagardère Capital & Management to complement the basic pension system for 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.

Five employees of Lagardère Capital & Management who are members of the Lagardère Group's Management Committee are beneficiaries of this plan.

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.

* * *

For the year 2006, the amount billed by Lagardère Capital & Management amounted to €17,019,078 including an expense of €3,270,000 for the additional pension plan, compared to €15,015,301 (including an expense of €2,451,000 for the additional pension plan) in 2005.

Courbevoie and Neuilly-sur-Seine, 27 March 2007.

The Statutory Auditors

MAZARS & GUÉRARD	ERNST & YOUNG et Autres
Jacques Kamienny	Jean-François Ginies

6 - 9 Statutory Auditors' fees

	2006			
(in thousands of euros)	Mazars & Guérard	%	Ernst & Young	%
Audit				
– Statutory audit	2,825		3,703	
– Ancillary services	1,201		1,225	
Sub-total	**4,026**	**95.8**	**4,928**	**91.2**
Other services				
– Legal, tax, human resources	176		455	
– Other	–		22	
Sub-total	**176**	**4.2**	**477**	**8.8**
Total	**4,202**	**100**	**5,405**	**100**

	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**

This page intentionally left blank.

Chapter 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: 125,822

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 2006.

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.

Principal position

General and Managing Partner, Lagardère SCA

Other positions and appointments held in the Group

Chairman and Chief Executive Officer, Hachette SA (Lagardère Media)
4 Rue de Presbourg – 75116 Paris

Director, Hachette Livre (SA)
43 Quai de Grenelle – 75015 Paris

Director, Hachette Distribution Services (SA)
2 Rue Lord Byron – 75008 Paris

Member of the Supervisory Board, Virgin Stores (SA)
16 Boulevard du Général Leclerc – 92115 Clichy

Chairman of the Supervisory Board, Hachette Filipacchi Médias (SAS)
149-151 Avenue Anatole France – 92534 Levallois-Perret

Chairman of the Supervisory Board, Lagardère Active (SAS)
121 Avenue de Malakoff – 75216 Paris

Permanent representative of Lagardère Active Publicité
to the Board of Directors, Lagardère Active Radio International
28 Rue François 1er – 75008 Paris

Chairman, Lagardère Active Broadband (SAS)
11 Rue de Cambrai – 75019 Paris

Member of the Supervisory Board, Lagardère Sports (SAS)
28 Rue François 1er – 75008 Paris

Director, Lagardère Management, Inc.
1633 Broadway, 45th Floor – New York, NY 10019 – USA

Chairman of the Board of Directors, Lagardère Active North America, Inc.
1633 Broadway, 20th Floor – New York, NY 10019 – USA

Chairman of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV
Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk – The Netherlands

Chairman of the Board of Directors, EADS Participations BV
Drentestraat 24, 1083 HK Amsterdam
PO BOX 2838, 1000 CV – The Netherlands

Director, Lagardère Ressources (SAS)
121 Avenue de Malakoff – 75216 Paris

President, Fondation Jean-Luc Lagardère
4 Rue de Presbourg – 75116 Paris

Chairman, Lagardère (SAS)
121 Avenue de Malakoff – 75216 Paris

Chairman, Lagardère Capital & Management (SAS)
121 Avenue de Malakoff – 75216 Paris

Chairman and Chief Executive Officer, Arjil Commanditée-Arco (SA)
121 Avenue de Malakoff – 75216 Paris

Other positions and appointments held outside the Group

Member of the Supervisory Board, DaimlerChrysler AG
Epplestrasse 225 – D 70546 Stuttgart – Möhringen – Germany

Director, France Telecom (SA)
6 Place d'Alleray – 75015 Paris

Director, LVMH-Moët Henessy-Louis Vuitton (SA)
22 Avenue Montaigne – 75008 Paris

Member of the Supervisory Board, Le Monde (SA)

President, Association des Amis de Paris Jean-Bouin C.A.S.G.

President, Association Nouvel Elan Croix Catelan

President, Association Lagardère Paris Racing

Other positions and appointments held during the last five years

Director, LCM Expression (SA) *(until June 2002)*

Director, multiThématiques (SA)
48 Quai du Point du Jour – 92100 Boulogne-Billancourt *(until December 2002)*

Co-Manager, IS-9
28 Rue François 1er – 75008 Paris *(until May 2003)*

Manager, Lagardère Active Publicité (SNC)
28 Rue François 1er – 75008 Paris *(until May 2003)*

Director, Société d'Agences et de Diffusion (SA)
33 Rue Hainard – 75012 Paris *(until June 2003)*

Manager, Nouvelles Messageries de la Presse Parisienne – NMPP (SARL)
52 Rue Jacques Hillairet – 75012 Paris *(until July 2003)*

Director, CanalSatellite (SA)
85-89 Quai André Citroën – 75015 Paris *(until December 2003)*

Director, Lagardère Sociétés (SAS)
121 Avenue de Malakoff – 75216 Paris *(until December 2003)*

Director, Editions P. Amaury (SA)
25 Avenue Michelet – 93400 Saint Ouen *(until December 2003)*

Chairman, Lagardère Images (SAS)
28 Rue François 1er – 75008 Paris *(until October 2004)*

Chairman and Chief Executive Officer, Lagardère Thématiques (SA)
28 Rue François 1er – 75008 Paris *(until November 2004)*

Manager, Lagardère Elevage
Le Haut d'Ouilly – 14690 Pont d'Ouilly *(until March 2005)*

Deputy Chairman of the Supervisory Board, Arjil & Compagnie (SCA)
43 Rue Vineuse – 75016 Paris *(until April 2005)*

President, Club des Entreprises Paris 2012 *(until January 2006)*

Director, Fimalac (SA)
97 Rue de Lille – 75007 Paris *(until January 2006)*

Chairman, Lagardère Active (SAS)
121 Avenue de Malakoff – 75216 Paris *(until October 2006)*

Director, Hachette Filipacchi Médias (SA)
149-151 Avenue Anatole France – 92534 Levallois-Perret *(until October 2006)*

Permanent representative of Hachette SA to the Managing Board, SEDI TV-TEVA (SNC)
89 Avenue Charles de Gaulle – 92200 Neuilly-sur-Seine *(until December 2006)*

Chairman, Lagardère Active Broadcast (a Monaco SA) *(until March 2007)*
57 Rue Grimaldi – 98000 Monaco

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.

He was appointed Chairman of Aerospatiale Matra's Management Board in 1999, and was Chief Executive Officer of EADS between 2000 and 2005.

Principal positions

Deputy Chairman and Chief Operating Officer, Arjil Commanditée-Arco (SA)

Co-Managing Partner, Lagardère Group

Other positions and appointments held in the Group

Permanent representative of Lagardère SCA to the Board of Directors, Hachette SA

Member of the Supervisory Board, Lagardère Active (SAS)

Member of the Supervisory Board, Hachette Filipacchi Médias (SAS)

Director, Editions P. Amaury (SA)

Permanent representative of Lagardère Active to the Board of Directors, Lagardère Active BroadCast (Monaco)

Permanent representative of Hachette SA to the Board of Directors, Hachette Distribution Services (SA)

Chairman, President and CEO, Lagardere North America Inc.

Director, Cellfish Media, LLC.

Other positions and appointments held outside the Group

Director, Crédit Agricole SA

Director, Accor

Senior Managing Director, Evercore Partners Inc.

Honorary Chairman, GIFAS

Other positions and appointments held during the last five years

Director, Groupement d'Intérêt Economique 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)*

Director, La Provence (SA) *(until 16 October 2006)*

Director, Nice Matin (SA) *(until 23 October 2006)*

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 General in 1993.

