Lagardère

Reference Document

Year 2007

Lagardère SCA
A French limited partnership with shares capital of € 818,213,044.60
Head office : 4 rue de Presbourg - 75016 Paris (France)
Telephone: + 33 (0) 1 40 69 16 00
Commercial Register 320 366 446 RCS Paris
Website: http://www.lagardere.com

Reference Document

Exercise 2007

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 April 3, 2008 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

Exercise 2007

Summary

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

• Arjil Commanditée-Arco, 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, stating 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 2008

Arnaud Lagardère

For Arjil Commanditée-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 *Member of the Versailles Regional Institute*	29 June 1987	2011
Mazars & Guérard *represented by* Mr. Jacques Kamienny 61 rue Henri-Regnault 92400 Courbevoie, France *Member of the Versailles Regional Institute*	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 92400 Courbevoie, France	20 June 1996	2008

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

Chapter 2

Consolidated key figures for 2007

2 - 1 Consolidated key figures

(in millions of euros)	2007	2006 restated (*)
Net sales	**8,582**	**7,910**
Recurring operating profit before associates	**636**	**521**
Non-recurring items	211	(40)
Income from associates	20	104
Profit before finance costs and tax	**867**	**585**
Finance costs, net	(204)	(174)
Income tax expense	(99)	(92)
Profit for the year	**564**	**319**
Profit attributable to minority interests	*30*	***28***
Profit attributable to equity holders of the parent	**534**	**291**
Equity	4,659	4,610
Net indebtedness	2,570	2,045
Capital expenditure	1,389	1,259

(*) The comparative figures for 2006 have been restated with retrospective application of the equity method to jointly-controlled entities, and the recognition in equity of actuarial gains and losses on provisions for pensions and similar obligations (see notes 1 and 5 to the consolidated financial statements).

2 - 2 Per share data

(in euros)	2007		2006 (1)	
	basic	diluted (2)	basic	diluted (2)
Consolidated profit attributable to equity holders of the parent, per share	4.03	3.99	2.13	2.09
Equity attributable to equity holders of the parent, per share	34.47	34.21	32.93	33.11
Cash flow from operations before change in working capital	5.99	5.95	6.17	6.07
Market price at 31 December	51.29		61	
Dividend	1.30 (3)		1.20	

(1) Per share data for 2006 is based on the restated financial statements incorporating retrospective application of the equity method to jointly-controlled entities, and the recognition in equity of actuarial gains and losses on provisions for pensions and similar obligations (see notes 1 and 5 to the consolidated financial statements).

(2) Including the effect of dilutive stock options and free shares granted to employees.

(3) Dividend to be approved by the General Meeting of Shareholders on 29 April 2008.

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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.

Careful 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.

The Group takes internal measures to strengthen the risk control culture through information-sharing and consciousness-raising, and to reinforce the specific visibility of certain emerging risks and the capacity to cope with emergencies.

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 Liquidity risks

Total borrowings exclude the Mandatory Exchangeable Bonds which are redeemable in EADS shares (see Chapter 6, note 25-3 to the consolidated financial statements) but include the value of hedging instruments (see note 25-4 to the consolidated financial statements). The share of bond borrowings decreased from 40% to 31% of total borrowings.

The liquidity risk is not significant since debt maturing within two years (excluding Mandatory Exchangeable Bonds) amounts to €850 million, whereas cash and short-term investments total €869 million and unused credit line facilities €1,721 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 totalling US$375 million and July 2003 totalling US$38 million and €116 million;
- structured loans obtained in July 2003 totalling €70 million and December 2005 totalling €151 million.

The ratios are calculated every six months on the basis of the consolidated financial statements.

At 31 December 2007, the above ratio covenants were all satisfied.

3-1-3 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 note 25-4 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 €733 million. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group's €2,108 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 would only concern the variable-rate portion of total borrowings (excluding Mandatory Exchangeable Bonds) that is not offset by surplus cash, i.e. a total of €1,375 million. A one point increase in interest rates would result in an annual additional expense of €14 million.

3-1-4 Exchange rate risks

The Group's exposure to foreign exchange rate risks on commercial transactions is limited owing to the nature of its business activities in France and in foreign countries. At 31 December 2007, foreign currency transactions to hedge this exposure only comprise forward currency sales agreements amounting to €25 million, and forward currency purchase agreements amounting to €49 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 2007, currency swaps were entered into for periods of less than three months, and renewed at the end of each quarter. Based on foreign exchange rates at 31 December 2007, the market value of these swap agreements represented a positive fair value of €5 million.

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 risks

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

Companies	Number of shares held	Percentage interest at 31 December 2007	Market price on 31 December 2007 *(in euros)*	Market value at 31 December2007 *(in euros)*
Lagardère SCA	4,010,793	2.99%	51.29	205,713,573
EADS	101,853,852	12.51%	21.83	2,223,469,589
Deutsche Telekom (formerly T-Online)	2,836,835	0.07%	15.03	42,637,630
Viel et Cie	8,917,677	12.45%	4.80	42,804,850

Changes in the value of treasury stock directly or indirectly held by Lagardère 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. Also, as a result of the April 2006 issue of Mandatory Exchangeable Bonds (see note 25-3), the Lagardère Group is guaranteed a price of no less than €32.60 per EADS share for 40% of its total investment.

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 €43 million, i.e. their trading price on 31 December 2007.

The investment in Viel et Cie is included in "Other non-current assets" at the amount of €43 million, corresponding to their trading price on 31 December 2007.

3-1-6 Credit risks

The credit risk represents the risk of financial loss for the Group in the event of default by a customer or debtor on its contractual obligations. This risk mainly relates to trade receivables.

The Group's exposure to credit risk is not considered significant in view of the types of market in which its various businesses are positioned and the associated customer types.

Customer credit generally amounts to less than 15% of total consolidated assets, and provisions remain stable from one year to the next at below 10% of total credit outstanding.

Credit risk management is decentralised to each division, in accordance with the specificities of the relevant market and customer base. Overall, the Group has never experienced a significant rate of default.

Both in and outside France, most receivables concern local customers and no single customer represents a high percentage of the sales concerned. For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (external ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, steps are taken for progressive introduction of monitoring procedures appropriate for credit risks.

3 - 2 Legal risks

3-2-1 Special regulations applying to the Group

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 **press and audiovisual production operations**, the Group is subject, in particular, to the laws and regulations concerning copyright, libel, image rights and the respect of privacy.

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 and 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** (including the management of marketing and audiovisual rights) are subject to the relevant legislation, in particular the restrictions on tobacco and alcohol advertising, gambling laws and the laws concerning misleading advertising.

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 terms for attribution of radio and TV broadcasting frequencies and radio and TV channel and programme broadcasting (terms transposed into the licence agreements signed with the relevant broadcasting authority), the antitrust system and the broadcasting authority's powers to verify compliance and apply sanctions. The Group was one of the operators invited by the French broadcasting authority in 2007 to submit a proposal for licences to offer personal mobile TV broadcasts.

In the countries where it exercises its **sports sector activities**, the Group is subject to the national and local laws governing sports-related bodies, particularly national federations and supranational organisations, primarily for football.

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).

As the Lagardère brand is being increasingly used through the Group's business, in view of the resulting exposure the Group has set up a wide-ranging policy to extend international protection of the Lagardère name, which will be pursued in 2008. The aim of the policy is to cover areas where the Group does not currently operate but which have development and growth potential for the future, such that protection for the Lagardère brand will be established in all the continents. As a factor for clear identification and unification, the name is also an asset in its own right and the Group intends to protect and develop it as such.

The Group's operating units also own a large number of indisputably well-known brands, which they manage and protect directly.

3-2-3 Dependency of the Company on certain contracts – Major customers

The operations of Lagardère Active, Lagardère Services and Lagardère Publishing are highly sensitive to market conditions and have very short economic cycles. They are mass market oriented with a widely diversified customer base, and are not dependent on any particular contracts.

Lagardère Sports' operations vary with the time of year as a result of the sports seasons. However, this division has little exposure to economic environment risks, as (i) the average duration of contracts is fairly long, and (ii) its business is spread across a wide range of countries and events. Given the large number of customers, dependence on customers is low.

3-2-4 Risks associated with pending litigation

The main litigation and claims involving the Group are presented in note 30-2 to the consolidated financial statements for 2007 (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 24-2 to the consolidated financial statements for 2007.

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

Many changes are due to take place in the laws governing audiovisual activities in France, such as stricter regulation on advertising and child protection, and amendments to the laws for audiovisual production, anti-copyright theft, etc. The impacts for the various actors concerned, including the Lagardère Group, cannot currently be reliably estimated.

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.

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. Following the sale of the Group's last remaining printing operations at the end of 2007 (sale of the regional daily press operations), only activities primarily related to the warehouses of the Press, Publishing, Services and Automobile replacement parts divisions are potentially exposed, and the specific 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. For flood risk management, Lagardère Active and Lagardère Publishing have a business continuity plan for potentially affected properties, including preventive and curative measures to ensure the safety of people and property, and protection against business interruption.

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 2007 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 cumulative ceiling of €1 million.

Insurance policies concerning EADS are taken out and managed under EADS' sole responsibility, and are described in EADS' 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 2007 and for the year 2008, 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 coveragee

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. 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 million 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 2008, the global budget for the main insurance policies subscribed by the Group is an estimated €13.4 million (excluding collective insurance) distributed as follows:

- Damage/loss, and business interruption: €4.5 million;
- Civil liability: €3.4 million;
- Other (mainly automobile, transport, exhibitions, personal insurance and filming insurance): €5.5 million.

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.

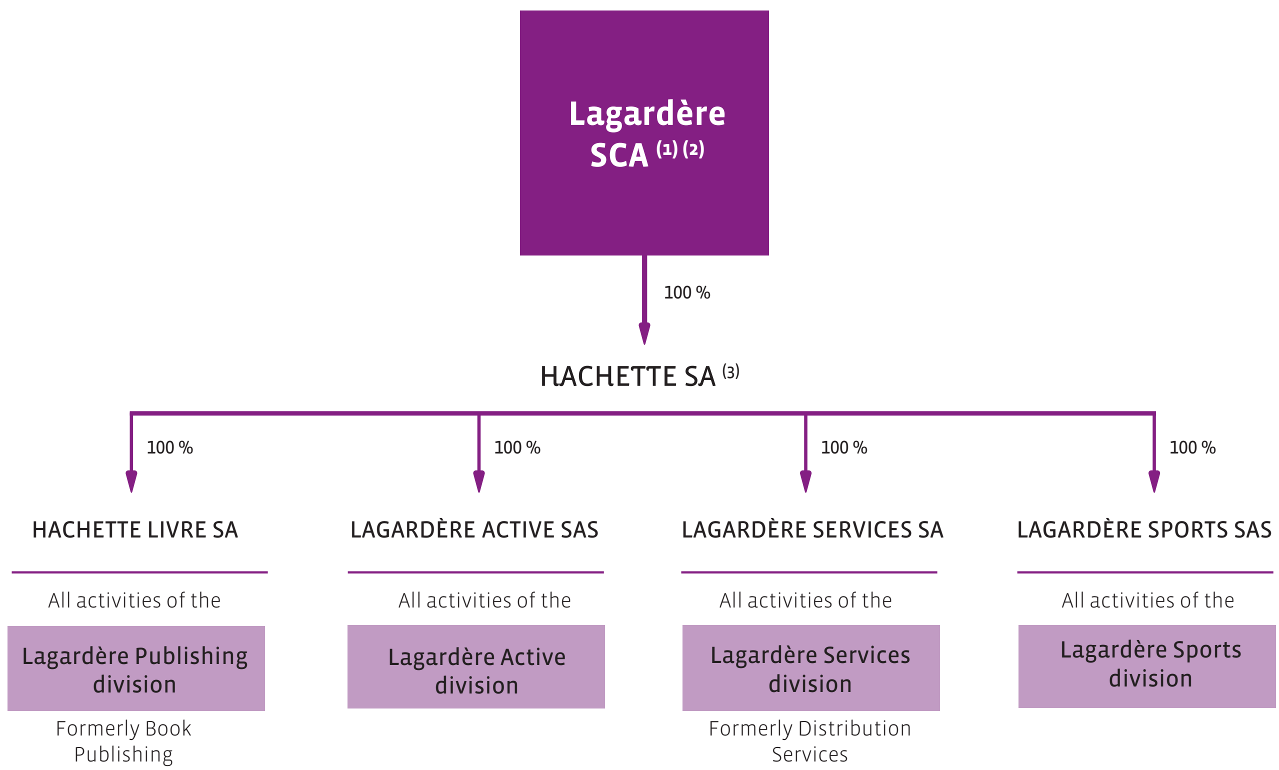
Since then, the following changes in the Group's structure have taken place:

- 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 – which held all Matra Hachette's aerospace businesses – 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 NV, in which Lagardère SCA indirectly held an interest of approximately 15%. This interest was reduced to 12.51% at the end of 2007 following the sale of 2.5% of EADS' capital in June. It will be further reduced to approximately 7.5% over the period June 2008/June 2009, through the sale of two tranches of 2.5% of EADS' capital.

- 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, replaced in 2007 by 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.
- Finally, 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;
  - IEC in Sport, a Swedish company specialised in the management of sports rights.

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

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 financial information, by division and by geographical areas.



(1) Organisation at 1 March 2008.

(2) At 31 December 2007, Lagardère also held a 20% interest in Canal+ France and a 12.51% interest in EADS, both accounted for by the equity method.

(3) Hachette SA is the ultimate holding company for all Lagardère's media operations (Lagardère Media).

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, owned via the 100%-controlled holding company Hachette SA, are:

- **Hachette Livre**, a 100%-controlled French company that is the holding company for the Lagardère Publishing division.
- **Lagardère Active SAS**, another 100%-controlled French company that is the holding company for the Lagardère Active division and holds the Group's investments in the press, audiovisual (radio, TV, production), advertising space sales, and digital sectors via several sub-holding companies.
- **Lagardère Services**, also a 100%-controlled French company, the holding company for the Lagardère Services division (Relay outlets, airport shops and Virgin stores[1]).
- **Lagardère Sports SAS**, another 100%-controlled French company, set up as the holding company for the subsidiaries in the new Sports division, including Sportfive.

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 Chapter 6, section 6-8) concerning the amounts paid by Group subsidiaries to Lagardère Ressources;
- in section 7-4-3-1, C 2 concerning the principles governing commitments and cash flows between Lagardère SCA and its subsidiaries.

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 not capitalised.

(in millions of euros)	**2006**	**2007**
Lagardère Media	149	218
Other Activities	5	9
Total	**154**	**227**

4-4-1-2 Purchases of investments

(in millions of euros)	**2006**	**2007**
Lagardère Media	1,030	1,155
Other Activities	75	7
Total	**1,105**	**1,162**

(1) Until the end of February 2008.

4-4-2 Major investments in 2006

4-4-2-1 Time Warner Book Group

See Chapter 5, section 5-2-1-1 – B 2) of the French Reference Document for 2006 filed with the French Financial Market Authority (AMF) on 3 April 2007

4-4-2-2 Newsweb

See Chapter 5, section 5-2-1-4 – B) of the French Reference Document for 2006 filed with the French Financial Market Authority (AMF) on 3 April 2007.

4-4-2-3 Canal+ France

See Chapter 5, section 5-2-1-2 – B 2-6) of the French Reference Document for 2006 filed with the French Financial Market Authority (AMF) on 3 April 2007.

4-4-3 Major investments in 2007

4-4-3-1 Sportfive

Value of the transaction: €859 million – (See Chapter 5, section 5-2-1-4 – A 1-1)

4-4-3-2 Jumpstart

Value of the transaction: €61 million – (See Chapter 5, section 5-2-1-2 – B 2-8)

4-4-3-3 IEC In Sport

Value of the transaction: €39 million – (See Chapter 5, section 5-2-1-4 – A 1-2)

4-4-3-4 Nextedia

Value of the transaction: €48 million – (See Chapter 5, section 5-2-1-2 – B 2-8)

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. At the end of 2007, Lagardère also held a 12.51% strategic share in the EADS group, which will be reduced to 7.5% by June 2009.

At the end of 2006, Lagardère stepped up 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 today: 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 looking to the future and attentive to the demands of today's globalised market, the Group is demonstrating its capacity to reinvent itself in response to changing lifestyles in the digitally mobile age.

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The Group's decision at the end of 2006 to merge its **magazine publishing** and **audiovisual** businesses to form a new operating division called **Lagardère Active** paved the way for streamlining of its portfolio of business activities and instatement of a new management structure in 2007. Also on the agenda was the continuing strategy of transition to **digital media**, to boost growth and profitability.

More precisely, the Group has embarked on a plan aimed at:

- enabling the «magazine» division to focus on segments and geographic areas that offer solid growth potential;
- setting up the foundations of the Lagardère Active division, which aims to become the leading producer of editorial, particularly digital, contents and their aggregation across a range of markets in which the Group is already active.

Lagardère Active's strategy remains firmly focused on the six priorities defined at the start of the year:

1. the implementation of a new, more marketing and digital-oriented corporate culture,
2. a policy of streamlining the portfolio of business activities, including discontinuation of some magazines, disposal of certain insufficiently profitable international operations or their replacement by licence agreements, and sale of the photograph agency business and interests in regional daily newspapers,
3. the determination to enhance profitability by implementing a cost savings plan in the order of €70 million for a full year by 2009,
4. a policy to restimulate certain traditional activities (magazines, radio, audiovisual),
5. formation of an advertising sales agency combining the businesses of Interdéco (print media) and Lagardère Active Publicité (audiovisual media), to create a fuller and more innovative cross-media offer to adapt to the changing requirements of buyers. Through the synergies created, this merger should also improve staying power in the face of the current decline in growth in the magazine publishing sector,
6. the continued implementation of an ambitious digital strategy, combining organic growth and external growth, as and when opportunities arise. By the end of 2009, digital revenue is expected to represent 5% to 10% of Lagardère Active's total revenues, depending on acquisition opportunities (compared to less than 1% in 2006).

The management has set itself the following objectives to be achieved by 2010:

- improve the profitability of the division,
- accelerate the pace of the transition to digital and develop a strong cross-media presence on certain editorial segments for a global audience, including women's interests and cars.