Principal positions

Legal representative of Arjil Commanditée-Arco (SA), General and Managing Partner of Lagardère SCA

Director and Chief Operating Officer, Arjil Commanditée-Arco (SA)

Secretary General, Lagardère Group

Other positions and appointments held in the Group

Director, Lagardère (SAS)

Director, Lagardère Capital & Management (SAS)

Chairman, Lagardère Ressources (SAS)

Director, Hachette SA

Director, Hachette Livre (SA)

Member of the Supervisory Board, Hachette Filipacchi Médias (SAS)

Member of the Supervisory Board, Lagardère Active (SAS)

Director, Hachette Filipacchi Presse (SA)

Director, Lagardere Active Broadcast (a Monaco company)

Director, Ecrinvest 4 (SA)

Director, Sogeade Gérance (SAS)

Chairman, Desirade (SAS)

Director, Arlis (SA)

Chairman of the Supervisory Board, Matra Manufacturing & Services (SAS) (formerly Matra Automobile)

Manager, Financière de Pichat & Compagnie (SCA) (formerly Arjil & Cie)

Chairman of the Supervisory Board, Financière de Pichat (SAS) (formerly Arjil & Associés)

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, Galice (SA)

Administrator, Fondation Jean-Luc Lagardère

Other positions and appointments held outside the Group

None

Other positions and appointments held during the last five years

Director, Les Editions du Jeudi (SA) *(until April 2002)*

Permanent representative of Hachette SA to the Board of Directors, Lagardère Active Broadband (SA) *(until June 2002)*

Permanent representative of Hachette SA to the Board of Directors, Lagardère 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)*

Permanent representative of Matra Participations to the Board of Directors, CVT (SA) *(until May 2006)*

Permanent representative of Matra Participations to the Board of Directors, Hagena (SA) *(until July 2006)*

Director, Hachette Filipacchi Médias *(became a simplified corporation (SAS) in October 2006)*

Director, Lagardère Télévision Holdings SA *(until January 2007)*

7-2-3 Members of the Supervisory Board

List of members of the Supervisory Board during 2006

		Date of first appointment or renewal	Date of current period of office
Chairman of the Board Chairman of the Audit Committee	**Raymond H. Lévy**	11 May 2004	AGM 2010 (*)
Member of the Board	**Bernard Arnault**	11 May 2004	AGM 2010 (*)
Member of the Board	**Hubert Burda**	11 May 2004	(1)
Member of the Board	**René Carron**	11 May 2004	AGM 2010 (*)
Member of the Board	**Georges Chodron de Courcel**	2 May 2006	AGM 2012 (*)
Member of the Board	**Groupama SA** 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 Member of the Audit Committee	**Pehr G. Gyllenhammar**	11 May 2004	(2)
Member of the Board	**Pierre Lescure**	11 May 2004	AGM 2008 (*)
Member of the Board Member of the Audit Committee	**Christian Marbach**	2 May 2006	AGM 2012 (*)
Member of the Board Member of the Audit Committee	**Bernard Mirat**	2 May 2006	AGM 2012 (*)
Member of the Board Member of the Audit Committee	**Didier Pineau-Valencienne**	11 May 2004	AGM 2008 (*)
Member of the Board	**Henri Proglio**	11 May 2004	AGM 2010 (*)
Member of the Board	**Felix G. Rohatyn**	11 May 2004	AGM 2008 (*)
Member of the Board	**François Roussely**	11 May 2004	AGM 2010 (*)
Censor	**Bernard Esambert**	11 May 2004	(3)
Corporate Secretary	**Laure Rivière-Doumenc**	11 May 2004	

(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(1) Mr. Hubert Burda resigned on 19 December 2006.
(2) Mr. Pehr G. Gyllenhammar resigned at the close of the Annual General Meeting of 2 May 2006.
(3) Mr. Bernard Esambert's term of office ended at the Annual General Meeting of 2 May 2006.

Raymond H. Lévy

40, Rue de Garches – 92420 Vaucresson, France
Born 28 June 1927

Date of appointment: 11 May 2004

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 Deputy Chairman and Chief Executive Officer of Elf Aquitaine, Chairman of Usinor, Régie Nationale des Usines Renault and Consortium de Réalisation.

Positions and appointments held in other companies

Chairman of the Supervisory Board, Sogeade

Director, Sogeade Gérance

Mr. Raymond H. Lévy is also Honorary Chairman of Renault SA

Other positions and appointments held during the last five years

Director, Renault Finance (Switzerland)

Director, Louis Dreyfus Citrus

Bernard Arnault

22, Avenue Montaigne – 75008 Paris, France
Born 5 March 1949

Date of appointment: 11 May 2004

End of current period of office: AGM 2010(*)

Number of Lagardère SCA shares held: 150

Mr. Bernard Arnault is a former student of the École Polytechnique. He has been Chairman of Ferret-Savinel, Financière Agache and Christian Dior, 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
Chairman of the Board of Directors, The Louis Vuitton Foundation for Creation
Director, Christian Dior Couture, SA
Director, Raspail Investissements, SA
Member of the Supervisory Board, Métropole Télévision "M6", SA

Outside France:
Director, LVMH Moët Hennessy-Louis Vuitton (Japan) KK, Japan

(*) Annual General Meeting to be held to approve the financial statements for the previous year.

Other positions and appointments held during the last five years

Chairman and Chief Executive Officer, Montaigne Participations et Gestion, SA
Director, Financière Jean Goujon, SA, France
Director, Vivendi Universal, SA, France
Director, Moët Hennessy Inc., USA
Chief Executive Officer, Christian Dior, SA, France
Legal representative of Christian Dior, Chairman of Montaigne Développement, SAS, France
Legal representative of Montaigne Participations et Gestion, Chairman of Gasa Développement SAS, France and of Société Financière Saint Nivard, France
Permanent representative of Montaigne Participations et Gestion, Director of Financière Agache, SA, France

René Carron

91-93, Boulevard Pasteur – 75015 Paris, France
Born 13 June 1942

Date of appointment: 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 SA.

Positions and appointments held in other companies

Chairman of the Board of Directors, Crédit Agricole SA
Chairman, Caisse Régionale de Crédit Agricole des Savoie
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
Permanent representative of Crédit Agricole SA, Director of Fondation de France
Director, Sacam
Director, Sacam Participations
Director, Suez
Director, Scicam

Other positions and appointments held during the last five years

Director and Deputy Chairman, Banca Intesa S.p.a. (Italy)
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

(*) Annual General Meeting to be held to approve the financial statements for the previous year.

Mayor of the town of Yenne, France
Advisor, Banque de France in Savoie
Director, Crédit Agricole Indosuez
Director, Crédit Lyonnais
Chairman, SAS Rue La Boétie

Georges Chodron de Courcel
23, Avenue Mac Mahon – 75017 Paris, France
Born 20 May 1950

Date of appointment: 2 May 2006

End of current period of office: AGM 2012(*)

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
Director, Nexans
Director, Alstom
Director, FFP (Société Foncière, Financière et de Participations)
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)
Director, Banca Nazionale del Lavoro (Italy)

Other positions and 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)
Director, BNP Paribas Securities Corp. (formerly Paribas Corporation) (USA)
Director, BNP Paribas U.K. Holdings Limited (United Kingdom)

(*) Annual General Meeting to be held to approve the financial statements for the previous year.

Director, Capstar Partners SAS
Censor, Scor Global Life (formerly Scor Vie)
Permanent representative of CIP, Director of FFP (Société Foncière, Financière et de Participations)
Permanent representative of CIP, 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

Date of appointment: 11 May 2004

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

Member of the Audit Committee of Lagardère SCA

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
Director, Scor Vie
Censor, Supervisory Board, Gimar Finance & Compagnie
Director, Groupama International

Outside France:
Director, Groupama Vita Spa (Italy)
Director, Groupama Assicurazioni Spa (Italy)

Other positions and appointments held during the last five years

None

(*) Annual General Meeting to be held to approve the financial statements for the previous year.
(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.

Pierre Lescure

122, Rue de Grenelle – 75007 Paris, France
Born 2 July 1945

Date of appointment: 11 May 2004

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+.

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 Board of Directors, Kudelski (Switzerland)

Other positions and 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

Date of appointment: 2 May 2006

End of current period of office: AGM 2012(*)

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 Economique Oseo-Services (formerly Agence des PME)
Director, Compagnie Générale de Géophysique-Veritas
(Censor, Sofinnova)

Other positions and appointments held during the last five years

Director, Erap

(*) Annual General Meeting to be held to approve the financial statements for the previous year.

Bernard Mirat

91, Avenue de La Bourdonnais – 75007 Paris, France
Born 3 July 1927

Date of appointment: 2 May 2006

End of current period of office: AGM 2012(*)

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

None

Other positions and appointments held during the last five years

Deputy Chairman of the Supervisory Board, GT Finance
Director, Fimalac
Censor, Holding Cholet-Dupont

Didier Pineau-Valencienne

24-32, Rue Jean Goujon – 75008 Paris, France
Born 21 March 1931

Date of appointment: 11 May 2004

End of current period of office: AGM 2008(*)

Number of Lagardère SCA shares held: 2,850

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 of the Investment Committee, Sagard
Director, Pernod Ricard
Director, Fleury Michon
Chairman of the International Consultative Committee, Audiencia (formerly ESC Nantes Atlantique)
Director, BIPE Association
Executive lecturer, HEC Paris Business School
Advisor, Centre d'Enseignement Supérieur de la Marine

Outside France:
Senior Advisor, Crédit Suisse First Boston
Director, Swiss Helvetia Fund (USA)

(*) Annual General Meeting to be held to approve the financial statements for the previous year.

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 positions and appointments held during the last five years

Director, Wendel Investissement
Director, Aventis
Director, AFEP
Director, Axa
Director, Vivarte
Director, AON
Member of the Trustees, IASC (USA)
Director, Axa Financial (USA)

Henri Proglio

36-38, Avenue Kléber – 75116 Paris, France
Born 29 June 1949

Date of appointment: 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.

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'Epargne
Member of the Supervisory Board, Natixis
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 Industries
Director, Dalkia International
Director, Société des Eaux de Marseille
Member of the Supervisory Board A and B, Dalkia (SAS)
Chairman of the Supervisory Board, Dalkia France

Outside France:
Director, Collex
Director, Veolia Transport Australia

(*) Annual General Meeting to be held to approve the financial statements for the previous year.

Director, Veolia Environmental Services, Plc
Director, Siram
Director, Veolia ES Asia
Director, Veolia Transport Nothern Europe
Director, Veolia ES North America Corp.
Director, Veolia UK Ltd (United Kingdom)

Other positions and 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
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)
Chairman and Chief Executive Officer, Onyx
Director, Onyx UK Holdings (United Kingdom)
Director, OWS (USA)
Director, Safise
Director, Wasco (formerly USFilter) (USA)
Director, Sarp

Felix G. Rohatyn

280 Park Avenue, 27th Floor – New York, NY 10017, USA
Born 29 May 1928

Date of appointment: 11 May 2004

End of current period of office: AGM 2008(*)

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. He is currently Senior Advisor to Chairman and Chief Executive Officer Richard S. Fuld, Jr. and Chairman of the Lehman Brothers' International Advisory Committees.

(*) Annual General Meeting to be held to approve the financial statements for the previous year.

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:
Senior Advisor to Chairman and Chief Executive Officer Richard S. Fuld, Jr.
Chairman of the Lehman Brothers' International Advisory Committees (USA)
Chairman, Rohatyn Associates LLC (USA)
Administrator, French American Foundation (USA)
Trustee and Vice Chairman, Carnegie Hall (USA)
Trustee, Centre for Strategic and International Studies (CSIS) (USA)

Other positions and appointments held during the last five years

Director, Rothschilds Continuation Holdings AG
Director, Suez SA
Director, Fiat Spa
Director, Comcast Corporation

François Roussely

22-30, Avenue de Wagram – 75008 Paris, France
Born 9 January 1945

Date of appointment: 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 and Chief Executive Officer, Crédit Suisse – France
Chairman, Crédit Suisse Banque d'Investissement France
Deputy Chairman, Crédit Suisse Banque d'Investissement Europe.
President, Cercle des Aquitains
Conseiller Maître, Cour des Comptes

Other positions and appointments held during the last five years

Chairman of the Board of Directors, EDF
Director, AFII
Member, Comité de l'Énergie Atomique (CEA)
Member of the Supervisory Board, Dalkia Holding
President, Fondation EDF
Chairman of the Board of Directors, École Nationale des Ponts et Chaussées (ENPC)
Member of the Consultative Council, Banque de France
Honorary Chairman, EDF

(*) Annual General Meeting to be held to approve the financial statements for the previous year.

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 bound to Lagardère SCA or any of its subsidiaries through a service contract, except for Mr. Raymond Lévy who has an employment agreement, Groupama SA which has signed a service agreement with Arlis for the management of its shareholder base, and Mr. Pierre Lescure who has a contract with SCPE for the provision of advisory services.

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.

7-2-4-4 Restrictions on the sale by members of the Supervisory Board or Managing Partners of their investment 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, except for 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, except for the rules for trading in Lagardère SCA shares defined in the laws in force or the "Charter for trade in Lagardère SCA shares by Lagardère Group employees".

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 2006: 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 (LC&M) which reinvoices them to Lagardère Ressources (see section 7-5-1).

In 2006, they received total gross remuneration of €8,370,100 (2005: €8,158,000).

Lagardère Ressources, acting on behalf of the various companies concerned, also directly bore the cost of the contractual indemnity of €2,972,139 due to Gérald de Roquemaurel.

* * *

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 €90,785 was paid during 2006 to the persons concerned as attendance fees in their capacity as members of the Boards of Directors of Group companies, excluding EADS (2005: €109,140).

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).

Date of AGM / Date of grant	Number of options granted at origin	Exercise price before repricing of 6 July 2005 (in €)	Exercise price after repricing of 6 July 2005 (in €)	Number of beneficiaries	Options exercised in 2006	Options forfeited	Options outstanding at end 2006	Period of exercise
Subscription options								
10 Dec. 1999 / 30 May 1997	250,000	44.00	43.52	7	181,987	–	0	10 Dec. 2001 to 9 Dec. 2006
18 Dec. 2000 / 23 May 2000	205,000	63.00	62.31	8	0	15,167	192,108	18 Dec. 2002 to 17 Dec. 2007
Purchase options								
19 Dec. 2001 / 23 May 2000	195,000	47.00	46.48	7	15,168	–	151,680	19 Dec. 2003 to 19 Dec. 2008
19 Dec. 2002 / 23 May 2000	195,000	52.02	51.45	7	15,167	–	181,997	19 Dec. 2004 to 19 Dec. 2009
18 Dec. 2003 / 23 May 2000	185,000	52.02	51.45	6	15,167	–	171,887	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004 / 11 May 2004	185,000	52.50	51.92	6	0	15,168	171,901	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005 / 11 May 2004	230,000	n/a(1)	56.97	5	0	–	230,000	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	230,000	n/a(1)	55.84	5	–	–	230,000	

(1) n/a: not applicable.

7-3-2 Managing Partners

7-3-2-1 Remuneration and benefits of the Managing Partners

- Mr. Arnaud Lagardère received gross remuneration of €1,909,020 including benefits in kind, i.e. a net amount of €1,709,413 after deducting social security charges (respectively €2,094,665 and €1,880,672 in 2005), from Lagardère Capital & Management in 2006.

The gross amount paid comprises the following:

	2005	2006
Fixed remuneration	917,340	917,580
Variable remuneration paid in respect of the previous year	1,177,325	991,440
Total gross remuneration	**2,094,665**	**1,909,020**

In his capacity as director or member of the Supervisory Boards of several other Lagardère Group companies, Mr. Arnaud Lagardère received attendance fees totalling €8,750 (€13,421 in 2005).

In addition, in consideration for his position as Chairman of the Board, he received a gross amount of €244,250 in 2006 from EADS NV, a Dutch company indirectly 14.98%-owned by Lagardère. He also received attendance fees in the amount of €100,000 from that company in 2006.