Concerning Lagardère's share in Canal+ France (the Canal+ group's pay television business), the agreement signed in 2006 provides full latitude for action between now and 2010 (maintaining the share at 20%, increasing it to 34% or applying the liquidity clause).

Already the leader in France for television drama, the Group will continue to implement a growth strategy, taking advantage of any opportunities arising from the reshaping of relations between broadcasters and producers following the shift in the standard French format for drama series from 90 to 52 minutes, and by stepping up initiatives with the aim of becoming a key player in entertainment programmes for immediate broadcast.

In the field of **book publishing**[1], **Lagardère Publishing** gave priority to the three major language groups, English, French and Spanish, (education, general literature, illustrated books, Youth, practical guides, etc.) which together represent 60% of the world market. The largest European publisher and second-largest worldwide, Hachette Livre is therefore one of the leading players on a market where its most powerful rivals are mainly from the United Kingdom, the United States and Germany.

(1) Lagardère's Book Publishing Division is now called "Lagardère Publishing".

The strategic evolution of Hachette Livre has been rolled out at international level since in 1996, drawing first on the success of the "part works" business, then continuing by significant acquisitions such as the takeover of the assets of Editis (Vivendi group) in 2003, Hodder Headline in the United Kingdom 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. Hachette Livre also improved its profitability, which is now 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 will depend on expansion in certain industrialised countries (particularly the United States, the United Kingdom 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 appropriate products for the new consumer trends (correct formats, availability through various distribution channels and media, including electronic). The arrival of digital technology and the Internet represents an opportunity. One example is education and practical guides, domains in which Hachette Livre has developed a range of interactive educational products and services available through an extranet, providing resources for teachers. The company also runs websites specialised in tourist information.

In the **distribution and services**(1) business, **Lagardère 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.

Lagardère Services continued to develop retail activities in 2007, testing new commercial concepts and renewing a large number of franchise agreements in train stations and airports. Lagardère Services' subsidiaries signed new press distribution contracts in Europe, North America and Asia, thereby reinforcing their unique expertise as a specialist distributor of communication products.

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

Under the strategic policy of developing business in transport locations, an agreement was signed in December 2007 for sale of a majority investment in Virgin Stores to Butler Capital Partners. Virgin Stores is a market leader in France in the distribution of cultural and entertainment products.

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**, in early 2007 Lagardère acquired 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 high growth potential media contents 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 for acquisition of 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 June 2007 Lagardère acquired the Swedish company IEC (International Events and Communication in Sports) which specialises in negotiating media rights.

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).

(1) Lagardère's "Distribution Services" division is now called "Lagardère Services".

5 - 2 The Group's principal activities and main markets – Operations during 2007

5-2-1 Lagardère Media

Media					
	2003	2004	2005	2006 Restated	2007
Contribution to consolidated net sales	7,944	7,501	7,901	7,910	8,582
Contribution to consolidated operating income	427				
Contribution to consolidated recurring profit before associates(1)		470	503	520	636
Number of employees	26,239	30,786	30,863	31,528	32,810

(1) Reccuring operating profit before associates (as defined in note 3-3 of the consolidated financial statements).

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

5-2-1-1 Lagardère Publishing

A) *Principal activities and main markets*

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

In 1st position in France, the United Kingdom and Australia & New Zealand, 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 satisfy its readers' thirst for knowledge, culture and entertainment.

This mission is today accomplished by 7,537 employees who contribute to the growth and long-term presence of the Group.

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 business line, so the Group can capitalise on the most buoyant segments and the most dynamic markets.

* * *

With this strong balance established, in 2007 the companies in the Division achieved sales of €2,130 million (base: contribution to Lagardère's consolidated net sales).

Of the total 7,537 people employed in 2007, 2,926 worked in France, 1,830 in the United Kingdom, 1,167 in Spain and 847 in the United States.

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, the Group 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 network and the commitment of its qualified employees.

The autonomy of the publishing houses, which are independent and fully responsible for their own creative processes 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, good supply to the paperback sector and licensing and character merchandising opportunities.

Central management functions allow the Group to take advantage of economies of scale, 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 France's leading publishing group: in its main markets, against such prominent competitors as Editis, Gallimard, Flammarion, Albin Michel, La Martinière-Le Seuil and Media Participations, Hachette Livre occupies the leading position both on fragmented markets (general literature) and traditionally more concentrated segments (such as textbooks and dictionaries).

Outside France, Hachette has succeeded in moving up from 13th to 2nd position worldwide in the space of a few years, in the face of major competitors such as Pearson, McGrawHill Education, Random House, Scholastic, De Agostini, HarperCollins and Holtzbrinck.

A - 1 *Activities in France*(1)

The *Literature* Division comprises prestigious publishing houses: Grasset, Fayard, Stock, Calmann-Lévy, Lattès, Hachette Littératures, Le Livre de Poche and Harlequin. Each has its own predominant lines, but remains in competition with the Group's other publishing houses, as well as those of rival publishing groups.

Hachette Illustré covers the entire range of illustrated works, from the 'useful' to the 'entertaining'. The number one 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.

Hachette Livre is France's leading publisher(2) of *textbooks* through two separate entities, Hachette Education and the Alexandre Hatier group. These sub-groups comprise reputed publishers such as Hatier, Didier and Foucher and strong brand names – Bled, Bescherelle, Littré, Gaffiot – who also put Hachette Livre in 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 40% of its sales outside France. It has become a particularly well-established brand in Latin America.

Part-works are published by the *Encyclopaedias* and *Collections Division*, which has seen considerable international expansion particularly in Europe and Asia, in Spain through the subsidiary Salvat Editores, in the United Kingdom, Japan, Poland and Italy (with Hachette Fascicoli). Its marketing skills and capacity to create new products make it the no. 2 player worldwide and a real asset for the global performance of Hachette Livre.

The Division's *Academic* and *Professional* business segment 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 network managed from the national centre in Maurepas, in the Greater Paris Region. Hachette Livre handles 251 million copies per annum and supplies 12,000 bookshops, newsstands and supermarkets in France. Hachette Livre Distribution, the no. 1 distributor in France, also operates in Belgium, Switzerland and French-speaking Canada.

A - 2 *Activities outside France*(3)

In the United Kingdom, Hachette Livre is the leading trade publisher, with seven divisions: Octopus, for illustrated books, Orion, Hodder Headline and Little, Brown for general literature, Chambers Harrap's in the dictionaries sector and Hachette Children's Books Group in the youth sector.
These publishing houses and their different brand names have also enabled Hachette Livre to develop operations in Australia and New Zealand, where the Group occupies the leading position.
Hachette Livre is also a key player in the textbook market with Hodder Education, which is in second position for middle school and high school textbooks.
Hachette Livre has a distribution activity in the United Kingdom via its 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. Like Bruño, Anaya is active in educational publishing, and is also present in the extra-curricular, general literature and youth segments. In addition, Salvat Editores, a publishing house with operations in Spain and Latin America, provides the Group with significant business in Part-works and its position as Spain's second largest publisher of Reference works.

In the United States, Hachette Livre is the 5th largest trade publisher, with five publishing houses. Grand Central Publishing (formerly Time Warner Books) and Little, Brown Adult on the general literature market, Young Readers on the Youth segment, Nashville on the Religious literature segment and Audiobooks on the fast-growing market for audio books.
Hachette Livre also has a distribution activity in the United States.

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

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

B) *Operations during 2007*

Contribution to consolidated sales 2007: €2,130 million

Distribution of sales by activity – France	
	2007
Education	28%
General literature	18%
Illustrated books	20.7%
Academic and professional	4.7%
Other	28.6%
Total sales	**100%**

Distribution of sales by geographic area	
	2007
France	31.8%
United Kingdom	21.3%
United States	16.5%
Spain	9.8%
Other	20.6%
Total sales	**100%**

2007 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 Group's geographic expansion was also confirmed in the Spanish language group with the acquisition of textbook publishers Patria in Mexico and Escala in Brazil, and consolidation of the Group's positions in France through the acquisition of Pika, a publisher of mangas, and in the United Kingdom, with the acquisition of Piatkus, a publisher of popular novels and practical works.

2007 was also marked in France by the decision to develop the market for audio books through joint creation with Albin Michel and France Loisirs of the company Audiolib. The first titles will be available from February 2008.

With sales of €2,130 million, Hachette Livre generates approximately 68% of its sales outside France and remains faithful to its model: combining a balanced portfolio of activities with profitable growth.

B - 1 *France*

In *Literature*, 2007 was marked as anticipated by the waning of the Dan Brown phenomenon at Lattès, counterbalanced by the success of Simone Veil's *Une Vie* and Philippe Claudel's *Le Rapport de Brodeck* (which won the *Goncourt des Lycéens* prize) at Stock. This publishing house also won the *Prix du Roman de L'Académie Française* for *Ap J.C.* by Vassilis Alexakis, while Grasset won the *Médicis* essay prize for *L'année de la pensée magique* by Joan Didion. Fayard enjoyed considerable success in Non-Fiction, while Le Livre de Poche enjoyed a second year of growth thanks to good sales for new novels, particularly Philippe Grimbert's *Un secret*.

In *Education*, Hachette Education and the Hatier group performed well on a textbook market that was expanding for the middle school sector, with the continuing reform of 3rd year scientific subjects and 2nd year English, and in the primary school sector.

Hachette International, following a successful bid in 2006 in response to a call for tenders issued by *La Coopération technique Belge* on behalf of the Democratic Republic of Congo, delivered 3.8 million copies of a French textbook for 2nd and 3rd grade primary school classes.

On the market for *Illustrated Books* for the general public, Hachette Illustré had an excellent year, both in the high-growth market for practical works, with resounding successes at Marabout and Hachette Pratique, and in the Youth sector, with good performances from novels in their original large format editions, licences (Charlotte aux Fraises) and the success of *Ratatouille* titles for Disney Jeunesse, and in Tourism, which saw a return to growth with the rising popularity of short trip collections.

In *Reference works* (Encyclopaedias) and *Dictionaries*, the corrective measures taken at Larousse the previous year at both organisational and editorial levels produced a tangible improvement in the results this year, despite the expected decline in business. The 2008 edition of the *Petit Larousse Illustré*, which went on sale at the end of 2007, met with considerable success. Another remarkable success was the *Larousse Gastronomique*. The entire print run of the modern, revamped new edition – the first in fifteen years – sold out in record time.

In the *Academic and Professional* sector Armand Colin had a good year on two segments, works for the general public and competitive examinations, while business levels were stabilised at Dunod as the fall in Academic sales in a declining market was offset by growth in the Professional segments.

In *Distribution*, the major event of 2007 was the successful merger effective from 1 January in the academic business segment (Dunod and Armand Colin), which involved the absorption of an additional ten thousand references and the transfer of a stock of six million copies to Hachette Livre. The new business activity of mail order book sales on behalf of publishers such as Masson and Dalloz was also introduced. Books ordered directly from these publishers are now delivered and invoiced to the customer on their behalf by Hachette Livre.

B - 2 *Outside France*

The United Kingdom: for *Literature*, Hachette Livre UK strengthened its leading position with a number of best-selling Non-Fiction works (R. Brand's *My Booky Wook* from Hodder Headline, R. Hammond's *On the Edge* from Orion, Ewan McGregor and Charley Boorman's *Long Way Down* from Little, Brown). Meanwhile in Fiction, Hodder Headline had a particularly prosperous year, with Jed Rubenfeld's novel *The Interpretation of Murder* achieving sales of one million copies after winning the "Best Read of the Year" award on Channel Four's Richard and Judy show, and Martina Cole achieving her customary success with *Faces*. Ian Rankin's *Exit Music* from Orion and Patricia Cornwell's *Book of the Dead* from Little, Brown provided Hachette Livre UK with 19 inclusions in the Sunday Times' December bestseller list, which has 45 entries in five different categories. Hachette Livre UK published a total of nine books in the top fifty bestsellers of 2007 in the United Kingdom.

In *Education*, 2007 was marked by a decline in the textbook sector due to the absence of educational reforms, prior to changes in the *A-level* and *Key Stage 3* curricula scheduled for 2008.

On the market for *Illustrated Books*, results at Octopus improved compared to 2006, particularly in the export of co-editions in foreign languages and to the US market.

Business in Australia again enjoyed strong expansion in 2007 with the successful merger of Little, Brown and Orion in sales and distribution.

Spain and Latin America: In *Education*, Anaya registered an excellent performance, particularly in the pre-school and middle school sectors with the reform of levels 1 and 3, while sales in the primary school sector declined following the provision of free textbooks in the Andalusia region in 2006. Bruño also enjoyed growth in the middle school sector.

2007 was also a good year for Anaya and Brunõ in *General interest books*, particularly in the computing segment for Anaya and with the publication of *Asterix and friends* for Brunõ.

In Mexico, Larousse's performance was variable, with good growth in the trade sector hampered by a decline in textbooks.

In the United States, Hachette Book Group USA had a record year in the Adult category with five new books from James Patterson, published by Little, Brown, and the success of Stephen Colbert's *I am America* at Grand Central; and in Teen Reads with the publication of *Eclipse*, the third book in Stephenie Meyer's saga. These performances and those of flagship authors such as David Baldacci, Anita Shreeve and Nicholas Sparks, together with a large number of lesser-known authors, gave Hachette Book Group USA 82 books in the New York Times' bestseller lists in the hardcover fiction category, thirteen in the trade size paperback category, fourteen in mass market paperbacks and twenty-two in the Youth category.
Hachette Book Group USA also signed contracts for the memoirs of Ted Kennedy and Ted Turner, and with Tom Wolfe for his next novel, scheduled for publication in 2009.

On the markets for *Part-works*, 2007 saw further growth despite the decline in backlists on mature country markets, which was counterbalanced by a strong programme of new titles in Italy and the United Kingdom, and growth in Germany, Japan and Latin America, where the strategy of repeating the major European successes continued to bear fruit, providing a new source of future growth.

B - 3 *Disposals of assets*

Hachette Livre sold the Bruño warehouse in Spain after Anaya took over distribution.

B - 4 *Investments*

With the acquisition of *Pika Editions* in February 2007, Hachette Livre entered the high-growth market of manga publishing in France, reaching third position.

In the United Kingdom, the acquisition of *Piatkus*, a publisher of popular novels and practical works, including bestsellers by Nora Roberts and David Allen, strengthened the market positions of Little, Brown on the UK trade market.

Hachette Livre also continued to implement a policy of reinforcing its market positions in the Spanish language group, with the July acquisition of majority investments in the textbook publishers *Escala Educacional* in Brazil, and *Patria Cultural* in Mexico.

C) Outlook

Strengthened by its new position as the second-largest book publisher worldwide, Hachette Livre intends to continue the strategy announced over the past few years:

- To reap the benefits of synergies made possible by the recent acquisitions, its new size and its diversity, particularly by coordinating international resources to seize hitherto inaccessible opportunities, with priority given to English and Spanish. An in-depth examination of the relations between Hachette Livre UK and Hachette Book Group USA is under way, to identify potential synergies, particularly in terms of the acquisition of rights.
- To expand the Group's reach to new geographic frontiers, particularly India, where a Hachette Livre UK subsidiary has been set up. Its initial mission is publishing books for which the Group holds the English language rights for the Indian market, with the longer-term aim of becoming a fully-fledged Indian publishing house.
- To continue to implement an aggressive digital strategy: a digital strategy cell has been set up within Hachette Livre's general management. Its mission is to identify opportunities and take the requisite initiatives to ensure the Group's leadership in the field of digital technology across the value chain: rights, storage, sales, marketing and promotion. In the United States, following a call for tenders, the company LibreDigital was chosen to handle the digitisation, encoding and warehousing of all the Group's titles, with a view to web-based sales through the emerging e-book 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

To take advantage of the opportunities offered by the rapid changes taking place in its various business lines, the Lagardère Group's press, audiovisual and digital activities have been brought together under the name of Lagardère Active. The legal provisions for the reorganisation, which was announced at the end of 2006, were completed in the last months of 2007 through a series of contributions, transfers and mergers. The end result was the official formation of a new holding company, named Lagardère Active on 31 December 2007, for the Division's various sub-holding companies: Hachette Filipacchi Presse for Press publications, Lagardère Active Broadcast for Radio and Television, Lagardère Active Digital for the digital business, etc.

As part of these transactions, to simplify Lagardère Active's ownership structure, Hachette Holding was absorbed by parent company Hachette SA on 31 December 2007.

This process of combining the various business activities into new entities created by Lagardère Active should be completed by the end of the first quarter of 2008.

The division's goal is to become the leading producer of contents, particularly in digital form, and aggregation of content across a range of markets in which the Group is already present. The pooling of existing skills, resources, contents and brands will create a broad portfolio of assets, internationally as well as nationally. An ambitious digital strategy is being implemented, comprising a mixture of internal growth drawing on the large portfolio of contents produced by the Group, and external growth as opportunities arise.

In addition, the merger of the press, audiovisual and digital advertising sales businesses into Lagardère Publicité has created the second-largest advertising sales network in France in terms of advertising revenue, responding to the changing requirements of advertisers by building a fuller, more innovative cross-media offering.

The new division launched a performance improvement scheme in January 2007, called 'Active 2009', to streamline the portfolio and achieve savings of €70 million by the end of 2009.

A) *Principal activities and main markets*

Lagardère Active encompasses the Press activities, Regional Daily Newspapers (which was sold in 2007), Licensing, Radio, Special interest television channels, Audiovisual production and distribution, Advertising sales brokerage, digital publishing and digital agency businesses, as well as a 20% share in Canal+ France.

A - 1 *Press*

Lagardère Active is the world's largest publisher of magazines for the general public in terms of titles (close to 260 titles published) and international operations (present in 41 countries as an operator, in a joint venture or through licence agreements) representing over a billion copies and more than 130,000 pages of advertising.

Women's magazines are Lagardère Active's core magazine portfolio, which also covers themes such as Current affairs, Automobile, Interior decor, Youth, Leisure, Men's magazines, Celebrities and Television, in France and internationally.

Lagardère Active is in number 1 position in France[(1)], number 2 in Spain[(2)], third position in Italy[(3)] and Russia[(4)], seventh in the United Kingdom, and is the leading foreign magazine publisher in the United States[(5)], Japan[(6)] and China[(7)].

The Press division includes Magazine publishing in France, Supplements (including *Version Fémina*, the most widely distributed women's magazine in Europe – almost 3.7 million copies are distributed by 38 daily newspapers all over France) and International Magazine Publishing. Lagardère Active deploys variations of its proprietary brands across the countries it operates in, with flagship publications such as *Elle*, *Car&Driver*, *Woman's Day*, *Red*, *25ans*, etc. and also *Psychologies* through a licensing agreement with the Psychologies Magazine group.

Magazine publishing represents 69% of Lagardère Active's total sales, 63% of which are achieved outside France.

Lagardère Active also owns a 42% share in the Marie-Claire group, a 49% share in the Psychologies Magazine group and a 25% share in the Amaury group.

In the field of magazines for the general public, market players are either non-specialist groups present in one or two countries (Primedia in the United States, Time Inc. in the United States and the United Kingdom, Mondadori in Italy and France, EMAP in the United Kingdom, etc.), or groups with global brand policies (Hearst, CondéNast).

38% of Lagardère Active's press sales, excluding digital sales, come from the sale of magazines (a quarter of which are sold by subscription), and 58% from the sale of advertising pages.

Over the past five years, changes in circulation have varied depending on the country and the readership segment. The magazine market in developed countries is already quite mature, with an apparent stability resulting from continuous renewal of the magazine titles on sale. Lagardère Active also launched and withdrew a number of titles over this period.

In the emerging countries, press circulation growth is driven by the relatively recent opening to the market economy and the gradual improvement in the standard of living. Lagardère Active has been positioning itself on these markets for some years, particularly in China and Russia. In Russia, through its subsidiary IMG, Lagardère Active is the leader on the market for TV guides (14 million readers).

As regards the magazine advertising market, 2007 ended with moderate growth in investments in the principal mature countries, with the exception of Japan and France, where there was a perceptible decline in business mainly attributable to the transfer of large supermarket advertising investments towards terrestrial television. In the emerging countries, growth in advertising investments continued at a good pace, with particularly robust growth in Russia.

(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) Source: Classification of foreign publishers entitled to "copyright cooperation" with direct control.

Changes in the advertising market	**2007**
France	– 4.4%
United States	5.0%
Russia	30.0%
Italy	2.6%
Spain	4.5%
United Kingdom	0.8%
Japan	– 1.0%
China	16.0%

Adbarometer estimate, September 2007

The Group has also developed complementary activities such as *Licensing*, which handles variations of the "Elle" brand, particularly in fashion, through licence holders all over the world.

A - 2 *Daily Regional Newspapers*

Lagardère Active decided to re-focus its press business on magazine publishing, and in September 2007 signed an agreement to dispose of its Regional Daily Newspapers Division comprising the Nice Matin, Corse Presse and La Provence groups. The transaction was approved by the competition authorities on 7 December 2007. This division accounted for 10% of Lagardère Active's total sales in 2007.

A - 3 *Radio*

Radio broadcasting represents 11% of Lagardère Active's total sales, 48% of which are achieved outside France.

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

- *Europe 1,* a non-specialist radio station, remaining faithful to its values of liberty, rigour and innovation. It broadcasts dynamic news and discussion programmes. Every day, Europe 1 attracts an average 4.6 million listeners aged 13 and over[(1)].
- *Europe 2* was renamed *Virgin Radio* on 1 December 2007, following a licence agreement signed with the Virgin group in March 2007, and the authorisation issued by the French broadcasting authority (*Conseil Supérieur de l'Audiovisuel* – CSA) on 17 July 2007. *Virgin Radio* is a music channel for 15-to-34 year olds. With the key concepts of creativity, flights of fantasy and bold originality, this pop-rock music station has its roots in the 90s and fosters the emergence of new talent.
- *RFM "The best of music from the 80s to today"*, is a music station aimed at the contemporary adult, which enjoys continuing success with a 3.3% audience share[(2)].

Outside France, Lagardère Active Radio International (LARI) makes full use of the Division's radio broadcasting skills in seven countries (Eastern Europe, Germany and South Africa). Its 23 radio stations, mostly music channels, attract more than 33.5 million listeners each day.

In almost all the countries it operates in, LARI is the leading group in the private radio station market: no. 1 in Russia, Poland, Romania, the Czech Republic, the Saar region of Germany and South Africa.

In Russia, LARI operates Europa Plus, the third-largest private radio station in the country[(3)] with more than 8 million daily listeners, and Retro FM, the number 2 in Moscow.

In Poland, LARI is the largest private operator, with RadioZet in particular reaching an audience of almost 8 million listeners each day[(4)].

Europa FM is the leading radio station in Romania, with 2.6 million listeners in the over-11 category out of a population of 22 million.

In the Czech Republic, Evropa 2 and Frekvence 1 reached 2nd and 3rd positions in the private radio market.

In France and abroad, these radio broadcasting activities are subject to authorisation under the national legislation

(1) Source: Médiamétrie Survey 126,000 radio 13+ age group, Nov-Dec 2007.
(2) Source: Médiamétrie Survey 126,000 radio 13+ age group, Nov-Dec 2007.
(3) Source: TNS Gallup Media.
(4) Source: SMG / KRC.

and regulations governing the audiovisual and telecommunications industries. Within the European Community, they are also subject to EU regulations.

At the end of 2005, Lagardère Active held 556 French broadcasting authorisations from the national broadcasting authority (CSA), half of which were scheduled to be submitted to the CSA for renewal between 2006 and 2008 (FM+ plan). At 31 December 2007, 90 additional broadcasting permits had been granted by the CSA, and 56 have now been put into operation.

Over 90% of these radio stations' revenues come from advertising sales, which largely depend on audience ratings and the advertising market.

In France, given the cyclical, volatile nature of this market, which is highly dependent on the economic context, it is increasingly difficult to predict developments over several months. The radio broadcasting business in France was slow in 2007, with a decline estimated at –2.6%(1). This decline is partly related to changes in the advertising investments of the large supermarket chains following removal of the ban on supermarket advertising on terrestrial television, but results more particularly from the considerable drop in investments from the telecommunications sector (directory enquiries, land lines, etc.).

A certain number of countries in Eastern Europe nonetheless continued to experience two-figure growth in the radio advertising sector. Lagardère Active Radio International, which recorded strong, steady growth in both sales and profitability, is one of the growth engines for Lagardère Active. More specifically, growth in the radio advertising market in Russia and Romania is estimated at 20% for 2007 and 2008(2), although the pace of growth in Poland and the Czech Republic has slowed.

Lagardère Active is also involved in websites for the legal purchase and download of music via the subsidiary Virginmega.fr, co-owned with the Virgin group (majority investment in the process of being sold by Lagardère Services to Butler Capital Partners).

A - 4 *Television channels*

Lagardère Active is present in two fields of special interest channels, broadcast on Digital Terrestrial Television (DTT) and on cable and satellite:

- music, with Europe 2 TV, broadcast free on DTT, renamed Virgin17 following a licence agreement signed with the Virgin group in March 2007, and the authorisation issued by the CSA on 17 July 2007, and 6 cable and satellite channels (MCM, MCM Top, MCM Pop, MCM Belgium, and Mezzo – in which France Télévisions owns a 40% share).
- children and teenagers, with Canal J (for children aged 7 to 14), on cable and satellite and as a pay channel on DTT, TiJi, (for the under sevens), Filles TV (for girls aged 11 to 17), and Gulli, in which France Télévisions holds a 34% share, available on free DTT since November 2005.

With this offer, Lagardère Active occupies the leading position in France for music and children's channels(3). More specifically, Gulli is the third largest DTT channel for children over four in households equipped with a DTT adapter, with a 3.5% audience share. Including the terrestrial channels, it is in 8th position, ahead of Canal+ and Arte(4).

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

Most of the revenues from these channels arise from the fees paid by the broadcasting operators, except for Gulli and Virgin 17, which are freeview Digital Terrestrial Television channels, and whose revenues come entirely from advertising. However, they have the advantage of an extended pool of potential viewers and a dynamic advertising market in this fast-growing medium. In 2007, DTT coverage reached approximately 85% of the French population(5); the number of people viewing by means of a set top adapter (households equipped with DTT adapters plus households receiving DTT via cable or satellite) can be estimated at 40 to 50% of the population(6).

A - 5 *Audiovisual production*

In the film and TV production and distribution business, Lagardère Active 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 Lagardère Images. In 2007, Lagardère Active remained the premier producer of prime-time drama in France(7) (in number of hours of programmes broadcast) and the third-largest producer of programmes for immediate broadcast(8).

The revenue of these companies includes financing from the broadcasters or co-producers, along with funding from bodies

(1) Source: Adbarometer survey, September 2007.
(2) Source: Adbarometer & Zenith survey – September 2007.
(3) Source: MédiaCabSat Survey December 2006 – June 2007.
(4) Source: Médiamétrie Survey December 2007.
(5) Source: CSA.
(6) Source: Médiamétrie.
(7) Source: Ecran Total.
(8) Source: Ecran Total.

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.

A - 6 *Advertising sales brokerage*

Created through the merger of Lagardère Active Publicité and Interdéco, Lagardère Publicité is France's second-largest agency in terms of total managed advertising sales, and the leader in advertising brokerage on multiple media (press, radio, television and the Internet):

- The leading French press advertising agency with a 28% market share, Lagardère Publicité has also developed a powerful international network through Lagardère Global Advertising. Its subsidiaries manage non-Group publishers' titles in addition to Lagardère Active's own publications in France and internationally;
- Number 1 in radio advertising sales, with a commercial audience share of 32.8% in the 13 plus age group[(1)]: Europe 1, Europe 2,RFM, Les Indépendants (a network of 112 independent radio stations), Oui FM, Autoroute Info and 107.7 FM;
- Television advertising sales with Lagardère Active's channels, RTL9 and Arte;
- Web advertising sales: Elle.fr, Europe1.fr, MCM.net, Infosbébés.fr, Le Guide du Routard, C-Discount, etc.

Diversity is the key word, with almost 180 brands represented in a wide range of media.

A - 7 *Digital*

In response to the challenging transition to digital media and the high rate of growth of web advertising, Lagardère Active increased the pace of digital development from less than 1% of sales in 2006 to more than 3% in 2007.

Lagardère Active is particularly involved in:

- the field of digital publishing, with around a hundred websites all over the world, totalling 25 million unique visitors and 400 million pages viewed by the end of December 2007, approximately double the results for 2006. Capitalising on its strong brands, the Group's main websites in terms of audience are Car & Driver in the United States, Elle in France and the United States, etc. In France, Lagardère Active is the 2nd largest media group in terms of Internet audience with 8.1 million unique visitors per month[(2)];
- advertising brokerage, particularly with Lagardère Publicité, which in France attracted almost 15.3 million unique visitors[(3)] per month and Jumpstart, an advertising agency specialising in the automobile sector in the United States;
- the media agency business with Nextedia, the no. 1 independent digital agency in France.

Lagardère Active's websites draw their revenue mainly from advertising.

The growth of the web advertising market is related to the increasing number of users, as broadband connections become the norm, and more time is devoted to this medium.

Growth rates are high in all countries, as the Internet is the driving force behind growth in the advertising market as a whole.

Lagardère Active also has a share in Cellfish Media, a specialist in mobile phone services in the United States, France and Germany. A share in the capital of Cellfish Media was opened to North American investors in September 2006, and this company is now accounted for by the equity method.

Changes in the advertising market	**2007**
France	42%
United States	28%
Russia	70%
Italy	45%
Spain	40%
United Kingdom	35%
Japan	25%
China	40%

Adbarometer estimate, September 2007.

(1) Source: Médiamétrie Survey 126,000 radio 13+ age group, Nov-Dec 2007.
(2) Source: Médiamétrie – NielsenNetRatings – Dec 2007.
(3) Source: Médiamétrie – NielsenNetRatings – Nov 2007.

B) Operations during 2007

Contribution to consolidated sales for 2007: €2,292 million

Distribution of sales by activity	
	2007
Press	78.2%
Details: Magazines and supplements	67.9%
Daily Regional Newspapers	9.6%
Other	0.7%
Audiovisual	21.8%
Details: Radio	12.8%
Television	9.0%
Total sales	**100.0%**
Including - Digital	3.0%

Distribution of sales by geographic area	
	2007
France	51.2%
United States	13.9%
Asia Pacific	5.2%
Italy	5.1%
Spain and Portugal	5.2%
Russia	9.4%
Other	10.0%
Total sales	**100.0%**

B - 1 *Performance improvement plan*

A three-year performance improvement plan, comprising several components, was implemented in 2007:

- disposal of non-strategic assets: disposal of the Daily Regional Newspaper division (approved by the competition authorities in December 2007); disposal of production companies such as Films d'Ici in July 2007 and 13 Production in September 2007; discontinuation of the radio activity in Hungary, where the multiple media anti-trust laws prevented Lagardère Active from achieving the requisite critical size.
- concerning magazine publication, rationalisation of the portfolio of countries, with a transition from acting as operator to local partner licence agreements. This concerned Norway (retroactive to 1 January 2007), and in the last quarter of 2007 Sweden, press activities in Poland, and Portugal;
- withdrawal of insufficiently profitable titles: 12 titles were withdrawn for this reason between November 2006 and December 2007, in the United States (*Shock* and *Première*), France (*Match du Monde*, *l'Echo des Savanes*, *Isa*), Italy (*Quark*, *Rakam*, *Tuttomoto*, *Gente Mese*), Spain (*Asi son las Cosas*), Japan (*Vingtaine*) and Taiwan (*Elle Girl*);
- programme to reduce costs by €70 million by the end of 2009.

The initial effects of this cost-cutting plan were perceptible in 2007, and were achieved through:

- a worldwide call for tenders on paper and optimisation of specifications;
- a call for tenders regarding printing services in France, revised specifications (detailed specifications, formats, offset/rotary mix) and the renegotiation of the contractual agreement in the United States;
- a workforce reduction of more than 10% in France, excluding the digital sector, on completion of a voluntary redundancy scheme, the effects of which should be felt from 2008.

B - 2 *Operations in 2007 by business sector*

The Division's sales increased slightly due to strong growth in the emerging countries (mainly Russia) and the digital business, which offset the effect of magazine portfolio restructuring, unfavourable dollar and yen exchange rates and the mediocre performance of magazine and radio advertising markets in the mature countries, particularly France. Circulation sales remained stable.

Press market trends varied with the different segments: there was a considerable decline in men's magazines and hobby magazines, but an increase in the women's magazines and celebrity segments.

B-2-1 *Magazines and supplements in France*

In terms of business scope, 2007 was marked by the takeover of SPF, the publisher of *Version Fémina*. SPF is fully consolidated from 1 April 2007 (previously the 50% interest was accounted for by the equity method).

Circulation increased in 2007 except in the men's magazine segment, generating a 2.9% increase in circulation sales on a like-for-like basis compared to 2006 (0.6% with men's magazines included):

- The major weekly magazines in particular enjoyed strong growth in circulation sales: 5.5% for *Elle*, 9% for *Paris Match* and 24.6% for *Public*;
- Concerning monthly magazines, the women's segment confirmed its sustained performance with increased sales of *Jeune & Jolie*, *Mon Jardin Ma Maison* and a good performance from *Parents*, which confirmed its leadership on the parental segment;
- *Télé 7 Jours* stabilised its circulation (–1.3%) in a generally declining market, thanks to a renewed editorial line;
- the men's magazine segment was challenged: the weekly edition of *Choc* was unsuccessful and changed to bimonthly publication during the summer, while *Entrevue* saw a 12.5% decline in circulation;
- in contrast, *Automoto* increased circulation by 0.8% and market share also rose;
- circulation of the supplements also increased: +5% for *Version Fémina*, which outperformed the mass market women's segment, and +1.5% for *TV Hebdo*.

2007 was a bad year for advertising, with a 9.8% decline on a like-for-like basis. In a difficult market context, Lagardère Active was burdened by its strong exposure to supermarket advertising, which played a major role in TV magazines in the past, and the weakness of the men's magazine segment. Against this background of a generally declining market, the women's magazine segment continued to record good performances: an increase in sales for *Elle Décoration* (+5.9%), *Jeune & Jolie* (+4.8%), *Elle à table* (+16%) and *Version Fémina* (+3.9%). *Elle magazine* declined slightly (–1.5%). The good circulation figures achieved by *Public* were also beneficial in terms of advertising, with a rise of 27.6%.

B-2-2 *Magazines outside France*

In the United States, 2007 was a year of restructuring, with the discontinuation of *Shock* and *Première*, a change in the publication frequency of *Home*, the editorial repositioning of *Woman's Day*, and the implementation of the performance improvement plan (particularly as regards paper, manufacturing and distribution). With stable advertising sales and circulation sales slightly increasing, the profitability rate of the American subsidiary increased by more than 2 points over the previous year.

Strong growth in Russia placed the country in 3rd position in 2007 in terms of press sales, behind France and the United States. This growth is driven by the buoyant Russian market, the excellent performances of Lagardère Active's magazine titles and a dynamic launch policy. 2007 saw the following new magazine launches:
- in March 2007, *Domoï* was launched on the home decoration segment, enjoying success in keeping with the boom in the Russian building industry;
- in November 2007, the weekly women's celebrity magazine *StarHit*, distributed from the outset in local editions through 18,000 points of sale in all the major Russian cities.

In Italy, the restructuring commenced in 2006 continued, and was further developed through the performance improvement programme and the discontinuation of certain titles, leading to improvement in results with a 3 point rise in the profitability rate. This was achieved despite a decline in sales related to the reduction in free-gift and cut-price bundled offers, particularly with the weekly magazines *Gente* and *Gioia*. On the other hand, *Elle* and *Elle Decor* continued to expand, in terms of both advertising and circulation. In September 2007, Italy launched a new monthly men's lifestyle magazine, *Riders*, which quickly received a positive reception from readers and advertising buyers.

Results improved in Spain with the positive impact of the withdrawal of *Xtreme Tuning* and *Maxim* in 2006 and *Asi son las Cosas* in 2007. Spanish sales declined overall due to the discontinuation of titles; on a like-for-like basis, an increase in advertising sales (especially for women's magazines) compensated for the fall in circulation sales (mainly on the TV and celebrity segment). At the same time, the Group restructured operations in Barcelona by buying out minority shareholdings in CYPSA and merging its administrative teams with those in Madrid.