- 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 and 2006 are as follows:

	2005		2006
	EADS	LC&M and Lagardère Group	Lagardère
Salaries: 1– Fixed salary	624,911	522,137	1,042,723
2– Variable remuneration paid in respect of the previous year	1,096,345	100,000	242,841
3– Variable remuneration	227,685	–	–
Total gross remuneration	**1,948,941**	**622,137**	**1,285,564**
Indemnities related to termination of his functions at EADS: – Contractual severance indemnity	2,550,000		
– Special transfer bonus		2,550,000	

In his capacity as director or member of the Supervisory Boards of several other Group companies, Mr. Philippe Camus also received attendance fees totalling €6,227 (€9,767 in 2005).

- Mr. Pierre Leroy, Co-Managing Partner, received gross remuneration of €1,476,180 including benefits in kind, i.e. a net amount of €1,313,841 after deducting social security charges (respectively €1,597,980 and €1,426,751 in 2005), from Lagardère Capital & Management in 2006.

The gross amount paid comprises the following:

	2005	2006
Fixed remuneration	657,040	722,880
Variable remuneration paid in respect of the previous year	690,940	753,300
Exceptional bonus	250,000	–
Total gross remuneration	**1,597,980**	**1,476,180**

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 €16,590 (€27,226 in 2005).

The basis for calculation of the variable portion rises or falls 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:
  - achieving or not a standard increase in 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 2006.
  He currently holds 151,668 Lagardère SCA share subscription and purchase options (weighted average subscription or purchase price: €53.41 per share).
- Mr. Philippe Camus, in 2006, received 50,000 options to purchase Lagardère SCA shares, exercisable at the per-share price of €55.84 between 14 December 2008 and 14 December 2016.
  He currently holds 221,337 Lagardère SCA share subscription or purchase options (weighted average subscription or purchase price: €54.29 per share).
- Mr. Pierre Leroy, in 2006, received 50,000 options to purchase Lagardère SCA shares, exercisable at the per-share price of €55.84 between 14 December 2008 and 14 December 2016.
  He currently holds 241,557 Lagardère SCA share subscription or purchase options (weighted average subscription or purchase price: €54.94 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	2006
Raymond H. Lévy	100,000	100,000
Lagardère Capital & Management	6,667	–
Manfred Bischoff (Germany)	20,000 (1)	6,667 (1)
Georges Chodron de Courcel	20,000	20,000
Pehr G. Gyllenhammar (United Kingdom)	60,000 (1)	60,000 (1)
Pierre Lescure	20,000	20,000
Christian Marbach	60,000	60,000
Bernard Mirat	60,000	60,000
Groupama SA	60,000	60,000
Jean Peyrelevade	6,667	–
Didier Pineau-Valencienne	60,000	60,000
Felix G. Rohatyn (USA)	20,000	20,000 (1)
Michel Rouger	6,667	–
Yves Sabouret	6,667	–
Bernard Arnault	13,334	20,000
Hubert Burda (Germany)	13,334 (1)	20,000 (1)
René Carron	13,334	20,000
Henri Proglio	13,334	20,000
François Roussely	13,334	20,000
Bernard Esambert	13,334	20,000
Total attendance fees paid	**586,672**	**586,667**

(1) Less withholding tax.

Mr. Raymond H. Lévy also received from the Group a gross amount of €212,172 in 2006 in consideration for his advisory services (€209,886 in 2005). 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 €14,440 (€15,200 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 2006

7-3-4-1 Managing Partners

Arnaud Lagardère

Exercise on 7 December 2006 of 40,442 share subscription options at the price of €43.52 per share (options awarded 19 December 1999).

Philippe Camus

None.

Pierre Leroy

None.

7-3-4-2 Supervisory Board

Didier Pineau-Valencienne

Sale, at the dates and prices indicated, of the following quantities of Lagardère SCA shares:

23 November 2006: 500 shares at unit price of €56.15
23 November 2006: 400 shares at unit price of €56.15

To the best of the Company's knowledge, no other transactions in company shares were undertaken in 2006 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).

Date of AGM / Date of grant	Number of options granted at origin	Exercise price before repricing of 6 July 2005 (in €)	Exercise price after repricing of 6 July 2005 (in €)	Number of beneficiaries	Options exercised in 2006	Options forfeited	Options outstanding at end 2006	Period of exercise
Subscription options								
10 Dec. 1999 / 30 May 1997	1,300,800	44.00	43.52	696	623,843	256,210	–	10 Dec. 2001 to 9 Dec. 2006
18 Dec. 2000 / 23 May 2000	1,254,500	63.00	62.31	458	25,268	218,721	1,011,554	18 Dec. 2002 to 17 Dec. 2007
Purchase options								
19 Dec. 2001 / 23 May 2000	1,258,000	47.00	46.48	421	192,793	115,812	818,034	19 Dec. 2003 to 19 Dec. 2008
19 Dec. 2002 / 23 May 2000	1,299,000	52.02	51.45	416	59,981	97,096	1,147,579	19 Dec. 2004 to 19 Dec. 2009
18 Dec. 2003 / 23 May 2000	1,437,250	52.02	51.45	445	20,426	55,108	1,377,847	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004 / 11 May 2004	1,568,750	52.50	51.92	481	–	51,937	1,534,582	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005 / 11 May 2004	1,683,844	n.a[1]	56.97	495	–	26,850	1,656,994	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006 / 11 May 2004	1,844,700	n.a[1]	55.84	451	–	–	1,844,700	14 Dec. 2008 to 14 Dec. 2016

(1) n/a: not applicable.

7-3-5-2 Stock options granted to employees on shares of other Group companies(*)

Date of AGM / Date of grant	Exercise price (in €)	Date of exercise	Number of options granted	Number of beneficiaries	Number of options forfeited	Number of options remaining	Period of repurchase (1) (2)
Hachette Filipacchi Médias							
18 June 1997 18 June1997	37.44	18 June 1997 to 17 June 2007	1,577(3)	11	64	64(5)	19 June 2002 to 19 June 2007
18 June 1997 22 July 1999	46.20	22 July 1999 to 21 July 2009	1,525(4)	63	55	888(6)	23 July 2004 to 23 July 2009
Virgin Stores							
25 September 1998 15 April 1999 (7)	40.04	15 April 2002 to 15 April 2009	9,959	6	4,482	0	16 April 2004 to 15 April 2009
15 March 2000 15 March 2000	32.03	16 January 2003 to 15 January 2010	56,269	8	3,984	0	16 March 2005 to 15 March 2010
15 March 2000 17 January 2001	47.77	18 January 2004 to 17 January 2011	2,988	2	2,998	0	18 January 2006 to 17 January 2011
15 March 2000 19 April 2001	47.77	20 April 2004 to 19 April 2011	498	1	498	0	20 April 2006 to 17 January 2011
15 March 2000 5 June 2001	71.82	6 June 2004 to 5 June 2011	1,992	1	1,992	0	6 June 2006 to 5 June 2011
25 September 2002 5 July 2004	99.40	5 July 2008 to 5 July 2014	10,000	6	2,000	8,000	5 July 2008 to 5 July 2014

(*) For details on options granted by EADS, see EADS' own registration document.
(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) Each option gives right to subscribe to 300 shares.
(4) Each option gives right to subscribe to 500 shares.
(5) 617 options were exercised in 2006.
(6) 152 options were exercised in 2006.
(7) Purchase options.

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)	355,000	55.84	14 December 2006
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)	217,376	44(*)/43.52(**)	10 December 1999
	24,762	63(*)/62.31(**)	18 December 2000
	76,854	47(*)/46.48(*)	19 December 2001
	53,800	52.02(*)/51.45(**)	19 December 2002
	20,426	51.45(**)	18 December 2003

(*) Before repricing.
(**) After repricing.

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 more than 500 companies. The full list of consolidated companies with their addresses can be found in the notes to the consolidated financial statements (see Chapter 6).

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 include:

- Activities in the field of the Media, through Hachette SA (named Lagardère Media for commercial purposes) which controls operational business activities in the Book Publishing, Distribution Services, Print Media, Radio/Television, Audiovisual Production, New Media and Sports divisions, respectively via the companies Hachette Filipacchi Médias, Hachette Livre, Hachette Distribution et Services, Lagardère Active and Lagardère Sports.
- The strategic 14.98% interest in EADS NV, held through a subsidiary itself owned by the French State and the Lagardère Group.

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 Executive 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 various service agreements with Lagardère Ressources, which receives a fee of generally 0.9% of sales revenues (or margin for HDS) for its services.

The Operating Units

Operating activities are conducted by legally independent companies grouped together in the following divisions or operating units: Book Publishing, Distribution Services, Lagardère Active (which combines the Group's activities in the media, audiovisual and digital sectors), and the Sports division.

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 Distribution Services for the Distribution Services division, etc.

Each Division Head is responsible for the general management of the holding company concerned whose board of directors or supervisory board members are mostly also members of Lagardère SCA's Executive 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 Executive 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 since they are not represented at its meetings.

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 resignations of Mr. Pehr G. Gyllenhammar and Mr. Hubert Burda, respectively on 2 May 2006 and 19 December 2006, the Board currently comprises 12 members. 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 eight 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. 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.

Beyond the combined expertise of its members, the Board includes a majority of independent directors thanks to the presence of important personalities who have accepted a post on the Supervisory 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 interest, 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 six months after the end of a Board member's term of office,
   – the Chairman, Managing Partner and the Financial Markets Authority (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 2007.

During 2006, the Supervisory Board met four times, in March, June, September and December, with an attendance rate of 57% at the March meeting and 77% at other meetings.

The main meetings of March and September, held primarily to examine the parent company and consolidated financial statements, were preceded by an Audit Committee meeting. The March meeting also involved preparatory work for the annual general meeting. The June meeting was held specifically to examine the general position and strategic outlook for Lagardère Active (with a presentation by management teams from that business segment) and a lengthy consideration of the situation of EADS took place. The December meeting was held specifically to examine the general position and strategic outlook for the Group's Book Publishing division, headed and managed by Hachette Livre.

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, 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 and September 2006 were preceded by meetings of the Audit Committee, in February and September 2006.The Audit Committee also met in June and November 2006.

These four half-day meetings were attended by all Committee members (with the exception of one who sent his apologies for the February meeting, and one who sent his apologies for the June meeting). In addition to the annual and half-year financial statements, the Committee reviewed the activities of the Internal Audit Division, heard a presentation by one of the Managing Partners on expenses incurred by Lagardère Capital & Management (LCM) under its service agreement with Lagardère, examined the Group's Corporate Social and Environmental responsibility policy, the draft agreement with Vivendi concerning Canal+ France, the acquisition of Time Warner Book Group, the planned partial reduction of the investment in EADS and the accounting treatment of the Mandatory Exchangeable Bonds in the Lagardère consolidated financial statements. The Lagardère Group's sports strategy (acquisition of Sportfive and sponsoring programmes) was also presented to the Audit Committee.

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.

When the Audit Committee reviews the financial statements, the Chief Financial Officer gives a presentation of risk exposure and significant off balance sheet commitments.

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 2006, given the increasing complexity of the work required, the number of Board meetings was raised from two to four. 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

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).

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.

(*) 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).

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 Registration Document for 2006.

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*

C - 1 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.

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.

Reporting, monthly Group reports

Each Group company's financial departments enter data from their 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.

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 4-10 of the Notes to the consolidated financial statements) using the method of multiples, discounted future cash flows or comparable transactions.

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.

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 the "Reporting" section above, this division permanently monitors bank covenants which are binding on the whole Group.

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.

Hedging policy and market risk monitoring

The hedging and market risk monitoring policy 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 continues to extend its secure communication network, 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 applies for the internal control at Lagardère SCA's main entities/subsidiaries.

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.

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 leads to better formal definition of internal control procedures, and their appropriation by all operational managers. Progress on the improvement plans identified by operational staff is also monitored.

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 Lagardère SCA's business. In this capacity, it monitors application of stock exchange regulations, since Lagardère SCA is listed on the Euronext Paris *Compartiment A*, and in 2006 introduced the full procedure necessary to prepare lists of insiders, in application of EU regulations.

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*

Like any corporation, Lagardère is exposed to a variety of risks in the normal course of its business. The principal measures taken to control and manage these risks are described in Chapter 3 "Risk factors" of this Reference Document.

In particular, Lagardère SCA and its divisions continue mapping their general risks, in order to rank the main risks to which the Group could consider itself exposed by seriousness, possibility of occurrence and degree of controllability.

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 2006 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 2006. 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; they 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 2006.

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.

Courbevoie and Neuilly-sur-Seine, 27 March 2007

The Statutory Auditors

MAZARS & GUÉRARD	ERNST & YOUNG et Autres
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 €14 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 2006, Lagardère Capital & Management invoiced €17.019 million to the Group, compared to €15.015 million in 2005.

Payroll costs recorded by Lagardère Capital & Management amounted to €13.285 million. This figure corresponds to €8.239 million for gross salaries and includes a pension provision. After deducting other expenses (support costs reimbursed to the Group and outside resources costs), this left operating profit after tax from the above agreement of €0.66 million.

7-5-2 Transactions concluded with members of the Supervisory Board

See sections 7-2-4-2 to 7-2-4-4.

This page intentionally left blank.

Chapter 8

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 2006, the share capital of the Company amounted to €870,416,509.10 and was divided into 142,691,231 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 2002

		Amount(*)				
Years	Description of the operation	Number of shares	Nominal amount (in €)	Premium (in €)	Total share capital (in €)	Total number of shares
31 Dec. 2002					849,229,824	139,218,004
2003	Exercise of share subscription options	399,195	2,435,090	7,829,563	851,664,914	139,617,199
2004		1,201,486	7,329,065	24,273,251	858,993,978	140,818,685
2005		1,223,435	7,462,953	32,291,722	866,456,932	142,042,120
2006		649,111	3,959,577	24,764,519	870,416,509	142,691,231

(*) Figures indicated above at 31 December 2002 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 2006, the Company directly held 6,712,538 of its own shares, representing 4.70% of the total share capital at that date. The total cost (carrying value) of these shares was €372,584,645.92, corresponding to an average price of €55.51 per share (par value: €6.10). Based on the last quoted market price of Lagardère SCA's shares at 31 December 2006 (€61.00 per share), the total value of treasury shares directly held by the Company was €409,464,818.00.

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 €13,811,775.08, corresponding to an average per-share price of €19.52.

Consequently, the Company directly and indirectly held 7,420,165 of its own shares at 31 December 2006, representing 5.20% of total share capital at that date for a total cost (carrying value) of €386,396,421, or an average per-share price of €52.07. Based on the last quoted market price of Lagardère SCA's shares at 31 December 2006 (€61.00 per share), the total market value of treasury shares held by the Company was €452,630,065.

8-1-2-2 Programmes to buyback shares of the Company: shares acquired, sold, transferred or cancelled

Operations carried out in 2006

Under the authorisations granted to the Company by the General Meetings of 10 May 2005 and 2 May 2006, in 2006, the Company:

- did not cancel any shares;
- as part of its programme to cover all of its obligations under stock purchase options granted to Group employees:
  - purchased 242,096 shares over the counter from Barclays Bank Plc for a total amount of €11,616,603.84 by exercising some of the call options and optional repos entered into on 3 November 2005 to cover its obligations under the 2001-2004 stock option plans;
  - sold 430,519 shares over the counter to Barclays Capital Securities Ltd on 21 November 2006 at a per-share price of €56;
  - on 26 November 2006, purchased over the counter from Barclays Bank Plc 1,659,994 call options at a price of €14.37 each, to cover its obligations under the 2005 stock option plan, exercisable at a per-share price of €56.97 until 21 November 2011;
- sold 273,200 shares (0.19% of the share capital) to Group employees as a result of the exercise of stock purchase options;
- exchanged 271,700 Lagardère SCA shares (0.19% of the share capital) for 247,000 Hachette Filipacchi Médias shares under the share exchange agreement concluded in 2000 with the subsidiary's employees;
- acquired 4,727,365 shares (3.31% of the share capital) on the market for retention in view of a future transfer or exchange in consideration for an acquisition, for a price of €264,241,750.49 or an average per-share price of €55.90. These shares were acquired through investment companies authorised to act independently on Lagardère's behalf.