In the United Kingdom, Lagardère Active outperformed the market in advertising, thanks to the growth of *Elle*, *Red* and *Psychologies*, and in circulation (mainly due to titles such as *Inside Soap*, *All About Soap* and *Psychologies*). Combined with the effect of the restructuring undertaken in 2006, this performance boosted the profitability rate by 3 points. However, the situation remained difficult in the teenage magazine press: *Sugar* was adversely affected by an escalation of free gifts and intends to seek new web-based growth.

In Japan, the economic context remains difficult and advertising sales declined (–2.4% on a like-for-like basis in terms of titles and exchange rate) although circulation sales achieved stability in 2007. Hachette Fujingaho nonetheless maintained profitability through the continuing streamlining operations.

Lagardère Active continued to benefit from the strong economic expansion in China, with sales increasing 18% on a like-for-like basis. Development continued with the launch of new magazine titles: following *Psychologies* in 2006, Lagardère Active launched *Quo*, a monthly lifestyle magazine, in April 2007.

B-2-3 *Daily newspapers*

For the regional dailies, operating results improved in 2007, particularly due to:

- savings achieved on a full-year basis through the replacement of the rotary presses (new rotary presses commissioned in Marseille in January 2007 and in Corsica in June 2006);
- *Marseille+* free daily reaching break-even point, taking advantage of extra-local advertising revenues (Villes+network) since the launch of Matin Plus in Paris;
- the impact in 2006 of the strike by Corsican newspaper carriers in April and May, which had a strong adverse effect on results.

B-2-4 *Radio*

Europe 1, France's benchmark radio station for current affairs, continued reworking its programme grid after the 2007 summer break, intensifying its positioning with the accent on the values of innovation, discussion and leadership. Europe 1 gained 0.2% in audience share between the start of the autumn 2006 and 2007[(1)].

Of all France's musical radio stations, bolstered by its pop-rock positioning, Europe 2 showed the greatest increase over the year in the 13-plus age group[(2)]. Europe 2 is the only radio station to increase its cumulated audience share through six successive surveys. The brand change to Virgin Radio from 1 January 2008 should enable the station to accelerate its rate of development.

With a contemporary music format summed up as "*The best of music from the 80s to today*" and DJs Jean-Luc Reichmann and Bruno Robles, RFM is the no. 2 adult music radio station among 35-to-49 year olds[(3)].

Outside France, Lagardère Active Radio International (LARI) continued to expand in 2007:

- in Slovakia, with the acquisition of Okey Radio in March, providing a foothold in a high-potential growth market;
- in Romania, with the acquisition of 30 frequencies in July and August, extending the Radio21 network, and enabling the launch of a 3rd format;
- in Poland, the acquisition of 20 stations in the Adpoint network in August made it possible to initiate a strategy of targeted local networks complementary to RadioZet;
- in Russia, a 4th format, KEKCfm, was launched in November 2007, offering a more comprehensive and diversified range for listeners and advertising buyers.

These developments, combined with high audience ratings, particularly in Russia and Romania, enabled LARI to consolidate its positions in all seven countries where it operates. LARI's radio stations attracted over 16 million daily listeners in Russia[(4)], 9 million in Poland[(5)], 4 million in Romania[(6)], 2 million in the Czech Republic[(7)], 1 and a half million in South Africa[(8)] and 1 million in Germany[(9)], a total 33.5 million listeners[(10)].

In parallel to its editorial content activity, LARI has systematically developed its own advertising brokerages with exclusive contracts for a number of external broadcasters such as Radio Impuls, the leader in the Czech Republic and the PN network in Poland, in addition to its own radios.

(1) Source: Médiamétrie Survey 126,000 radio 13+ age group, Sept-Dec 2006 & Sept-Dec 2007.
(2) Source: Médiamétrie Survey 126,000 radio 13+ age group, Nov-Dec 2006 & Nov-Dec 2007.
(3) Source: Médiamétrie Survey 126,000 radio 13+ age group, Nov-Dec 2007.
(4) Source: TNS Gallup Media, May-Oct 2007.
(5) Source: SMG/KRC Aug-Oct 2007.
(6) Source: SAR Sept 2007.
(7) Source: Radio Project April-Sept 2007.
(8) Source: RAMS Sept-Oct 2007.
(9) Source: AS&S May 2007.
(10) Sources: TNS Gallup Media Régions Aug-Oct 2007; MML Sk April-Sept 2007.

Through this strategy LARI has reinforced its commercial leadership, becoming the top radio advertiser in Russia, Poland, Romania, the Czech Republic and South Africa.

B-2-5 *Television channels*

2007 was marked by the roll-out of Digital Terrestrial Television in France, and audiences grew in line with the increasing number of subscribers and extension of coverage. The audience share for "Other TV" (DTT, cable, satellite and DSL) increased from 14.4% to 19.7%[1], largely due to the expansion of DTT. These audience results are beginning to be reflected in advertising revenue: gross sales of the DTT, cable and satellite channels increased more than 45% in one year[2], largely driven by DTT.

In the specific fields of cable and satellite, 2007 saw mergers between French satellite operators, the extension of Lagardère Active's Youth channel audiences to TPS subscribers, the merger of cable operators and the introduction of broadband television as an additional, complementary broadcasting method.

In an intensely competitive environment, the good audience results[3] registered confirm the excellent performance of the Group's channels, both on DTT and on cable and satellite:

- Europe 2 TV strengthened its leadership in the 15-24 age group, with an increase of more than 80% in this target audience. With the change of name to Virgin 17 in 2008, the channel will strengthen its programme grid and extend its range of services, particularly with a catch-up TV offer.
- MCM was the number one music channel on cable and satellite for the 10th year running, with a 1.1% share of audience in the 15-24 age group.
- Gulli is the 3rd largest DTT channel, with a 3.5% audience share.
- Lagardère Active's Youth channels represent a 10.7% share on national audience in the 4-10 age group, ahead of France 5. Canal J and Tiji are respectively in 5th and 6th positions on cable and satellite, for all audiences categories together, with a 1.0% and 0.9% share of audience in the 4+ age group.
- Mezzo continued to expand internationally: it is viewed by 15.4 million subscribers in 37 countries

B-2-6 *Audiovisual production and distribution*

Through its film and television production and distribution activities, Lagardère is a major partner of the terrestrial channels for prime-time drama and programmes for immediate broadcast (features, light entertainment programmes, etc.). Approximately 800 hours of programmes were produced, including 12 of the 100 best prime-time audience ratings obtained in 2007 (all categories)[4], which attracted between 9 and 11.3 million viewers each.

Lagardère Images was the premier producer of prime-time drama in 2007[5] for the sixth year running, with 102 hours of programmes broadcast over the 2006/2007 season.

Lagardère Images excels in the production of prestigious series and one-off dramas, producing mini-series such as Ali Baba (GMT Productions for France 2), flagship series with a recurrent hero such as *Julie Lescaut*, *Diane Femme Flic* and *Famille d'accueil* (GMT Productions for TF1), *Joséphine ange gardien* (DEMD Productions for TF1), and *Père & Maire* (Aubes Productions for TF1). Lagardère Images is also expanding business in the 52-minute format, for instance with *Merci les enfants vont bien* (DEMD Productions for M6).

Lagardère Active is also in a leading position in the field of programmes for immediate broadcast, particularly through Maximal Productions (*C dans l'air*, daily on France 5), Léo Vision (*La grande course* for Canal+), and Image et Cie (*Ripostes* for France 5).

B-2-7 *Advertising sales brokerage*

The merger of Lagardère's two advertising space and airtime brokerage companies and the resulting reorganisation gave a dynamic impetus to media sales, particularly in the press, despite a difficult market context. The Group's paid magazine circulations are now published quarterly, a contributing factor in the modernisation of the press advertising sector.

As the leading multiple-media advertising brokerage in France, Lagardère Publicité is developing a rich, varied media offering to meet the requirements of advertising buyers: cross-media sales (campaigns involving at least three different media) more than doubled during the year.

Putting the accent on digital development, Lagardère Publicité acquired ID Régie in August 2007 and adapted its sales organisation. Lagardère Publicité's web advertising sales increased by more than 50% in 2007.

(1) Source: Médiamat November 2007, on the 4+ age group.
(2) Source: SNPTV.
(3) Source: Survey MédiaCabSat December 2006 – June 2007, Médiamat November 2007.
(4) Source: Mediamétrie/Médiamat on the 4+ age group.
(5) Source: Ecran Total.

B-2-8 *Digital*

In 2007, a large number of websites were launched or revamped as part of the deployment of Lagardère Active's digital business:

- in France, redesign of Elle.fr and launch of première.fr in January 2007, launch of lejdd.fr in February 2007, launch of parents.fr in summer 2007 and of tele7.fr in October 2007;
- redesign or launch of the Elle websites in the United Kingdom, Italy, Spain, etc. in the second half of 2007;
- redesign of the Car & Driver website in the United States, for delivery early in 2008;
- launch of the pointclickhome.com interior décor website in the United States in May 2007;
- launch of the sugarscape.com website in the United Kingdom in December 2007.

By the end of 2007, Lagardère Active had around a hundred websites, attracting more than 25 million unique visitors every month and more than 400 million page views, an increase of 100% in just one year. In France, the audience figures after adjustment for multiple visits showed 8.1 million unique visitors(1) in December 2007, an increase of 58% from December 2006.

In the field of advertising brokerage, Lagardère Active strengthened its leadership in the automotive segment in the United States through the acquisition of Jumpstart Automotive Media in April 2007. Jumpstart has developed unique expertise in contextual advertising and behavioural marketing in the automotive segment, enabling it to achieve sales growth of over 50% in 2007.

The acquisition of Nextedia, the top independent agency for marketing interactive services in France, provided Lagardère Active with a foothold in the online media agency segment, in anticipation of changes in the digital business value chain. Nextedia offers a full range of services, from strategic media planning to online space buying, including traffic building and e-marketing systems to customers who wish to increase their Internet audience. Nextedia enjoys a sustained rate of growth and doubled its size in 2007. Just over two years after it was founded, it had more than 300 employees specialising in the new interactive marketing business lines.

C) Outlook

First and foremost, the performance improvement plan will be stepped up in 2008 to produce its full effects from 2009.

Advertising market visibility remains low for both magazines and radio. The Internet is the sole medium expected to continue to benefit from sustained growth.

In the magazine segment, Lagardère Active remains attentive to changes in the competitive landscape (launches, dynamics by segment and by country) in order to instil dynamic portfolio management and take optimum advantage of any growth opportunities that arise.

For the audiovisual business in France, the issues at stake over the coming years are still largely related to the broadcasting networks:

- The development of the new FM+ frequency grid will be completed in 2008 with the last calls for applicants;
- The public consultations conducted by the *Direction du Développement des Médias* (Media Development Department) and the CSA in autumn 2006 on the standards and roll-out of digital radio showed a wide consensus among the major players in radio in France, who have joined forces as the *Groupement pour la Radio Numérique*. Following the introduction of legislation fixing the standards for digital radio in December 2007, the first calls for applicants with a view to allocating frequencies will be launched in early 2008. The advent of digital radio could open up the radio market and facilitate access to new entrants operating in competition with Lagardère Active. 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;
- The roll-out of Digital Terrestrial Television continued throughout 2007, reaching 85% coverage of the population of mainland France. Legislation dated 5 March 2007 defined the conditions for the extension of DTT coverage as well as the legal framework for Personal Mobile Television and High Definition Television: on 10 July 2007, Lagardère Active committed to extending coverage in the long term to 95% of the population of mainland France for its three DTT channels, in exchange for a five-year extension of authorisations, as allowed by law. 2008 will see the start of coverage extension beyond the 85% initially stipulated by the legislation before it was revised in 2007, and the withdrawal of analogue broadcasting is scheduled for 2011. The terms fixed by the CSA in the decision dated 10 July 2007 will enable a gradual roll-out as appropriate to the pace of development of the new DTT channels.
- The CSA launched a call for applicants on 15 November 2007 with a view to the allocation of 13 Personal Mobile Television channels. The Lagardère Group is optimistic about the development of this new medium, which brings a new individual, nomadic dimension to the world of television broadcasting. On the basis of a free, conditional access model, the Group therefore decided to submit 6 application files; two for contents for children (Gulli TMP and Canal J MP), two for music (Virgin 17 and MCM Top), and two new projects concerning content for women (Elle TMP) and interactive entertainment.

(1) Source: NielsenNetRatings December 2007.

• Lastly, in 2007, the first authorisations for high definition broadcasting were issued to three terrestrial history channels. Lagardère Active did not respond to this call for applicants, given the scarcity of the radio frequency resources available at the time, but considers the transition of all DTT channels to high definition inevitable when analogue broadcasting ceases, releasing the required frequency resources.

Furthermore, changes in the regulatory framework implemented in 2007 or scheduled for 2008 will have an impact on the business activities of Lagardère Active:

– revision of the Audiovisual Media Services directive (formerly known as the "Television without frontiers" directive) authorising product placements and increasing the flexibility of television advertising regulations, which could have an adverse effect on the magazine and radio advertising markets;

– an increase in the scale of rates applicable to radio for the fair compensation of performers and producers;

– reform of the legislation governing relations between producers and broadcasters;

– and by any decisions the French government may reach concerning changes in public broadcasters' use of advertising resources and its impact on the advertising market as a whole,

Outside France, LARI remains well positioned to take advantage of the growth expected in the countries where it operates, and to continue to implement its development policy.

Lagardère Active will pursue the transition to high-growth digital activities, with the objective of generating 5 to 10% sales growth in 2009 through digital activities. In this respect, Lagardère Active's strategy remains firmly focused on two priorities:

- internal growth in editorial contents, by continuing to develop website audiences, improve their profitability and launch new sites, together with growth in the advertising brokerage and online agency businesses;

- acquisitions and strategic partnerships to accelerate redeployment to the digital media, and to build the basis for future growth through the synergies generated and the diversity of skills secured.

The acquisition of Doctissimo, announced in February 2008, is an integral part of this strategy, and strengthens Lagardère Active's presence on the key segment of women's interests (see Chapter 9, section 9-1-1).

In the coming years, Lagardère Active will therefore seek to capitalise on all of the relevant technological advances that can underpin the sustainability and reinforcement of its current market positions. The digital media landscape is rapidly changing, creating many opportunities that Lagardère Active will endeavour to seize, drawing on its responsiveness and the expertise of its teams combined with the rigorous analysis that is characteristic of a major group.

5-2-1-3 Lagardère Services

A) *Principal activities and main markets*

Lagardère Services is the world's leading player in press distribution, with the largest international network of sales outlets for communication and cultural leisure products (3,600 stores) under international store names (Relay, Virgin) or store names with a strong local identity (Payot, Le Furet du Nord, Inmedio).

In 2007, Lagardère Services achieved consolidated sales of €3,721 million, of which 64.2% were earned outside France.

Lagardère Services continued to develop its retail sales activity in 2007, testing new sales concepts and renewing a large number of concession agreements in travel areas. Lagardère Services' subsidiaries signed new press distribution contracts in Europe, North America and Asia, confirming their unique expertise as a specialist distributor of communication products. In the course of 2007, Lagardère Services continued to develop HDS Digital, the platform for downloading magazine publications.

A few key figures:

• Lagardère Services has built up a unique network of 3,600 stores in 18 countries all over the world.

• Lagardère Services is the top-ranking player in press distribution in Belgium, Canada, Spain, Hungary and the Czech Republic.

• Lagardère Services daily supplies over 50,000 retail stores in Europe and 180,000 in North America.

• 1,200 sales outlets trade under the Relay store sign in 16 countries, serving a million customers every day.

Lagardère Services' 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) press distribution to the sales outlets.

A-1 *Retail sales in travel areas*

Lagardère Services 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 18 countries where its store names are present. With Relay, Lagardère Services currently runs the largest international network of press retail stores. Taking advantage of new sales outlets opened in Germany, Spain, Poland, the Czech Republic, Romania and Serbia, Relay offers an increasing number of customers a wide range of products for consumption while travelling: newspapers, magazines, books, confectionery, souvenirs and food products, etc.

The variations of the Relay brand, with Relay Services and Relay Livres, complement 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, Lagardère Services also has duty-free sales and specialist store operations through Aelia, France's number 1 company for retail sales in airports (based on sales figures for 2005). Aelia manages over 133 sales outlets in 14 French airports. In addition to franchise stores such as Virgin and Hermès, Aelia possesses a portfolio of its own store names, 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, particularly Air France, and operates sales outlets in the United Kingdom, at Belfast and Luton airports.

In train stations and airports, Lagardère Services 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 communication products*

Lagardère Services manages 35 multimedia cultural stores under the Virgin Megastore sign in France. In addition, the "Le Furet du Nord" stores in the North of France (12 sales outlets), and "Payot Libraire" with 11 stores and over a third of the book sales market in the French-speaking part of Switzerland, are the standard-setters in their regions.

Virgin continues to develop the website virginmega.fr, the third largest website for the legal purchase and download of music in France, with 6.3 million downloads purchased in 2007.

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.

As part of the strategic policy of developing business in transport locations, an agreement was signed in December 2007 for acquisition of a majority investment in Virgin Stores by Butler Capital Partners. The agreement is subject to a set of legal pre-conditions.

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, exercised by Lagardère Services in fifteen countries at two levels:

- The world's leading national press distributor, Lagardère Services 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, Lagardère Services supplies networks of convenience stores: Lapker in Hungary (13,000 sales outlets, 1,000 of which are operated by the company) and SGEL in Spain (18,000 sales outlets). In North America, the leading national magazine distributor Curtis Circulation Company runs a network of independent wholesalers and manages the sale of press titles to the major retail sale chains. Market share decreased in 2007 to 34%[(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)] and its main rival, Midesa, is similar in size. Lagardère Services has no significant competitors in Hungary, Belgium or Switzerland.
- Lagardère Services is also a leading enterprise in the import and export of international press, with operations in eleven countries (Belgium, Bulgaria, Canada, Spain, the United States, Hungary, the Czech Republic, Romania, Serbia-Montenegro, Slovakia and Switzerland).

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

B) Operations during 2007

Consolidated sales 2007: €3,721 million. Sales increased 2.9% in the course of 2007 on a pro-forma basis (equity method) compared to 3.5% on a like-for-like basis.

Distribution of sales by activity	
	2007
- Retail	68.7%
- Distribution	31.3%
Total sales	**100%**

Distribution of sales by geographic area	
	2007
- France	36.8%
- Europe	54.0%
- North America	5.6%
- Asia/Pacific	3.6%
Total sales	**100%**

In 2007, Lagardère Services 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 to strengthen its positions in the Asia/Pacific region.

At the end of 2007, the retail sales and press distribution activities represented respectively 68.7% and 31.3% of Lagardère Services' consolidated sales, once again reflecting an increase in the relative share of retail operations (67.3% at the end of 2006).

The market environment in 2007 was marked by the continuing recovery of air traffic, the less severe security procedures in airports, and the negative impact in France of transport strikes in the last quarter of the year. North America was adversely affected by the devaluation of the dollar. The press and music markets also continued to decline in 2007.

B-1 *Retail sales in travel areas*

In France, Relais H achieved a slight increase in business (+1.3%), particularly through the opening of 24 sales outlets on the new TGV high-speed train line in Eastern France, three sales outlets in terminal S3 at Roissy Charles de Gaulle airport and six sales outlets at Saint-Charles train station in Marseille.

These new sales openings were complemented by the very good performance of non-press products (including foodstuffs (+18.2%), books (+4.5%) and souvenirs (+19.6%)) sustained by an innovative sales policy of product diversification and the creation of new concepts (Moa, Petit Casino, Relais H Bleu Café). These increases were nonetheless hindered by the decline in telephone product sales (–8.1%) and tobacco sales (–3.4%), while press sales were stable(+0.8%). The company also renewed the key franchise for sales outlets at the Eiffel Tower at the beginning of 2007.

In the rest of Europe, growth registered varying levels.
Business in Germany increased by 4.5% and the network continued to expand with the opening of 11 new sales outlets in 2007, including two at Berlin Tegel airport and two at Frankfurt airport. The Düsseldorf platform contract was also renewed for a further ten years.

Belgium also experienced a 3.1% rise in sales following modernisation of its sales network and the opening of new sales outlets, which totalled 290 at the end of 2007.

In Switzerland, business stabilised (+0.7% at constant exchange rates). The Naville brand name fared well against a flat market for press (–2.7% against a 1.3% market decline) thanks to stable sales of telephone products (+0.8%), sustained business in tobacco goods (+3.5%) and an increase in the sale of foodstuffs (+7.2%).

Spain had a good year in 2007 (business increased by 3.3% compared to 2006) with very good performances from airport sales outlets, particularly the new outlets opened in Madrid Barajas airport in February 2006 (+17.7% compared to 2006). At the end of 2007, the network counted 180 sales outlets, a number that has been declining since 2005 following closures related to the adoption of new legal restrictions on tobacco sales.

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

- Poland (sales increased 28.6%), with 96 sales outlets added to the network in 2007 (bringing the total to 518);
- the Czech Republic (sales increased 28.1%): 15 new sales outlets opened in 2007 (bringing the total to 144);
- Hungary: development of the network trading under the "Relay" and "Inmedio" store names, with 9 sales outlets opened (332 sales outlets in total) and sales growth of 7.7% in 2007;
- Romania (sales increased by 113.1%): 46 new sales outlets opened in 2007 (bringing the total to 101).

In North America, retail sales remained stable at constant exchange rates (–0.3%) with a slight disparity between Canada (–1%) and the United States (+1.8%). The devaluation of the dollar had a severely adverse effect on retail sales in tourist locations in Canada; meanwhile, increased air traffic in the United States and the economic recovery at certain airlines provided strong growth in airport sales (+10.2%), with a decline in downtown sales.

In the Asia/Pacific region (Australia and Hong Kong), sales increased sharply (+18.1% compared to 2006) driven by 10% growth at existing sales outlets and the opening of new sales outlets. There are now 75 sales outlets in Australia and 14 in Hong Kong. In 2007, two new markets were penetrated: mainland China (Shanghai domestic airport; 9 sales outlets) and Taiwan (in the train stations used by the new high-speed train: 5 sales outlets).

In 2007, Aelia was able to achieve 15% growth in managed sales, partly due to increased air traffic at Paris airports, partly through the development of recent concessions in French regional airports and the United Kingdom (in Luton and Belfast airports) and the recent developments in Poland at Krakow airport.

Aelia maintained its top position in France for retail sales at airports, and in 2007 won three awards from duty free magazine DFNI for the quality of its sales outlets at the new Roissy S3 terminal (operated by SDA in partnership (50/50) with Aéroports de Paris). SDA now operates the spirits/tobacco/perfumes concessions at the Paris airports of Charles de Gaulle (Terminals 1, 2, and 3), Orly Sud and Orly Ouest, and gourmet shops at certain terminals. Aelia also continued to develop business in the fashion sector.

B-2 *Specialist retail in communication products*

In 2007, Virgin opened two Music Railway stores, one at Gare de l'Est in Paris and the other at Gare Saint-Charles in Marseille. At the 35 Virgin stores (including six Music Railway stores) and the twelve Furet du Nord sales outlets, sales were up by 4.1% compared to 2006.

Through efforts invested to direct sales towards new products, books have now become the leading product for Virgin stores, accounting for 29.3% of sales, ahead of music (22.6% of sales), video (19%) and small electronic devices (18.8%). Sharp declines in music (–15%) and video (–9.4%) sales were more than offset by increased sales of books (+7.1%), stationery (+38.5%) and small electronic devices (+38.3%).

In 2007, Virginmega.fr, the pay-for-download music and video website which went online in 2004, sold nearly 6.3 million music downloads and 293,000 video downloads. Despite a partnership with Alice for video on demand, the website lost its position as France's 2nd largest French legal online music service: its market share is now only 15%[1].

The Virgin brand also continued its development in travel areas, with a total of seven sales outlets in train stations (five in France and two in Germany) and 22 sales outlets in airports: eleven in France, two in Germany, five in North America and four in Australia. The Virgin Megastore chain also benefited from the sustained growth in franchise activities.

In Switzerland, 2007 was a very good year for business for the Payot bookshops (+5.6% at a constant exchange rate), with an increase in the number of customers and favourable developments in the average purchase value, sustained by a dynamic literature market which included the launch of the 7th Harry Potter book.

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

As in 2006, the Press Distribution business saw a slight decline in the majority of its activities in 2007.

In Spain, the distribution business experienced a further fall in sales (–2.5%). This decrease is mainly due to a noticeable decline in magazines (–2%) related to negative market trends, a less successful year for the Part-works collections (–3.6%) and a decline in sales of telephone cards (-27%).

In Belgium, AMP distribution activities saw a 4.9% decline in sales in 2007, particularly in magazines and telephone cards, while books were adversely affected by operational difficulties related to the launch of SAP software at the beginning of the year. AMP has introduced action plans to reorganise and modernise its activities, in order to improve the company's profitability.

The erosion of press sales also affected Naville's distribution activities in Switzerland, with press sales down by 1.3% and volumes adversely affected by the launches of two free daily newspapers in French-speaking Switzerland in 2006.

(1) Source: Internal estimates.

However, there was marked growth in Hungary in 2007 (+11.1% at constant exchange rates), particularly due to the positive impact of a lower VAT rate for magazines (1 July 2006), and a sharp increase in sales of non-press products (particularly telephone top-up cards).

Consolidated sales fell by 4.7% in the United States, where the first-quarter impact of the withdrawal of the Bauer contract (in April 2006) was combined with the downward trend in newsstand magazine sales.

In Canada, on the other hand, the distribution of imported press increased by 3.9% with very good performances from British publications.

C) Outlook

Once more, Lagardère Services' prospects for business expansion in 2008 partly depend on airport traffic levels, which could be adversely affected by the international financial crisis which emerged at the end of the summer.

Nonetheless, throughout 2008 and beyond, Lagardère Services 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.

Retail trade goals will focus on:

- strengthening leadership positions in transport areas, particularly through variations on a number of sales concepts;
- development of sales outlets under well-known brands in transport areas and shopping malls;
- continued development of activities in the Asia/Pacific region and Central Europe.

Lagardère 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

In 2006, the Lagardère Group initiated a business diversification strategy targeting contents in the sports sector, with the creation of Lagardère Sports.

Through this new division, Lagardère implemented an organic growth and acquisition strategy geared towards companies operating in the marketing and management of sports rights and contents, a sector with a high potential for growth.

Lagardère continued dynamic implementation of this development strategy throughout 2007, through targeted acquisitions to build a portfolio which now includes companies positioned at the heart of the sports sector, each one the leader on its specific market: Sportfive, Europe's leading football marketing and television broadcast rights management company, Newsweb, France's leading web content producer and IEC (International Events and Communication in Sports), a Swedish specialist in the negotiation of media rights, acquired in June 2007.

Lagardère Sports was also able to consolidate its international position in 2007 with the signing of a number of strategic contracts (Hamburg stadium "naming rights", renewal of the rights to the African Nations Cup, renewal of the contract with the Olympique Lyonnais football club, etc.).

A) Principal activities and main markets

Lagardère Sports' business activities in 2007 focused on three main domains:

- TV rights and production (€313 million in 2007);
- marketing rights (€118 million in 2007);
- new media (€9 million in 2007).

Distribution of sales by activity in 2007	
TV rights and production	71%
Marketing rights	27%
New media	2%
Total sales	**100%**

Distribution of sales by geographic area in 2007	
Europe	82%
Asia/Pacific	7%
Middle East	5%
Africa	2%
America	4%
Total sales	**100%**

Lagardère Sports' main market is Western Europe – and, to a lesser degree, Eastern European countries – where more than 80% of the sales activity is concentrated.

Asia's contribution to the business is increasing, and represented 10% of sales in 2007.

Football is the principal discipline in Lagardère Sports' portfolio, and accounts for more than 80% of the total business activity.

Distribution of sales by sport	
Football	84%
Boxing	3%
Rugby	3%
Other sports	10%
Total sales	**100%**

This is partly due to Sportfive's leading position on this market, and partly to the relative economic strength of football in relation to other disciplines.

A-1 *Sports rights and TV production*

TV and media rights comprise all broadcasting rights, which are bought by television channels and other content distribution platforms (satellite, cable, Internet, mobile telephones, etc.).

The TV and media rights managed are mostly second party and third party rights (rights which do not include the broadcasting of matches in the event's host country).

Regarding football, the range of products that can be marketed extends from qualifying matches to international competitions, including the rights for certain friendly matches.

TV production consists of the implementation and financing of all the resources necessary to record an event or a programme intended for broadcast on television or another medium.

In this field of activity, Lagardère Sports draws on the expertise of two entities: Sportfive and IEC In Sports.

A-1-1 *Sportfive*

Sportfive is the European leader in the management of sports broadcasting and marketing rights, particularly football rights. Its unique positioning and unrivalled expertise offer clubs, federations and sports events the skills and experience required to draw maximum benefit from their rights.

Sportfive operates across all the continents through a network of 11 offices with a particular focus on football, the most highly developed and popular sports market in the world.

Sportfive manages a portfolio of over 40 international federations, 270 clubs, marketing the TV and media rights for the major European football leagues to broadcasters in more than 180 countries, and the broadcasting rights to prestigious international sports events such as the Euro 2008 tournament matches and the African Nations Cup.

Although Sportfive has become the European leader for the marketing of football-related TV and media rights, the company's portfolio has been considerably extended over the years and today includes a range of popular sports including handball, boxing, rugby, WRC rallies and ski jumping.

The management of this vast portfolio of sports broadcasting rights requires first-class TV production standards. To this end, Sportfive has developed specialist entities, and provides a digital platform to optimise the exploitation of the media rights of original rights holders (multiple-channel archiving and broadcasting).

Specific expertise and the use of the latest technology are essential to supply international broadcasters with the best possible pictures of an event.

A-1-2 *IEC In Sports*

IEC In Sports (International Events and Communication in Sports) specialises in the management and negotiation of commercial sports rights, focusing on Olympic sports and tennis, athletics, volleyball and gymnastics.

The company markets over 225 sporting events in Europe (a region that represents 75% of IEC's contracts), the United States and Asia, acting primarily as agent but also as rights holder.

Drawing on its diverse sports rights portfolio it offers bulk deals encompassing several sporting disciplines, providing customers with a full array of turnkey sports programming solutions. IEC's client base mainly comprises television channels and multimedia broadcasting platforms from a wide range of geographic regions (Europe, Asia, the United States, etc.).

IEC has also developed sporting event television production and post-production services, including live production ("host broadcasting"), dubbing, editing, commentary, collection of additional data (statistics), television branding and transmission (satellite pools), etc.

IEC can perform practically the entire range of production operations on behalf of its clients. This high-growth business complements rights marketing services and provides TV broadcasters and new media with turnkey solutions.

A-2 *Marketing rights*

The marketing rights to professional sports events enable advertising buyers to communicate across a range of media (shirt sponsoring, stadium advertising, corporate hospitality, etc.).

Sponsoring is now the form of advertising which involves the largest sums of money after TV and press advertising.

Sponsoring is an efficient corporate communication instrument. The main objectives of sponsoring – in addition to increasing brand recognition and sales – are to enhance brand image, develop the loyalty of existing customers and generate employee motivation.

With the Olympic Games, football is the sport that generates the 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.

Sportfive marketing

Sportfive is the leader for the management of sports rights marketing, with a strong focus on the major sport of football. The company handles global rights management for more than 30 European football clubs.

These clubs include Hamburg SV, Hertha Berlin SC, Olympique Lyonnais and Paris Saint-Germain.

In this configuration, Sportfive acts as exclusive agent for the clubs and manages their rights with the sponsors. This approach meets market expectations, enabling the clubs to deal with a single contact person who will handle commercial constraints for them, while they retain control over their property.

Other examples of the rights Sportfive manages:

- Football :
  - 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;
  - Sportfive also manages the marketing rights for all French Cup, African Cup of Nations and CAF Champions league matches;
- Rugby :
  - Sportfive managed and marketed corporate hospitality operations for the 2007 Rugby World Cup, and holds the marketing rights related to the French Rugby Federation's hospitality village for the Six Nations Tournament;
- Sportfive is also involved in other sports including tennis, handball and basketball.

A - 3 *New media*

The acquisition of Newsweb in 2006 and the launch of a digital platform at Sportfive strengthened the Lagardère Group's presence in the world of new media, a high- growth sector, particularly in the sports segment.

These developments are part of the dynamic, long-term strategy for the Group's expansion in the field of digital contents.

A-3-1 *Newsweb*

Newsweb's principal activity is the real time production and distribution of editorial content through Internet and mobile communication media, particularly blogs, and it is currently the male target audience leader in four main areas: sports news, financial information, automobile news and entertainment, through five websites (Sports.fr, Sport4fun.com, Football.fr, Boursier.com and Autonews.fr). Traffic to the company's websites increased greatly, particularly to Boursier.com which doubled between January and December 2007, and passed the symbolic milestone of one million unique visitors. The number of unique visitors recorded at Newsweb websites was more than 3 million.

Newsweb complements Lagardère in three respects:

- in terms of contents: Newsweb reinforces Lagardère's press and digital contents offering: Onze Mondial (football), Auto Moto, Europe 1 (sport and stock exchange), Journal du Dimanche and Paris Match;
- in terms of advertising brokerage: Newsweb's offering enhances that of the Lagardère Group in the digital field;
- in terms of digital expertise: the know-how, technical and sales skills of the Newsweb teams help increase the pace of Lagardère's roll-out of the production and marketing of digital contents.

A-3-2 *Sportfive*

In addition to TV rights, to take advantage of the convergence of conventional media rights towards the web, Sportfive greatly expanded its New Media business in 2007. Sportfive now possesses its own state-of-the-art digital platform, and recently produced a web TV service for the Paris Saint-Germain football club, and handled web marketing for the 2007 World Handball Championships. In Germany, Sportfive signed multimedia broadcasting agreements with the national handball, basketball and volleyball leagues.

The platform that Sportfive designed and created optimises the rights and contents of its clients across the media (TV, Internet, mobile phones, etc.).

B) Operations during 2007

B-1 *TV production rights*

B-1-1 *Sportfive*

In 2007, Sportfive stepped up its marketing of the TV broadcasting rights to the Euro 2008 football championship in Europe and won a contract for the management of these same rights for the rest of the world. Sportfive's service provision for the UEFA was in line with objectives and made it possible to further increase the value of the competition.

With the signing of a long-term agreement in October with the African Football Federation (CAF), Sportfive consolidated its positions with respect to football in Africa. This contract makes Sportfive exclusive agent for the CAF, from 2009 to 2016, for the global media rights to the following competitions: African Cup of Nations, CAF Champions League, Confederations Cup and Africa Juniors Championship.

In 2007, Sportfive expanded its Production department to provide global media coverage. Business included the delegated production of the Le Mans 24 hours races, the Women's World Handball Championships, and most importantly, the company has managed production of Ligue 2 images since August 2007 for the French Professional Football League.

B-1-2 *IEC In Sports*

The major event for IEC in 2007 came in November, when the company obtained the TV broadcasting rights for the Men's and Women's World Volleyball cups for the whole world.
IEC had also sold the international TV rights to the Asian Men's and Women's Volleyball championships.
These activities helped to strengthen IEC's position as principal distributor of volleyball TV rights in the world.

In 2007, IEC also renewed its contracts for the production and marketing of the TV rights to two of the main football tours in Asia: one by Barcelona FC and the second by Manchester United.

The company increased its involvement in professional tennis.
IEC currently handles the broadcasting rights for close to 50 tennis tournaments (men's, women's and seniors).

2007 was also the first year of cooperation between IEC and the FINA world cup swimming series for broadcasts of a large number of international competitions.

B-2 *Marketing rights*

Consolidating the portfolio of football rights was a priority for the future development of Sportfive, and this was marked by a substantial agreement signed in France: the renewal of the contract with the Olympique Lyonnais football club for a period of ten years, starting from the delivery of the new stadium (scheduled for 2010). Furthermore, Sportfive renewed and strengthened its contractual relations with a number of European Football Federations and clubs: Bayer Leverkusen, Hanover 96, Hamburg SV, AJ Auxerre and Real Madrid (friendly matches) etc.

Drawing on the negotiations conducted with the Olympique Lyonnais club, which take the new stadium and related revenues into account, in 2007 Sportfive initiated an innovative policy for approaching rights holders by offering them expert “stadium consulting” services. Sportfive’s dedicated team now has the capacity to assist clubs with a complete service starting from the design of the stadium through to its funding and commercial exploitation. This new expertise will be a clear asset for attracting new clubs and further reinforcing Sportfive’s portfolio of football rights.