Position at 31 December 2006

At 31 December 2006, 6,712,538 shares directly held by the Company and representing 4.70% of the share capital were allocated as follows:

- 1,409,213 shares for future allocation to employees (stock option plans, share allocation plans, etc.), representing 0.99% of the share capital;
- 575,960 shares to be exchanged for Hachette Filipacchi Médias shares, representing 0.4% of the share capital;
- 4,727,365 shares for retention in view of a future transfer or exchange in consideration for an acquisition, representing 3.31% of the share capital.

The 707,627 Lagardère shares held by the subsidiary MP 55 (0.50% of the share capital) were held for retention in view of a future transfer or exchange in consideration for an acquisition.

Lagardère also held rights to purchase 6,660,426 shares from Barclays Bank Plc in the form of call options and optional repos at the prices stated below, for subsequent resale at the same prices to Group employees benefiting from the stock purchase option plans awarded between 2001 and 2005.

Date of Plan	Maximum number of shares to be acquired	Exercise price	Expiry date for call options and optional repos
2001	828,022	46.48	19 December 2008
2002	1,196,126	51.45	19 December 2009
2003	1,403,521	51.45	18 December 2013
2004	1,572,763	51.92	20 November 2014
2005	1,659,994	56.97	21 November 2015

Operations carried out under the authorisation granted by the General Meeting of 2 May 2006

The General Meeting of 2 May 2006 renewed the authorisation granted to the Managing Partners by the General Meeting of 10 May 2005 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 the Code of Conduct recognised by the French Financial Market Authority (AMF);
- reduction of the share capital by cancelling all or part of the shares purchased;
- completion of any other transactions in accordance with current regulations and in particular with the Market Practices accepted by the AMF.

The corresponding share buyback programme was described in press releases issued on 18 May and 12 July 2006.

This authorisation was granted for an 18-month period starting on 2 May 2006.

In execution of this authorisation, between 2 May 2006 and the date of finalisation of this report (28 February 2007), the Company carried out the following transactions:

- purchase from Barclays Bank Plc of 1,659,994 call options enabling Lagardère to acquire 1.17% of the shares making up the share capital as of 2 May 2006, to cover its obligations under the 2005 stock option plan as explained above;
- acquisition, through exercise of 121,330 call options and optional repos with Barclays Bank Plc, of 121,330 shares representing 0.09% of the share capital, for a total price of €5,960,846.37, for transfer to Group employees;
- acquisition on the market through independent investment services firms of 7,619,365 shares making up 5.34% of the share capital, for a total price of €439,230,307.49 (€57.65 per share), for retention in view of a future transfer or exchange in consideration for an acquisition; in a press release of 17 July 2006, the Company explained that if no suitable merger or acquisition opportunities arise, these shares may be cancelled;
- sale to employees who exercised their stock purchase rights under stock option plans of 541,382 shares representing 0.38% of the share capital;
- exchange with Print Media employees of 256,960 Lagardère SCA shares representing 0.18% of the capital for 233,600 shares in Hachette Filipacchi Médias;

- over-the-counter sale to Barclays Bank Plc of 430,519 shares representing 0.31% of the share capital for a total price of €24,109,064 to finance the purchase of the 1,659,994 call options.

Partial reallocation for other uses

After comparing the allocations existing at 31 December 2006 (see above) and the commitments to Group employees outstanding at that date, 66,440 shares reserved for exchange transactions for Hachette Filipacchi Médias shares were reallocated on 15 March 2007 for attribution to stock purchase option beneficiaries.

Of the 6,660,426 shares that can be purchased from Barclays Bank Plc for subsequent transfer to employees benefiting from the 2001-2005 stock purchase plans, the shares corresponding to expired options will be allocated to other plans upon acquisition.

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 2006, there were 1,011,554 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 €876,586,988.50 divided into 143,702,785 shares with par value of €6.10 each, by way of a capital increase of €6,170,479.40 and the issue of 1,011,554 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 issue .... € 300 million
- maximum authorised for bond issues .... € 2,500 million

Under these authorisations and within these limits, the meeting of 10 May 2005 authorised 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 Combined General Meeting of 2 May 2006 gave the Managing Partners authorisation for a period of 38 months to grant options to purchase or subscribe 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 was used on 14 December 2006 (see Chapter 7, table in section 7-3-5-1).

8-1-5 Pledges of Company shares

8-1-5-1 Pledges of registered shares of the Company at 31 December 2006

- Number of shareholders: 226
- Number of shares: 7,752,170, or 5.43% of the share capital.

8-1-5-2 Pledges of Company shares registered in the names of shareholders holding more than 0.5% of the share capital at 31 December 2006

These pledges concern 7,665,306 shares held by Lagardère Capital & Management, or 5.37% of the share capital.

8-1-6 Stock market information

8-1-6-1 General

Number of shares making up the share capital at 31 December 2006: 142,691,231
Number of shares listed on 31 December 2006: 142,691,231
Listed: Euronext Paris – *Marché Eurolist, Compartiment A*.

8-1-6-2 Dividends, share prices and trading volumes

Dividends

Year of payment	Number of shares entitled to dividend	Net dividend (€ per share)	Tax credit (€ per share)	Gross dividend (€ per share)	Total dividends (€ million)
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	136,720,742	1.00	None	1.00	136.72
– exceptional	136,898,627	2.00	None	2.00	273.79
2006	139,648,467	1.10	None	1.10	153.61

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

Source: Euronext, Paris

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 €
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
	March	19,179,264	833,881	1,236,802.10	53,774.00	64.30	66.70	62.50
	April	16,815,499	934,194	1,112,815.70	61,823.10	66.25	68.20	64.10
	May	29,448,390	1,338,563	1,874,047.40	85,184.00	60.35	67.15	59.30
	June	20,531,117	933,233	1,173,536.50	53,342.60	57.60	62.70	54.00
	July	14,412,673	686,318	794,566.50	37,836.50	54.70	58.40	53.00
	August	9,247,417	402,062	514,715.00	22,378.80	56.90	57.50	53.90
	September	13,407,974	638,475	753,237.10	35,869.40	56.70	57.70	54.40
	October	13,904,457	632,021	777,755.00	35,352.50	56.95	57.80	54.40
	November	14,996,222	681,646	842,652.20	38,302.40	55.65	57.85	54.75
	December	13,601,768	715,883	789,108.60	41,532.00	61.05	61.40	54.70
2007	January	16,074,426	730,656	979,060.00	44,502.70	59.70	63.30	58.45
	February	11,302,068	565,103	676,990.70	33,849.50	56.80	61.05	56.80

8-1-7 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[1] held directly or indirectly by Lagardère SCA..

8-1-8 Share ownership structure – Principal shareholders

8-1-8-1 Changes in share ownership structure and voting rights since 31 December 2004

Shareholders	At 31 December 2006			At 31 December 2005			At 31 December 2004		
	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	7.08	10.55	10,108,383	7.12	8.54	7,691,383	5.46	6.96
DaimlerChrysler	0	0.00	0.00	0	0.00	0.00	3,289,116	2.34	3.78
French institutional investors	30,905,050	21.66	22.82	39,932,873	28.11	28.27	36,971,761	26.25	26.75
Non-French institutional investors	79,964,246	56.04	51.56	70,118,509	49.36	45.05	67,365,641	47.84	42.40
General public	11,104,753	7.78	11.74	15,039,304	10.59	14.60	16,265,341	11.55	15.45
Employees and Group Savings Plan investment funds	3,188,634	2.23	3.33	3,416,928	2.41	3.54	4,502,340	3.20	4.66
Treasury stock	7,420,165	5.20	–	3,426,123	2.41	–	4,733,103	3.36	–
Total	**142,691,231**	**100**	**100**	**142,042,120**	**100**	**100**	**140,818,685**	**100**	**100**

Of the 2.23% of capital held by Group employees, 0.98% are held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

At 31 December 2006, 6.09% of the share capital and 5.06% of the voting rights were held by QIA – Qatar Investment Authority.

At 31 December 2006, the share capital was held by 110,777 shareholders.

(1) Significant investments represent a shareholding above €150 million (less than 3% of the Group's non-current assets).

8-1-8-2 Shareholding thresholds crossed in 2006 as reported on the AMF website

Date of AMF notification	Company	Threshold
10 January	FMR Corp. and Fidelity International limited	Above 5%
14 March	FMR Corp. and Fidelity International limited	Below 5%
19 May	Morgan Stanley & Co International Ltd	Above 5%
31 May	Morgan Stanley & Co International Ltd	Below 5%
6 June	Barclays Plc	Above 5%
20 June	QIA Qatar Investment Authority	Above 5%
26 June	Barclays Plc	Below 5%
29 June	QIA Qatar Investment Authority	Above 5%
29 November	Highfields Capital Management LP	Below 5%

8-1-8-3 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.

8-1-8-4 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 2006 was 168,694,812.

However, in application of AMF regulations, the number of voting rights to be taken into consideration for assessing whether thresholds have been crossed is the gross number, which at 31 December 2006 amounted to 185,214,619.

The total number of voting rights (gross and net) is now published every month at the same time as amount of the share capital.

The percentage of voting rights held by Supervisory Board members was 0.06%.

8-1-8-5 Principal shareholders

Lagardère Capital & Management (LC&M), with 7.08% of the capital and 10.55% 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 Arco, a subsidiary of LC&M. The appointment of Mr. Arnaud Lagardère as general partner of Lagardère SCA was approved by the General Meeting of 13 May 2003.

In accordance with current regulations and the by-laws, the Supervisory Board is granted powers to ensure that no one exercises excessive control over Lagardère SCA (see section 8-2-3).

8-1-8-6 Group to which the Company belongs

Lagardère SCA is the ultimate holding company of the Lagardère Group. See Group organisation at 31 December 2006 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 Arco's proposal to appoint Mr. Arnaud Lagardère as Managing Partner for a six-year term.

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 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 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 basis 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 2006 are as follows:
(in thousands of euros)

Balance sheet	
Assets	
Accounts receivable	**14,014.3**
Cash and cash equivalents	0.4
Total assets	**14,014.7**
Liabilities and stockholders' equity	
Stockholders' equity	13,453.9
Accounts payable	560.8
Total liabilities and stockholders' equity	**14,014.7**

Statement of income	
Operating revenues	0
Operating expenses	21.2
Operating loss	*(21.2)*
Financial income	3,734.8
Financial expenses	0.2
Net financial profit	*3,734.6*
Non-operating profit	*0*
Income tax expense	1,253.5
Net profit for the year	***2,459.9***

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.

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(*).

(*) An amendment to this article to reflect changes in the law will be submitted to the ordinary and extraordinary shareholders' meeting of 27 April 2007.

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[1], 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 partners who manage the Company until the end of the period during which the Company is left without a Managing Partner.

(1) See section 8-2-3 – Powers of the Supervisory Board, paragraph 2) dealing with the appointment or reappointment of a Managing Partner.

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 general 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.

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):

Agreement entered into for the 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 was conditional on approval by the competent anti-trust authorities.

The acquisition price of $537.5 million stated in the agreement was based on the business value (excluding debts and cash), and was subject to adjustment according to certain balance sheet items.

Once all the conditions were fulfilled, the sale was completed on 31 March 2006.

Agreemenst entered into for the investment in Canal+ Group

The agreements signed for the acquisition of Lagardère's investment in Canal+ Group are described in Chapter 5, section 5-2-1-2 – B-2-6.

Agreements entered into with outside investors in Cellfish Media

To accelerate its growth, in the final quarter of 2006 Cellfish Media LLC raised capital from two institutional North American investors (see Chapter 5, section 5-2-1-2 – B-2-4). Under agreements signed on 3 October 2006,

(*) An amendment to the by-laws to reflect changes in the law will be submitted to the ordinary and extraordinary shareholders' meeting of 27 April 2007.

Telecom Media, an investment fund financed by Caisse de Dépôt et Placement du Québec and managed by Trio Capital, and the group Humagade, Inc., an affiliate to Desjardins Capital de Risque, respectively contributed amounts of $40 million and $10 million for holdings of 25.5% and 6.4% in the company. Lagardère North America retained 63.9% of the capital of Cellfish Media.

On 12 January 2007, a third fund, Fonds de Solidarité des Travailleurs du Québec, acquired a holding in Cellfish Media for a contribution of $10 million. Through its subsidiary Lagardère North America, Inc., Lagardère remains the owner of 60.1% of the capital. The shareholder agreement with Telecom Media and Humagade gives them control of Cellfish Media LLC, and as a result Cellfish Media LLC has been accounted for by the equity method since October 2006 in Lagardère's consolidated financial statements.

Agreements entered into for the acquisition of Sportfive and Newsweb

The agreements entered into for the acquisition by Lagardère of Sportfive and Newsweb are described in Chapter 5, section 5-2-1-4 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 2006, particularly the following:

- On 11 April 2006, Lagardère SCA issued a Mandatory Exchangeable Bond totalling €1,992,186,000 redeemable in a number of EADS shares (minimum 53,139,130 shares, maximum 61,110,000 shares depending on the share market price). The exchanges will take place in three tranches on 25 June 2007, 25 June 2008 and 25 June 2009. The bond pays a 7.7% annual coupon. The agreements entered into in connection with this operation are described in Chapter 5, section 5-2-2.
- 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 2006, drawings were nil.
- On 21 January 2001, Lagardère SCA signed a financing contract with a group of private US investors for an amount of $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. A first tranche of $125 million was reimbursed in January 2006.

8 - 4 Real estate property

The total cost of property, plant and equipment belonging to the Lagardère Group (land, buildings, machinery and equipment, assets under construction) is €5,694 million (€1,717 million excluding EADS and €3,977 million for EADS).

Lagardère's property, plant and equipment excluding EADS

This includes the cost of land (€150 million) and buildings (€561 million). The net book value of land and buildings is €417 million, i.e. less than 4% of the balance sheet total excluding EADS. Lagardère property, plant and equipment mainly comprises a real estate development with net book value of €78 million at 31 December 2006, rented under an operating lease to the NMPP group.

EADS property, plant and equipment

The cost of these items includes €996 million for land and buildings, while net book value is €505 million, i.e. slightly over 5% of EADS' balance sheet total.

In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

This page intentionally left blank.

Chapter 9

Recent developments and outlook

9 - 1 Recent developments (since 1 January 2007)

9-1-1 Significant events

- Acquisition of Sportfive: see Chapter 5, section 5-2-1-4 – A
- Reduction of DaimlerChrysler's holding in EADS: see the introduction to section 5-2-2
- Acquisition of an investment in Canal+ France: see section 5-2-1-2 – B-2-6

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) *Lagardère Publishing*

The early part of 2007 has been in line with forecasts for Hachette Livre. Sales were up, partly due to expansion of the Group following the acquisition in April 2006 of Time Warner Book Group USA and Little Brown, BG UK, and partly through business growth in Spain, the UK, and France, particularly in distribution operations once the Group's academic publishers start using the services of the Distribution division from 1 January 2007.

On 28 February 2007, Hachette Livre signed a draft agreement for the acquisition of Pika, the number three publisher in the French manga market. This marks a new stage in the Group's development, taking it into a growing publishing sector and enhancing its graphic novel publishing business with the addition of a genre that is very popular with the modern book-buying public.