In Germany, Sportfive developed a technique called “naming rights”, which consists in re-naming and commercialising a sports ground in the name of a sponsor. For example, Hamburg stadium was renamed “HSH Nordbank Arena” as part of a naming operation.

In 2007, Sportfive also strengthened its position in rugby in the capacity of Official Hospitality Agency for the 2007 Rugby World Cup, and extended its reach to new sports such as tennis (Official agent for Roland Garros and the Paris Bercy Tournament) and rally driving (exclusive marketing of partnerships for the Transorientale marathon rally raid).

The signing of an exclusive agreement with the African Football Confederation enabled Sportfive to consolidate its leading position in international marketing and sponsoring.

In media rights, Sportfive is now the exclusive agent for all the marketing rights of CAF competitions from 2009 to 2016 (African Nations Cup, African Champions League, etc.).

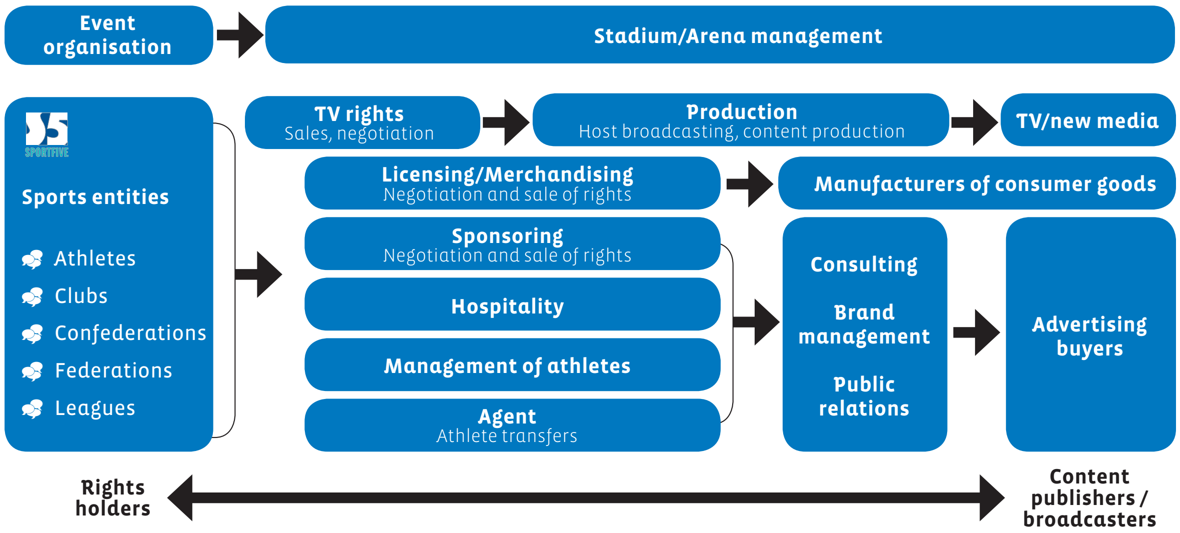
B-3 *New media*

2007 was marked by the generation of powerful synergy with the launch of the Journal du Dimanche website (www.lejdd.fr). Working in close cooperation with the teams at Lagardère Active and the JDD, Newsweb launched a live news website in March 2007, which quickly became the benchmark in its field. With 933,000 unique visitors in December 2007 (source: Nielsen NetRatings) the website www.lejdd.fr enjoyed the highest growth among news websites in the course of the year.

As part of the same policy of creating synergies, Sportfive’s expertise in the world of football enabled Newsweb to acquire the marketing rights to the Olympique Lyonnais football club’s website (with an eventful sports year in 2008 – the Euro 2008 in football and the Olympic Games – Newsweb intends to continue to develop its audience in the world of sport by creating the most powerful sports offer on the Internet).

C) *Outlook*

The operations conducted in 2006 enabled Lagardère to achieve a strong position in the segment of sports mediation, and the Group will continue to implement the strategy announced on the occasion of the launch of Lagardère Sports:
- Establish a market leadership position by 2012;
- Reinforce existing market positions by developing professional expertise;
- Extend the Group’s presence significantly in areas outside Europe;
- Diversify the portfolio of sports disciplines;
- Become a key player in all segments of the value chain.



Lagardère has powerful ambitions for 2008.

Three major operations are planned to strengthen the positioning of Lagardère Sports:
- Accelerate the growth of the business through acquisitions, but also through internal growth operations (as with the launch of the marathon Transorientale rally raid to take place for the first time in June 2008);
- Integrate the new entities and adapt the organisation to market trends;
- Foster and develop a policy of proprietary events to optimise the portfolio's risk level.

5.2.2 Other business activities

5.2.2.1. EADS

A) *Governance*

In 2007, after an in-depth review of the governance system at EADS NV, its principal shareholders, i.e. the French government, Lagardère SCA and Daimler, concluded together with EADS' management team that a simplified management structure would be more appropriate for the unified leadership needed in the next phase in the EADS group's development. It was therefore decided to modify the company's governance arrangements.

This modification was announced on 16 July 2007 and implemented at the EADS general shareholders' meeting of 22 October 2007. The principles guiding the reform are efficiency, cohesion and simplification of the group's management structure, in line with the best governance practices and with full respect for the balance between French and German shareholders.

The resulting amended organisation of the EADS group remains faithful to the founding principles of EADS NV as defined in 1999 by the French government, Lagardère SCA, Daimler 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 represented by the limited partnership Sogeade, in which equal rights are held by the French government and Lagardère SCA, although their respective investments are changing

The capital of Sogeade, which until 30 June 2007 was held half by Sogepa (fully-owned by the French government) and half by Désirade (fully-owned by Lagardère SCA), is now owned 54.54% by Sogepa and 45.45% by Désirade after the remittal of EADS shares by Lagardère SCA to holders of the Mandatory Exchangeable Bonds (see below).

Sogeade is managed by Sogeade Gérance (owned 50% by the French government and 50% by Lagardère SCA); on 22 October 2007, the shareholders agreed to change its governance system. The Chairman of Sogeade Gérance is now appointed after nomination by Lagardère SCA; following this procedure, Arnaud Lagardère has been Chairman of Sogeade Gérance since 25 October 2007.

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

• *At managerial level*: prior to the governance reform of 22 October 2007, Sogeade had four directors on EADS' Board of Directors, appointed after nomination by Lagardère SCA, and Daimler appointed the same number of directors.

The Board also had two independent members, one nominated by Sogeade and one by Daimler. Although SEPI no longer had the right to designate a director, Sogeade and Daimler proposed a Spanish director, who was appointed at the EADS shareholders' meeting of 11 May 2005.
To better reflect EADS NV's profile as an international company by conforming to international governance principles, EADS' Board of Directors now comprises the following members, appointed at the shareholders' meeting of 22 October 2007 for terms of office that will terminate at the annual general meeting of 2012. Subsequent terms of office will last five years:

- two representatives of Sogeade, appointed after nomination by Lagardère SCA - Arnaud Lagardère and Dominique D'Hinnin - and two representatives of Daimler appointed after nomination by Daimler - Rolf Bartke et Bodo Uebber,
- the Chairman of EADS NV - Rüdiger Grube,
- its CEO - Louis Gallois,
- a representative of SEPI, appointed after nomination by SEPI - Juan Manuel Eguiagaray Ucelay, and
- four independent directors - Hermann-Josef Lamberti, Lakshmi N. Mittal, Sir John Parker and Michel Pébereau - appointed after joint nomination by the Chairman and CEO of EADS NV to contribute their experience and outside point of view to the Group.

Decisions of the Board, which previously required a qualified majority (7 votes in favour out of 11), now require a straightforward majority of 6 votes, except for decisions concerning a limited list of reserved subjects. These include the appointment of the Chairman or CEO of EADS NV, appointment of the CEO of Airbus and decisions on strategy or major investments, and require the approval of four directors representing Sogeade and Daimler.

In its new simplified management structure, EADS NV is no longer managed by two Chairmen and two CEOs (appointed after nomination by Sogeade and Daimler respectively), but by a single Chairman and a single CEO nominated for appointment by Sogeade and Daimler jointly, currently Rüdiger Grube and Louis Gallois, appointed at the Board of Directors' meeting of 22 October 2007.

The Chairman of EADS NV and the CEO of Airbus must be of the same nationality, either French or German, while the CEO of EADS NV and the COO (Chief Operating Officer) of Airbus must both be of the other nationality. Consequently, when the terms of office of Rüdiger Grube and Louis Gallois expire upon the annual general meeting of 2012, the nationality of the holders of these positions will change. The French government, Lagardère SCA and Daimler have agreed that Arnaud Lagardère should succeed Rüdiger Grube as Chairman.

The Chairman of EADS NV is in charge of overseeing group strategy – teaming up with the CEO for top-level strategic discussions with third parties – and relations with principal shareholders. In particular, he chairs the Board's newly-formed Strategy Committee (see below). The CEO of EADS NV is more particularly in charge of the management team for execution of group strategy, and handles the company's relations with institutional and private shareholders.

Principle of consistency

- In compliance with the wishes expressed when the company was founded, EADS NV has only one General Management, one Financial Division, one Strategy Division, etc.
- IThe Executive Committee of the EADS NV group, which is jointly responsible for the executive management of the group along with the CEO comprises twelve members.

The new governance arrangements give the CEO of EADS NV and its Executive Committee greater autonomy in the day-to-day management of the company. In particular, investments of under €350 million are the exclusive responsibility of the Executive Committee, as is the appointment of the management teams for the main subsidiaries and operational entities (apart from the CEO of Airbus – see below).

The members of EADS' Executive Committee are appointed by the EADS NV Board of Directors after nomination by the CEO of EADS NV and approval by the Chairman of EADS NV.

Other changes resulting from the new governance arrangements

Appointments of senior managers in the EADS group aim to select the "best man for the job", while maintaining the group's balance and diversity in coherence with its heritage and founding shareholders.

At Airbus, Thomas Enders is the CEO (candidates for this post are now nominated by the CEO of EADS NV and submitted for approval by the Chairman and Board of Directors of EADS NV), and Fabrice Brégier is the COO (candidates for this post are now nominated by the CEO of Airbus and require the approval of CEO and Chairman of EADS NV).

The Audit Committee and Remuneration and Appointments Committee of EADS NV now each consist of one director representing Sogeade, one director representing Daimler and two independent directors, and are both chaired by an independent director.

A Strategy Committee has recently been formed to provide support for the Board of Directors. It consists of one director representing Sogeade, one director representing Daimler, one independent director, the CEO of EADS NV and the Chairman of EADS NV, who acts as committee chairman.

* * *

Changes in the shareholder structure of EADS NV – Partial withdrawal from EADS NV by Lagardère SCA and Daimler in 2006 and 2007

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

On 6 April 2006 Lagardère SCA concluded a contract with IXIS Corporate & Investment Bank and Nexgen Capital Limited for subscription of Lagardère bonds exchangeable for EADS NV shares subject to an adjustment mechanism (Mandatory Exchangeable Bonds). Under this contract, on 11 April 2006 Lagardère issued and IXIS Corporate & Investment Bank et Nexgen Capital Limited subscribed 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 respectively.

When the bonds are exchanged, Lagardère SCA is 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 at the price of €32,600 each, paying an annual coupon of 7.7%.

Lagardère's partial withdrawal took place in parallel to another operation by Daimler, which sold a 7.5% share in EADS NV on the market, immediately reducing its holding in the capital of EADS NV from approximately 30% to 22.5%.

In 2007, Lagardère redeemed the first tranche of the Mandatory Exchangeable Bond issue maturing on 25 June 2007 by remitting 20,370,000 EADS shares to the holders of the bonds at that date.

On 13 March 2007, Daimler initiated a plan to transfer the equivalent of 7.5% (one third of its current holding) in the capital of EADS NV to German investors, while retaining the attached voting rights. In 2010, if Daimler 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 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 NV. Daimler is expected to continue to exercise the voting rights attached to the EADS shares acquired by the German government, which would only be transferable as stipulated in the EADS NV shareholder agreement.

These partial withdrawal operations had no effect on the balance of powers which remains unchanged between the French government and Lagardère SCA in France and between the French and German sides of EADS NV. Lagardère SCA retains its role as principal shareholder in the control structure of EADS NV.

B) *Key financial data published by EADS*

	2007	2006
Revenues[1] M€	39,123	39,434
EBIT[1][2] M€	52	399
Net income (loss)[3] M€	(446)	99
Number of employees	116,493	116,805
Order intake[1][4] M€	136,799	69,018
Order backlog[1][4] M€	339,532	262,810

(1) MBDA was consolidated on a 37.5% basis in 2007 and a 50% basis in 2006. The 2006 figures have not been adjusted, and to arrive at a comparable basis the following impacts of changes in the scope of consolidation should be taken into account: -€418 million on 2006 sales, -€30 million on 2006 EBIT, –€249 million on net cash for 2006, –€329 million on 2006 order intake, –€1,691 million on the order backlog for 2006.

(2) Operating profit before interest, tax, depreciation, amortization 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.

(4) Contributions from commercial aircraft activities to EADS order intake and order book are based on list prices.

C) *Principal activities and main markets[(*)]*

With total revenues of €39.1 billion in 2007, EADS is the leading aeronautics, space and defence group in Europe and the second largest in the world. In terms of market share, EADS is one of the world's two leading manufacturers 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 2007, EADS achieved approximately 77% of sales in the civil sector and 23% in the military sector.

Organisation of EADS' activities

EADS comprises five major Divisions: (1) Airbus, (2) Military Transport Aircraft, (3) Eurocopter, (4) Defence and Security and (5) Astrium (formerly EADS Espace).

C-1 *Airbus*

Airbus is one of the world's two leading suppliers of commercial airliners with more than 100 seats. From its foundation in 1970 up to 31 December 2007, Airbus received 8,555 orders for aircraft from 287 customers all over the world. In terms of worldwide aircraft deliveries, its market share grew from 15% in 1990 to 52% in 2007, placing it ahead of its competitor, Boeing, for the fourth year in succession.

At 31 December 2007, orders booked (3,421 aircraft) represented 83.5% of the total worldwide orders received by EADS. Total orders amounted to 1,458 aircraft and the firm order book net of cancellations stood at 1,341 aircraft. In 2007, the Airbus Division of EADS achieved sales of €25.2 billion, representing 64.5% of total EADS revenues.

(*) Detailed information on EADS' activities and main markets are available from the company's website (www.eads.net).

C-2 *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 high-capacity European military transport aircraft. The division also manufactures and sells mission aircraft derived from existing aircraft for use in special missions such as marine surveillance, anti-submarine weaponry and in-flight refuelling. The MTA division also designs and manufactures aerostructure components. In 2007, it achieved sales of €1.1 billion, representing 2.8% of total EADS revenues.

C-3 *Eurocopter*

Eurocopter is one of the largest helicopter manufacturers in the world and is in the leading position for civil and military helicopters in Europe. The Management of Eurocopter anticipates a significant increase in sales of military helicopters for several reasons: the start of deliveries of the NH90 military transport helicopter and the Tigre combat helicopter; the high volume of orders for military aircraft from several European countries; and the increasing demand in the international military and paramilitary export markets. In 2007, Eurocopter had a 50% share of the world civil helicopter market. The Eurocopter Division achieved sales of €4.2 billion, or 10.7% of total EADS revenues.

C-4 *Defence* & *Security*

The Defence and Security Division (DS or the DS Division) operates in the field of integrated solutions for defence and security, particularly missile systems, combat aircraft, defence electronics, military communications and interior security. Its customers are the armed forces and police forces of countries all over the world. In addition to active involvement in the production of drones, its Military Aircraft Operating Unit is a major player in the Eurofighter consortium. The DS Division is also a key player in the European defence electronics market and plays a major role in the market for secure and encrypted military communications. In 2006, the DS Division achieved sales of €5.5 billion, or 14% of total EADS revenues.

C-5 *Astrium*

Astrium 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, launch vehicles and related services. The Astrium Division comprises three main Operating Units: Astrium Satellites, Astrium Space Transportation and Astrium Services, through which it designs, develops and manufactures satellites, orbital infrastructures and launch systems, and provides space services. Astrium also provides launch services via its shareholdings in Arianespace, Starsem and Eurockot, as well as satellite telecommunications and earth observation services. In 2007, Astrium achieved sales of €3.5 billion, or 9% of total EADS revenues.

D) ***Operations during 2007***(*)

2007 was a particularly dynamic year for EADS in terms of business. With record orders of €137 billion, the group's order book stood at the unprecedented level of €339.5 billion, with major contributions from Airbus and Eurocopter. Airbus passed an important milestone in its history in the course of the year with the delivery of its 5,000th aircraft. Another symbolic delivery was that of the first A380 to Singapore Airlines on 15 October 2007.

These commercial successes had a positive effect on net cash position (which stood at €7 billion at 31 December 2007) offering a certain degree of financial flexibility for the future of the group.

2007 was also marked by a major change in the group's corporate governance. The Management structure has been considerably simplified, with the appointment of a sole Chairman of the Board of Directors (the Board) and a sole Chief Executive Officer, and the appointment of four independent directors. The new operating rules have given a new impetus to exchanges between the Board and the Management. The Board is committed to enhancing the decision-making process and providing shareholders with increased transparency.

2007 was also a difficult year for EADS, which faced challenges regarding the management of several of its ongoing development programmes. Delays were experienced with the A400M military transport aircraft and the NH90 military transport helicopter, particularly the naval version, while Airbus was still confronted with the complexities of increasing the pace of production of the A380. For the A400M programme, EADS announced delays of 6 to 12 months and recorded a provision of €1.4 billion in 2007.

The value of the US dollar has fallen 40% in five years. Against the substantial challenge of a euro/dollar exchange rate of 1.35, Airbus launched Power8 in February 2007. The initial results of this recovery plan reflect EADS' determination to take up the challenges of competition in order to guarantee long-term profitability, with the selection of the "best bids" for the sale of six Airbus factories. The continuing slide of the US dollar is nonetheless forcing EADS to consider additional measures.

(*) Detailed information on EADS' activities and main markets are available from the company's website (www.eads.net).

2007 sales remained stable overall despite the unfavourable euro/dollar exchange rate and the delays in the A400M. EBIT was strongly burdened by the provisions related to the A400M, Power8 charges and the costs of the launch of the A350. However, excluding these non-recurring items, EBIT increased. Orders booked increased 29% despite the negative exchange rate effect, which amounted to €20 billion.
The Defence order book recorded slight growth of 3% due to Eurocopter and Defence & Security contracts.

In 2007, EADS' business environment was characterised once again by an excellent year for the aeronautics industry. Despite the favourable economic context, the volatility of the market is still a decisive factor. The record level of the euro compared to the US dollar acts as a handicap to Europeans in competing with their rivals, while rising oil prices present a severe challenge for EADS' customers. Instability in the Middle East and the threat of terrorism fuel the atmosphere of uncertainty, while in defence, investment budgets remain under pressure. At the same time, new initiatives on the part of the public authorities aimed at reinforcing defence capacity and increasing national security in response to the growing climate of threat may create new opportunities in the long term. The European institutional space market is experiencing steady annual growth of 2.5%, a level which will continue until 2010, while the business environment remains extremely competitive.

D-1 *Airbus*

2007 was a record year for Airbus in terms of both deliveries and orders. Airbus delivered 453 aircraft in 2007, and received 1,458 orders, establishing a new record after 2005 (1,111 orders). Net of cancellations, firm orders booked stood at 1,341 aircraft. The principal source of this growth was demand from the airlines in the Asia-Pacific region, India and the Middle East, while demand also remained strong from the low-cost airlines and the traditional European airlines.

33 new orders were received for the A380, bringing the total orders booked for this aircraft to 189. The A350 attracted 290 new orders, demonstrating the market's interest in the new aircraft.

D-2 *Military transport aircraft (MTA)*

Delays in the A400M programme overshadowed the rest of the Military Transport Aircraft Division's activity and burdened the results of the Division. In October 2007, EADS issued a new provisional delivery schedule for the first units to customers of the A400M military transport aircraft, including OCCAR. The first deliveries are now scheduled to take place six months after the initially stipulated date, with a further risk of delays of up to six months. Measures have been taken to reduce the impact of these delays, and the financial consequences are currently under evaluation. The first A400M is in the final assembly stage in Seville, Spain, and the inaugural flight is scheduled for summer 2008. Following the appointment of Carlos Suárez as new Director of MTA, the Division has been restructured to enhance programme integration and management. Saudi Arabia has placed an order for three A330 Multi-Role Tanker Transport (MRTT) aircraft. As the contract was signed in December, this order will be posted in the accounts in 2008.

Five orders have already been placed for this aircraft from Australia, and the inaugural flight of the first was in June 2007. In addition, the AirTanker consortium (in which EADS holds a 40% share) launched an operation to raise approximately £2 billion to fund the construction of fourteen A330 MRTT for the British Future Strategic Tanker Aircraft (FSTA) programme.

D-3 *Eurocopter*

In a highly buoyant world helicopter market, Eurocopter's deliveries and orders reached an all-time high. With its comprehensive, modern range of helicopters, Eurocopter has a 50% share of the world market for commercial helicopters, while business continues to expand in the military sector. Orders booked at the end of 2007 represented more than €13 billion. Orders increased 35%, particularly in the para-public sector and in the field of oil and gas exploitation.

Deliveries have grown by 76% over the past three years, from 279 to 492 units, while the Management has initiated reorganisation measures to accompany the increased production levels. The NH90 military transport helicopter was also a preoccupation, with the pace of production increasing. However, the large number of versions is a source of difficulties. The programme has therefore been restructured, new industrial measures have been implemented and discussions with the customers have been instigated, particularly regarding the naval version. Meanwhile, the Army version of the NH90 was delivered to Australia, Sweden and Italy.

D-4 *Defence & Security*

Defence & Security (DS) received an order for 72 Eurofighters from Saudi Arabia. MBDA confirmed its position as leading global supplier of tactical missile systems, with sales of more than €3 billion. DS also achieved considerable success in the field of security, particularly through the contract with Qatar for a national territorial global surveillance system. Considerable progress was made in particularly promising sectors such as drones, with several research contracts signed with Germany, France and Spain.

D-5 *Astrium*

With the benefit of several years of innovation and operational improvement, Astrium has strengthened its competitiveness, leading to increased profitability and an all-time high level of orders booked. Paradigm, the United Kingdom's secure military telecommunications programme, made considerable progress, with the launch of three Skynet 5 satellites, which will enable EADS to supply the British Defence Ministry with telecommunications services in 2008. The commercial satellites business gained a significant market share on the telecommunications sector. The launch vehicles activity won half of the launch service contracts. Furthermore, the operating unit built six Ariane 5 launch vehicles, version 10T. Astrium signed a framework agreement with Arianespace for the delivery of 35 Ariane 5 10T launch vehicles, while the Galileo programme was completely re-organised.

5-2-2-2 NMPP

Faced with the challenging context of press distribution in France and the difficult situation it has been experiencing over the past few years, at the end of June 2007 the main players involved reached a consensus on the conditions of the long-term future and development of the activity. This took the form of unanimous support for the 'Défi 2010' modernisation plan presented by the General Manager of NMPP.

This ambitious strategic plan, which is designed to reverse the trend of the past few years, is based on four main components:

- an aggressive policy to reconquer sales, through the development of the network and the strengthening of network motivation;
- 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, through diversification;
- matching the product offer and pricing.

As the operator, Hachette SA receives a fee which has a fixed and a variable component, and has decided to forego the variable component for the duration of this plan. The publishers, for their part, have agreed to absorb a considerable increase in the distributors' remuneration. To illustrate their intention to support the plan, the public authorities decided to increase their financial assistance for the distribution of daily newspapers.

In 2007, the aggressive policy of developing the sales network began to bear fruit, with the total number of sales outlets increasing by 574. In previous years, the average number of sales outlets, taking into account new openings and closures, was declining by 400 to 500 annually.

These network operations had a strong positive impact on the activity, with press sales (dailies and publications) decreasing by only 0.6% in 2007 compared to 2006. Only the non-press products segment continued to decline. For all products taken together, principally due to the non-press segment, total sales declined by 3.6% in 2007 compared to 2006.

As a result of these measures, NMPP's operating result increased by €4.5 million in 2007 compared to 2006.

Including the high level of financial income, State aid and exceptional result, and including a provision of more than €60 million in respect of the future restructuring plan, NMPP incurred a net loss of €28 million in 2007.

These results are in line with NMPP's 2006 pluri-annual commitments to shareholders.

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

In the course of 2007, Matra Manufacturing & Services continued to implement the strategy for industrial reconversion of its automobile spare parts business to the design, manufacture and distribution of light electric vehicles, particularly electric bicycles.

The spare parts business for Renault experienced a further decline as anticipated, with sales amounting to €48 million.

The light electric vehicles business continued to expand. As the company is still at the phase of development and launch of part of the range of electric vehicles, sales were not yet significant.

The company's net cash position remained at a high level (€59.5 million), such that it was able to fully self-finance the development of its new activities.

5-2-2-4 Le Monde

Lagardère's 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, in particular the Société des Rédacteurs du Monde), thereby ensuring the newspaper's continued editorial independence.

Despite achieving an operating profit (+€5.3 million) for sales of close to €630 million, the net income of the Monde group in 2007 is expected to be negative due to the combined effect of the financial debt and restructuring costs.

Also, the subsidiary Le Monde Interactif (publisher of the website Le Monde.fr) in which the Lagardère group holds a direct investment of 34% had very good results in 2007 (particularly from advertising revenues), validating the viability of its economic model.

In 2007 and early 2008, a certain number of changes had a significant effect on the membership of Le Monde group's governance and control structures. Lagardère has monitored these changes attentively and is open to all possible options regarding the group's recapitalisation, which is necessary both to improve results and to protect the economic and financial balance.

5-2-2-5 Canal+ France

Key figures		
(in millions of euros)	**2007**	**2006**
Sales	3,747	3,001
EBITA(1)(2)	311	(32)
Net result	**151**	**(160)**

(1) Adjusted operating income (EBITA) corresponds to operating income (EBIT) before depreciation and amortization and impairment of intangible assets arising from business combinations.

(2) Including non-recurring transition costs related to the merger with TPS: €88 million in 2007 and €177 million in 2006.

A) *Description of activities*

On 4 January 2007, the Lagardère Group acquired a 20% interest in Canal+ France as part of merger operations involving the production and broadcasting of TF1, M6, Vivendi and Lagardère's pay television services, and Lagardère's contribution to Canal+ France of its 34% share in the capital and voting rights of CanalSatellite (see Chapter 8, section 8-3-1).

Canal+ France is a key player in the delivery of premium television, special interest channels and the broadcasting of paid television in France and other French-speaking countries. The company is also a pioneer in the field of new television services.

At 31 December 2007, its range of offers attracted more than 10.5 million subscribers.

A-1 *Production activities*

Canal+ Le Bouquet / TPS Star

Canal+ Le Bouquet comprises six premium channels, each with a distinctive editorial line and brand identity: Canal+, Canal+ Cinéma, Canal+ Sport, Canal+ Family, Canal+ Décalé and Canal+ Hi tech. At 31 December 2007, Canal+ had 5.3 million subscribers, 71% of which were for Canal+ Le Bouquet.

TPS Star is an exclusive channel that broadcasts mainly films and sport events, and completes the premium offer of Canal+ France.

Special interest channels

Canal+ France produces around twenty special interest channels covering the most sought-after subjects on television: films (CinéCinéma), sports (Sport+, Infosport), documentaries (Planète), entertainment (Comédie !), lifestyle (Cuisine TV, Seasons), series (Jimmy) and Youth (Piwi, Télétoon).

A-2 *Broadcasting activities*

CanalSat

Canal+ France operates the CanalSat platform, the leading digital special interest channel package in France with 5.2 million subscribers at the end of 2007.

Following the merger of CanalSat and TPS in January 2007, a single multiple channel offer combining the best of the two packages was launched in March 2007 under the CanalSat brand name. This offering comprises more than 280 channels and services, including 55 exclusive to satellite broadcasting.

Canal Overseas

Canal Overseas (formerly Media Overseas) operates Canal+ and CanalSat in the French overseas territories and departements and in Sub-Saharan Africa. Canal Overseas develops channel packages in French for direct satellite reception, and had 818,000 subscribers at the end of 2007.

Broadband television

Canal+ France became involved in broadband television in 2003: Canal+ Le Bouquet and CanalSat packages are available from ISPs Neuf Cegetel, Orange, Free and Darty Box.

Digital Terrestrial Television (DTT)

Canal+ France broadcasts two paid television packages on DTT: a premium package comprising Canal+, Canal+ Cinéma and Canal+ Sport, and a mini package marketed under the CanalSat brand name including Canal J, Eurosport, LCI, Planète, Paris Première and TF6.

In June 2007, Canal+ France launched TNTSat, a free satellite DTT package offering 18 free channels, along with France Ô and the 24 regional variations of France 3, to 100% of the French population all over mainland France. TNTSat is available on Astra and does not require a subscription.

Television on mobile telephones and mobile television

Canal+ France offers two television packages for mobile phones:

- CanalSat Mobile, comprising more than 30 channels available direct, covering the most popular specialties in paid television (films, sport, Youth, discovery, etc.), available from mobile phone operators SFR and Bouygues Telecom;
- Canal+ Mobile, a multimedia VOD offering based principally on the editorial contents of Canal+, available from mobile phone operators Orange, SFR and Bouygues Telecom.

Canal+ France has more than 250,000 customers for its CanalSat Mobile and Canal+ Mobile offerings (February 2008).

Personal mobile television

A driving force in the development of new television usages, particularly personal mobile television (PMT), Canal+ France applied to obtain three PMT channels in response to the call for applicants issued by the French broadcasting authority on 8 November 2007.

Legal video download and video on demand

Canal+ France's legal download video service, CanalPlay, is available on PC or television via the DSL television service from ISP Free. The offer comprises a rich and varied catalogue of more than 3,000 titles and is also the sole platform in France to offer permanent downloads burnable to DVD.

On average, CanalPlay receives more than 250,000 orders a month and has recorded more than six million downloads since it was launched two years ago.

B) Sales and subscriber portfolio in 2007

Sales in 2007 amounted to €3,747 million compared to €3,001 million in 2006, representing an increase of €746 million (+25%). This growth is mainly due to the positive effects of the acquisition of TPS, complementary revenue related to the rise in subscriptions and increased advertising revenue.

At the end of December 2007, the global portfolio of subscribers stood at 10.5 million (individuals and groups in France, including overseas territories and Africa) representing a net increase of 280,000 compared to the end of 2006. This variation takes into account a negative impact estimated at approximately 50,000 subscribers following changes in scope to retain sustainable forms of subscription only. Canal+ has 5.3 million subscribers and CanalSat / TPS has 5.2 million. Canal+ Le Bouquet's (digital) subscribers account for 71% of the channel's total portfolio (compared to 61% at the end of 2006).

C) Outlook

On 6 February 2008, Canal+ France acquired the rights for nine of the 12 packages on offer from the Ligue de football professionnel (LFP) for the period 2008-2012, for an amount of €465 million per year (compared to €600 million under the previous call for applicants.

With these rights, the Canal+ group continues to be the leading promoter of French Ligue 1 football; this full coverage of the Ligue 1 championship is now part of a football offer which already includes the top championships outside France (the Premier League in Britain, Calcio in Italy, Liga in Spain, etc.) and the Champions League.

5 - 3 Corporate social responsibility and corporate citizenship – Ethics

The Lagardère Group firmly intends to pursue business development through an approach that reconciles growth and responsibility towards employees, the community and the environment. The pursuit of excellence and success can only be promoted by incorporating the concerns of the men and women who work for the Group, shareholders and society at large.

Over the past few years, considerable progress has been made. The Group has endeavoured to:

- Create a stimulating, appealing work environment that fosters creativity, independence and the imagination of employees, all key factors for success.
- Meet the changing expectations of viewers, readers and listeners by providing them with quality contents; and continue to promote the corporate values of excellence, respect for the individual and team spirit, particularly through the action of the Jean-Luc Lagardère Foundation.
- Reconcile business expansion with the necessary respect for the environment.

This same determination will guide us through the challenges to come, with the commitment of all of the employees of the Group.

5-3-1 The Group's commitment

5-3-1-1 Implementation of the CSR (corporate social responsibility) policy

In order to integrate CSR concepts and instruments into the daily life of the Group's various companies, the operating units and their respective managements are responsible for defining labour, social and environmental policies.

In 2004, a Steering Committee (the CSR committee) was set up by the Managing Partners to formally define the Group's position on labour, social and environmental responsibilities, initiate discussions and implement the resulting actions in cooperation with the divisions.

A) The players in the CSR process

A - 1 *The CSR Committee*

At Group level, 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 on matters relative to the Group's labour, social and environmental responsibilities;
- Oversee continuous improvement of the Group's actions in this respect, 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 working parties on given themes or for specific situations,
- Implement, coordinate and improve internal reporting
- Communicate with the CSR ratings organisations and respond to their queries regarding CSR issues.

A - 2 *Human resource divisions*

The Human resource divisions and teams of the different entities are responsible for their own "human resources" policies and labour-related and social information reporting. The Group Human Relations Department 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.

A - 3 *General secretaries and technical departments*

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

A - 4 *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 5.3.1.2.B) and the Group's procurement policy, implemented in 2008, includes Sustainable Development as one of its eight fundamental principles.

B) Creation of new dedicated entities within the divisions

In 2007, a dedicated Sustainable Development department was set up within Lagardère Active; the aim of the department is to raise the awareness of decision-makers and employees of the social and environmental issues at stake for the Division, and to promote and facilitate the implementation of actions for Sustainable Development. One practical example is the participation of a Group representative in the new Sustainable Development Commission set up by the French Press and News Magazines association, the *Syndicat de la Presse Magazine et d'Information*, in 2008. With the support of the Corporate Communications Division, Lagardère Active intends to make Sustainable Development one of the major themes of its "mission statement".

> The very nature of Lagardère Active's business accentuates the importance of the company's responsibility with respect to Sustainable Development: the media help to build social fabric, acting as an instrument for positive change in society and mindsets, and a vehicle for spreading cultural diversity.
>
> The aim of the Group's Sustainable Development action is to integrate economic, social and environmental concerns into its projects both within and outside the company, as part of a long-term process based on:
> - creating value to ensure the company's growth and long-term existence;
> - respect for all contributors to the business: employees, customers, suppliers and partners;
> - responsibility towards present and future generations.
>
> Lagardère Active is well aware of the issues at stake, and intends to intensify its Sustainable Development action, making it an integral part of its mission statement.
>
> **Anne-Marie Couderc – Secretary General of Lagardère Active,**
> **in charge of Human Resources and Sustainable Development**

Similarly, as part of the Group's overall approach, in early 2008 Lagardère Publishing set up a Sustainable Development Commission to take charge of implementing the division's CSR policy.

5-3-1-2 The Group's approach to its main stakeholders

A) Governing laws and standards

A - 1 *Legislation and regulations*

Lagardère attaches great importance to the principles of the Universal Declaration of Human Rights and the International Labour Organisation (ILO), and to the OECD guidelines for multinational corporations; the Group's Code of Conduct (see section 2 below) affirms the Group's commitment to applying these international standards by defending principles such as:

- 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.

Lagardère joined the United Nations Global Compact in 2003, marking its attachment to Universal values. In so doing, the Group undertook to promote the respect of the Compact's ten principles of good governance, taken from the Universal Declaration of Human Rights, the fundamental principles of ILO on labour rights and the Rio principles on the environment and development, and the OECD guidelines.

The principle of strict compliance with legislation and regulations in force is repeated in the procurement policy the Group implemented in 2008.

A - 2 *The Lagardère 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 employees, outside partners and competitors, customers, shareholders and the community at large.

- Concerning the Group's relations with 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 employee's privacy.

The Group intends to foster the development of professional skills by means of training and promotion.

- Concerning relations with non-Group 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, and forbids 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.

The principle of strict compliance with the code of conduct for relations with suppliers is repeated in the procurement policy the Group implemented in 2008.

- Concerning customer relations, the Group reaffirms the principles of honouring commitments to customers and the confidentiality of customer information; its objective is to provide 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;
- 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 compliance with the laws and regulations in force and its determination to contribute to Sustainable Development.