B) *Lagardère Active*

It was decided in 2006 to combine the Print Media and Lagardère Active businesses. This will optimise all the operations concerned and accelerate development in the digital markets.

Print Media – Hachette Filipacchi Médias

Magazine distribution made a hesitant start to the year, with advertising revenues lower overall than in 2006. The cost of our primary raw material (paper for magazines) should benefit from our worldwide call for tender launched in late 2006. Our portfolio of titles was adjusted, with some titles repositioned and others discontinued.

Audiovisual and Digital – Lagardère Active SAS

Over January and February 2007, radio and television advertising increased slightly in France compared to the first two months of 2006, and the active increase in foreign radio advertising continued. However, as this is traditionally a low-sales period of the year, and visibility for the rest of the year is particularly limited, these initial results cannot be taken as indicative of any trend for the rest of 2007.

Lagardère Active is continuing its development strategy, focusing allocation of resources to businesses and countries where there are real opportunities to reinforce its leadership. Lagardère Active Radio International thus purchased a Slovakian radio station in March 2007. Lagardère Active now broadcasts on 24 radio stations outside France, attracting a total of 34 million listeners every day.

C) Lagardère Services

Hachette Distribution Services' prospects for growth in 2007 once again depend partly on how air traffic levels evolve under the new constraints brought about by stricter security measures. For retail sales, the early months of 2007 saw trends that followed the increase in air traffic. The main trends at the beginning of 2007 also show a continuation in the decline in print media and tobacco product sales, and the ongoing shift away from traditional sales channels for video, telephone cards and music sales, which were down by some 13% compared to 2006. Globally over the first two months of the year, consolidated sales were stable compared to 2006 based on unadjusted exchange rates.

However, Hachette Distribution Services intends to maintain steady growth in its core businesses throughout and beyond 2007, while at the same time penetrating new markets through internal growth or acquisitions, and a search for geographical or operational complementarities with existing businesses. In retail sales, the objectives focus on:
- further development of business in the Asia/Pacific region and Central Europe,
- development of specialist sales outlets (in airports), particularly outside France,
- adaptation of new commercial concepts in travel areas,
- the emergence of new e-trading activities.

9-1-3-2 EADS

Information on current trends for EADS was published in the EADS press release dated 9 March 2007 (www.eads.net).

9-1-4 Change in consolidation method for joint ventures from 1 January 2007

With effect from 1 January 2007, in application of the option allowed by IAS 31, "Interests in Joint Ventures", Lagardère will account for investments in joint ventures by the equity method as an alternative to the standard proportional consolidation.

This change of method will apply to all joint ventures and is intended to provide a better reflection in the consolidated financial statements for 2007, 2008 and 2009 of the changes in Lagardère's holding in EADS as a result of the issue of Mandatory Exchangeable Bonds in 2006. The basis for consolidation of EADS will be reduced to approximately 12.5% in June 2007, then to 10% in June 2008 and 7.5% in June 2009.

Below are pro forma financial statements for 2006 and 2005 applying this new method.

Proforma consolidated income statement including EADS under the equity method	2006 Media and Other Activities	2006 EADS	2006 Total	2005 Media and Other Activities	2005 EADS	2005 Total
Net sales	**7,910**	**–**	**7,910**	**7,722**	**–**	**7,722**
Recurring operating profit before associates	**521**	**–**	**521**	**487**	**–**	**487**
Income from associates	81	23	104	75	266	341
Other	(40)	–	(40)	(67)	–	(67)
Profit before finance costs and tax	**562**	**23**	**585**	**495**	**266**	**761**
Finance costs, net	(174)	–	(174)	(53)	–	(53)
Income tax expense	(92)	–	(92)	(11)	–	(11)
Profit for the year	**296**	**23**	**319**	**431**	**266**	**697**
– Attributable to equity holders of the parent	**268**	**23**	**291**	**404**	**266**	**670**
– Attributable to minority interests	**28**	**–**	**28**	**27**	**–**	**27**

Proforma consolidated cash flow statement including EADS under the equity method	2006 Media and Other Activities	2006 Dividend received from EADS	2006 Total	2005 Media and Other Activities	2005 Dividend received from EADS	2005 Total
Cash generated from operations	**775**	**80**	**855**	**643**	**61**	**704**
Interest paid and received and income taxes paid	(187)	–	(187)	(204)	–	(204)
Net cash from operating activities	**588**	**80**	**668**	**439**	**61**	**500**
Cash used in investing activities	**(1,259)**	**–**	**(1,259)**	**(243)**	**–**	**(243)**
Purchases of intangible assets and property, plant and equipment	*(154)*	–	*(154)*	*(159)*	–	*(159)*
Purchases of investments	*(1,105)*	–	*(1,105)*	*(84)*	–	*(84)*
Proceeds from disposals of non-current assets	**194**	**–**	**194**	**77**	**–**	**77**
Intangible assets and property, plant and equipment	*43*	–	*43*	*14*	–	*14*
Investments	*151*	–	*151*	*63*	–	*63*
Sales of short-term investments	**5**	**–**	**5**	**583**	**–**	**583**
Net cash from (used in) investing activities	**(1,060)**	**–**	**(1,060)**	**417**	**–**	**417**
Total cash from (used in) operating and investing activities	**(472)**	**80**	**(392)**	**856**	**61**	**917**

Proforma consolidated balance sheet including EADS under the equity method	**31 December 2006**			**31 December 2005**		
	Media and Other Activities	EADS	Total	Media and Other Activities	EADS	Total
Non-current assets	**6,471**	**1,388**	**7,859**	**5,808**	**1,292**	**7,100**
Current assets	**4,914**	**–**	**4,914**	**3,413**	**–**	**3,413**
Including: short-term investments and cash and cash equivalents	*1,633*	*–*	*1,633*	*837*	*–*	*837*
Total assets	**11,385**	**1,388**	**12,773**	**9,221**	**1,292**	**10,513**
Equity	**3,433**	**1,388**	**4,821**	**3,143**	**1,292**	**4,435**
Non-current liabilities	**3,131**	**–**	**3,131**	**2,161**	**–**	**2,161**
Including: non-current debt	*2,309*	*–*	*2,309*	*1,280*	*–*	*1,280*
Current liabilities	**4,821**	**–**	**4,821**	**3,917**	**–**	**3,917**
Including: current debt	*1,369*	*–*	*1,369*	*648*	*–*	*648*
Total equity and liabilities	**11,385**	**1,388**	**12,773**	**9,221**	**1,292**	**10,513**

9 - 2 Outlook

9-2-1 Lagardère Media

The trends observed over the first two months of the year are consistent with Group expectations. The 2007 target for growth in the Media segment's recurring operating profit before associates has been set at "between +3% and +7%" based on the following assumptions:

- a euro/dollar exchange rate of 1.30 (compared to 1.25 in 2006),
- non-inclusion of Lagardère Sports, which will be consolidated for the first time in the first quarter of 2007,
- based on pro forma 2006 figures, not including joint ventures which will be accounted for under the equity method. The Media segment's recurring operating profit before associates referred to as the benchmark for 2006 is €520 million.

9-2-2 EADS

Information on current trends for EADS was published in the EADS press release dated 9 March 2007 (www.eads.net).

9 - 3 Earnings forecasts

None.

Chapter 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 will be freely accessible on the Company's website (www.lagardere.com). They can currently be found in the "Financial Information" section and from the end of April 2007 will be accessible through "Investor Relations" and "Private Shareholder Relations".

• 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 most recent fiscal years.

• Annual information document.

Chapter 11

Cross-reference index

This index 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	**Numbers(*)**

(*) Refers to chapter and section numbers of the Reference Document.

Information	Numbers(*)

(*) Refers to chapter and section numbers of the Reference Document.

(*) Refers to chapter and section numbers of the Reference Document.

Document prepared by Direction des Relations Humaines et de la Communication of Lagardère SCA
Design: David Garchey (www.davidgarchey.com)
Production: BRIEF
Translation: JH Communication

Lagardère

Annual Report 2006

Reference Document Year 2006

www.lagardere.com