B) ***Incorporating ethical, social and environmental criteria into relations with our partners***

Beyond the principles stated in the Code of Conduct (see above), Lagardère considers that its Sustainable Development actions must be conducted in close cooperation with its various partners. This is why the Group has been progressively incorporating ethical, labour-related, social and environmental criteria into both calls for tender and the general terms of new contracts and framework agreements since 2006, particularly through the Sustainable Development Charter. The Procurement policy implemented by the Group in 2008 includes this Charter.

The Group also conducts an active programme of supplier/partner awareness raising and the monitoring of performance levels.

B - 1 *Incorporating specific criteria into calls for tender and contracts*

- Lagardère has drawn up a Sustainable Development Charter to convey the Group's social, ethical and environmental principles.

  The criteria in the Charter 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 illegal 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.

The example of Lagardère Active

In December 2006, Lagardère Active launched a call for tenders with the intention of optimising its portfolio of paper suppliers over the period 2007-2008 for the Group's magazines in around twenty countries in Europe, the United States and Asia. The final selection of partners, in 2007, was conditional on the signature of a Sustainable Development Charter, under the terms of which the paper suppliers undertake to respect certain social, ethical and environmental principles.

Furthermore, to date, all the printers working for the Press division in France and elsewhere have signed the Sustainable Development Charter and committed to respecting the principles contained therein.

- In 2007, a new code of conduct covering the three components of Sustainable Development (social, environmental and economic) was drawn up at Lagardère Publishing[1]; this new code will be implemented progressively with the division's paper suppliers and printers. The provisions of the code will be imposed contractually on new partners, but also on existing providers who will commit to applying the code by signing an addendum to their original contract.

  The publishers of Hachette Collections 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 subcontractors 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 subcontractors.

  The code sets forth a certain number of fundamental values to be respected by the company's suppliers and subcontractors, 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.

  Lastly, the Hachette Collections code stipulates that the publishing houses are entitled to verify that these principles are applied by their suppliers and subcontractors, and consequently may initiate compliance audits during the term of the contracts on the premises of suppliers and subcontractors, or on any of the suppliers' and subcontractors' production sites. In the event of failure to respect the provisions of the code, sanctions including cancellation of the contract and financial penalties, may be applied against the defaulting party.

  In Asia, such audits were carried out by independent third parties. Some gave rise to requests for corrective action on the part of the suppliers and subcontractors concerned (principally a reduction in employees' weekly working hours and application of the rules for working conditions and hygiene). Follow-up inspections performed in 2006 led to five suppliers being excluded. In 2007, four further audits were performed.

B - 2 *Supplier/partner awareness raising and monitoring of performance levels*

- The Press division regularly requires all its paper suppliers and printers to state their policy and environmental performances by means of questionnaires.

  Paper suppliers are questioned about issues relating to environmental management, sustainable forest resource management, traceability of supplies, use of chlorine-free technology and production of paper incorporating recycled fibres.

  The printers are questioned on subjects such as health & safety policy, use of hazardous substances, emission of pollutants (particularly volatile organic compounds resulting from the evaporation of inks containing solvents) and waste management. Up until 2006, only French printers were questioned about their environmental performances; in 2007, the Press division extended printer performance monitoring to its principal subcontractors (in Italy, Spain, the United Kingdom, the USA and Russia), which represent approximately 65% of printing expenditure outside France.

  The answers to these questionnaires are presented in section 5-3-4-4 below.

(1) Regarding people, this charter stipulates the respect of children's rights, (particularly the refusal to employ "child" labour) and human rights (refusal of all forms of slavery and discrimination); it guarantees decent pay and satisfactory working conditions with respect to health, safety and hygiene.
Regarding the environment, the charter obliges suppliers to respect the provisions of the environmental laws and regulations in force, particularly by abstaining from the use of hazardous or toxic products, adopting a responsible waste management policy and encouraging the use of recyclable paper.
The charter also obliges suppliers to optimise the quality of their production, the integrity of their business, and their independence with respect to employees
and representatives of Lagardère Publishing.

- The book publishing division – Lagardère Publishing – conducts a policy of **promoting environmental and social issues** to its paper suppliers and printers, in France and abroad, through a certification incentive scheme.

  Lagardère Publishing requires its partners to initiate action to obtain ISO 14001 environmental certification; to date, more than 95% of Lagardère Publishing's paper suppliers are ISO 14001-certified (compared to 90% in 2006 and 80% in 2005).

  In terms of **raising supplier awareness on employee issues**, Lagardère Publishing's efforts initially focused on subcontractors operating in countries where social and environmental legislation is less strict than in Europe. Primarily as a result of these awareness-raising operations, to date, half the Group's French and European printers, representing at least 1% of Lagardère Publishing's procurement expenditure, have signed framework agreements comprising a labour clause, or have obtained labour-related certification: working conditions, health and safety, OHSAS 18001. Outside Europe, 45% 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 not only with subcontractors outside Europe, but also with Lagardère Publishing's European printers which currently handle 85% of the Division's printing work. This fosters continuous improvement of the environmental performances of printers working for Lagardère Publishing, which carries out regular monitoring of subcontractors' certification status.

C) *Our approach to Group employees*

In addition to the provisions of the Code of Conduct concerning employees (see section 5.3.1.2A), the Group has implemented several charters that employees undertake to respect. Lagardère also conducts operations to raise employee awareness of Sustainable Development issues by means of the Group's intranet site.

C - 1 *The charters*

A "Charter for Transactions carried out on Lagardère SCA shares by employees of the Lagardère Group" 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 sets forth 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, naturally on condition 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 introduced 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 an 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 or 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.

C - 2 *Raising employee awareness of Sustainable Development issues*

Lagardère also has a dedicated "area" on its Intranet for Sustainable Development, which went online in March 2007, with the aim of raising Group employees' awareness of Sustainable Development issues and encouraging them to become involved.

This mini-site comprises a number of topics providing employees with information on Sustainable Development issues; it is also intended to present the Group's commitments and action in terms of CSR.

D) Customer relations

In addition to the provisions of the Code of Conduct concerning customers (see section 5.3.1.2.A), Lagardère attaches particular importance to attentiveness to customers' needs and raising customer awareness.

D-1 *Being attentive to our customers*

Being attentive to the Group's television viewers, listeners, readers, web surfers and customers is a prerequisite for providing them with editorial contents that match their expectations. This is why the Group listens carefully to its customers' opinions.

In France, the Relay sales outlets provide a freephone number for customer complaints, suggestions and remarks. Calls are processed systematically and a personal reply is issued to resolve the situation described. Furthermore, Relais H conducts regular customer opinion surveys, particularly through consumer surveys (general or specifically targeted, for instance concerning new concepts), or postage paid cards to be returned to the company.

The majority of Lagardère Active's subsidiaries have set up their own customer relations system: in the past, this took the form of readers' opinions pages but more recently, blogs and forums have been set up and are widely used, since they enable direct contact. Quality and satisfaction surveys conducted by independent agencies are also increasingly used.

Here are some illustrations of this practice:

- The various French and international editions of *Elle* magazine have a "readers' letters" section, and highly interactive websites. In France, the *Elle* magazine website has a tailor-made page with facilities for readers including subscription to the RSS feed of www.elle.fr; in December 2007, the website attracted 1,191,000 unique visitors (source: Nielsen NetRatings). Qualitative and quantitative reader surveys have been conducted in China, the Netherlands, Russia, the United Kingdom, Italy and Germany.
- *Auto Moto* devotes two pages to readers' opinions and the magazine website's forum has the highest traffic in this sector of activity.
- Viewers of youth channels sent in 14,000 emails in 2007 (5,708 to Tiji, 1,864 to Gulli, 1,400 to Filles TV and 4,748 to Canal J); the channels also conducted satisfaction surveys in 2007 (brand recognition of Youth channels in the 7-14 age group, observatory of cable and satellite channels, qualitative perception studies conducted by Canal J in October 2007, Filles TV in March 2007 and Gulli in January 2007).
- Médiamétrie's audience ratings and certain "quality" surveys conducted by the communication departments of broadcasters provided Image & Cie, one of the Group's production companies, with feedback on the satisfaction of television viewers, the end-consumers of the productions.
- The *Journal du Dimanche* does not have a readers' letters section, but the editorial committee and the Delegated Management replied to all the correspondence received (emails and letters). The *Journal du Dimanche* website, which went online in 2005 and was re-styled in 2007, provides daily editorial contents that differ from the printed newspaper content. Through the site web surfers can interact with each other, but also with the journalists via the "editor's blog"; more blogs are planned for 2008. At the end of December, the site had attracted 933,000 unique visitors (source: Nielsen NetRatings).
- The "Relations" unit of *Télé 7 Jours* magazine answers readers' messages and takes telephone calls; in 2007 a mediation service was set up, and relayed on the magazine's website. The magazine contains a full page devoted to readers' letters and mediation every week. The Télé 7.fr website went online in October 2007, and offers highly interactive content with blogs and forums; this site attracted more than 1 million unique visitors in December 2007 (source: Nielsen NetRatings). The magazine assesses the level of customer satisfaction each year through a reader survey. *Télé 7 Jours* also has "quality rating" surveys conducted by an independent agency and publishes results in the "Survey news" section of the magazine. These ratings cover subjects such as programme quality, new programmes, delays, punctuality, the sound level of advertising and programme cancellations.
- *Version Fémina* has added a "readers' letters" section to all its issues. Ipsos studies on quantitative and qualitative aspects of contents have been conducted every six months for the past five years and round tables are organised once a year in four French cities. The www.femina.fr website has a section devoted to "female surfers", enabling a wide community of women from a variety of cultural, social and ethnic backgrounds to exchange views, and contribute to the contents of the site.
- The Group's radio stations and television channels make particular use of the audience ratings compiled by Médiamétrie to measure the satisfaction of their listeners and viewers; they have all created blogs and/or forums on their websites. Europe 1's site, for example, was the leading general site with1,065,000 unique visitors (source: Nielsen NetRatings).

D - 2 *Raising the awareness of our customers*

- The Group aims to raise the general public's awareness of Sustainable Development issues through its editorial contents and distribution activity: some of the contents produced and delivered (whether books, magazines, newspapers, internet sites, radio and television programmes or film and television productions) deal with the subject of Sustainable Development, thus making the general public conscious of the related issues.

In 2007, these awareness-raising operations were stepped up in both the audiovisual business and magazine publishing sector:

- Europe 1 devoted more than 100 hours of broadcasting to environmental discussions (not counting the relevant coverage in other programmes) and almost 50 hours to social issues;
- The Group's magazines devoted a large number of pages to items related to the environment: more than 50 pages in *Elle* France, almost 130 pages in *Version Fémina*, 112 pages of articles and advice in *Mon Jardin ma Maison*, more than 35 pages in *Auto Moto*, etc.;
- Approximately 5% of the editorial contents of the weekly *Télé 7 Jours* dealt with environmental issues in 2007, and the magazine even produced two "green issues", one in April and one in October. The title of the three-page feature article published inside these issues was used as the catchline on the cover, and the editorial team intends to increase the number of pages devoted to Sustainable Development in 2008;
- The *Journal du Dimanche* produced more than 50 full pages devoted to the environment, ecology, climate change, pollution, etc., not counting articles related to environmental themes in other sections (economy, society, foreign news, etc.)
- In *Paris Match*, more than 100 pages covered the subject and in April a separate eight-page supplement was produced about the CNRS (French National Centre for Scientific Research), along with a DVD entitled "From the big bang to tomorrow", inserted in 50,000 copies of the magazine

Certain channels and magazines took part in innovative projects intended to raise public environmental awareness, including the following: Virgin Radio (formerly Europe 2) provided live broadcasts of the eight mega-concerts organised by Al Gore to combat climate change; from May to July 2007, a number of international editions of *Elle* magazine published a "green issue" (Hong-Kong, USA, and the magazine was even published on recycled paper in Sweden, Turkey, Japan, Croatia, Thailand, Singapore, Belgium, Germany, Poland, Holland, and other countries) covering a number of environmental themes either in the cover story or inside the magazine.

Awareness-raising extends to youth audiences: the "Youth" channels produced many reports on environmental issues to encourage responsible behaviour from an early age; for example, Gulli broadcast specific programmes as part of World Water Day in March 2007.

As part of this approach to raising the awareness of the general public, the majority of Lagardère Publishing's French publishers added the following statements to their publications: "It is the publisher's principle to use papers composed of natural fibres that are renewable, recyclable and manufactured from wood produced in forests that adopt a sustainable management system. In addition, the publisher expects its paper suppliers to take the requisite steps to obtain recognised environmental certification". Similarly, some of the publishers at Lagardère Publishing UK include a statement of their forestry resource management policy in their books, thereby declaring their commitments to their readers.

- Lagardère Publishing has published a number of books that contribute to raising the awareness of Sustainable Development issues in readers of all ages. Examples include: Hatier, Didier, Foucher, Hachette Education and Dunod, in particular, published a wide range of textbooks from primary school to higher education level dealing with issues related to Sustainable Development. For example, the books in the "*Citoyens en herbe*" and "*En avant ma planète*" collections are published by Hatier for primary school pupils. Marabout also published works for young readers ("*Eco Citoyen à vous d'agir !*" "*L'écologie des paresseuses*", etc.)
- Calmann-Lévy, which publishes a collection of essays and major documents in the field of ecology, released "*Pour un pacte écologique*" by Nicolas Hulot, "*Ces forêts qu'on assassine*" by Emmanuelle Grundmann, prefaced by Jane Goodall, "*Le plan B: pour un pacte écologique mondial*" by Lester R. Brown (the French edition of *Plan B: Rescuing a Planet under Stress & a Civilization in Trouble*), and "*C'est bon pour la planète*" by Evelyne Dhéliat.
- Fayard publishing house and its subsidiary Mille Et Une Nuits published more than 25 essays on Sustainable Development topics;
- Stock, Grasset and Lattès also published a certain number of works related to Sustainable Development ("*Vers un nouveau capitalisme*" and "*Vers un monde sans pauvreté*" by Muhammad Yunus and "*Réparer la planète*" by Maximilien Rouer and Anne Gouyon at Lattès, "*Le Krach écologique*" by Geneviève Férone at Grasset, etc.)

• Raising the awareness of children and defending children's' rights

Lagardère Active is particularly attached to raising the awareness of children and defending children's' rights through various initiatives:

- As part of Operation Brikkado in partnership with UNICEF, Canal J keeps young viewers informed of UNICEF's actions, particularly regarding the protection of the environment, solidarity and friendship.
- TiJi and Gulli strive to convey positive values in their TV programmes, such as mutual aid, friendship, respect for others, etc. During children's rights week in November 2007, Gulli adapted its programme schedule and broadcast "*Ados le débat*", a programme dealing with the subject of "children's rights". Gulli organised a conference on 13 November 2007, on the theme of "Children – Screens: who's eating who?" dealing with the problems inherent to children's relationship with the media (narrative media– television, DVD, etc– and interactive media– video games, the Internet, etc.).
- *Elle* magazine in France produced 22 pages on defending children's rights; outside France, at the end of 2007 *Elle* Croatia organised a special operation (and documentary features) denouncing violence against children, which ran for several issues.
- Paediatrician and pedopsychiatrist Marcel Rufo has a slot on Europe 1 radio two days a week, from 23:00 to 23:59, as part of a programme devoted to the subject of young listeners.

In all the countries where it operates, Lagardère Services supports charity organisations that defend children's rights: *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.

• Health and public health issues are another preferential domain for the Group's operations in public awareness-raising. The major areas of medical research – principally cancer and AIDS – are given considerable coverage, particularly in magazines, television channels and radio stations. Lagardère Active's television channels and radio stations give wide coverage to public health issues in order to raise awareness in their respective audiences. For example:

- In 2007, in addition to live evening discussion programmes, Europe 1 devoted more than 75 hours to public health subjects such as AIDS, smoking, cystic fibrosis, and danger to children and child abuse; there is also a weekly one-hour programme in which a health professional answers questions put by listeners.
- All the Youth channels also broadcast programmes related to health: the Fille TV channel broadcasts a live programme every Wednesday devoted to discussions of subjects such as anorexia, the campaign against AIDS, relationships with parents, healthy eating, etc.; Gulli and Tiji broadcast "patches" related to nutrition and health.
- In partnership with Unesco, *Paris-Match* regularly organises public forums on public health issues. Leading academics and celebrities in their respective fields are invited to take part in the discussions. In January 2007, the subject of the forum was "cancer and the advances that save lives".
- *Version Fémina* regularly publishes articles about the operations performed by "*Mécénat Chirurgie Cardiaque Enfants du Monde*", an organisation which provides surgery and care to children suffering from cardiac conditions.
- *Elle* magazine regularly covers health-related subjects (58 pages in 2007): food, nutrition, obesity, anorexia, AIDS, smoking and cancer; the subjects related to food, nutrition, obesity and anorexia are always covered in conjunction with recognised consultants or specialists.
- The *Journal du Dimanche* devoted several pages to health articles (for example, nutrition, Alzheimer's disease, handicaps, smoking, etc.).

5-3-1-3 Performance indicators – summary and monitoring

The labour and social information presented in this Reference document is collected by means of a specific reporting system and the environmental data items concerning water and energy consumption have been integrated into the Group's financial data consolidation system since 2006.

A) Scope of consolidation

The reporting system used to collect **labour and social information** is deployed in all 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 170 Group companies, representing more than 85% of Lagardère's total workforce. The coverage rate is almost 90% for Lagardère Services, 90% for Lagardère Publishing, 80% for Lagardère Active (Press, audiovisual) and 90% for Lagardère Sports. Geographic coverage varies from 90% to 100% of employees depending on the area.

The **environmental information** concerning water and energy consumption has been integrated into the Group's financial data consolidation system. The corresponding data covers 100% of Lagardère's consolidated subsidiaries, representing about 550 companies. The full list is appended to the consolidated financial statements.

B) *Variations in scope*

Changes in the scope of **labour 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 2006 and 2007 were related to the following:

- Integration of new companies, particularly those acquired by Lagardère Sports and acquisitions to strengthen the digital arm of Lagardère Active in France (Nextedia) and the United States (Jumpstart).
- Mergers of certain activities which led to legal reorganisation within the Group.
- The disposal of certain activities, particularly at Lagardère Active and Lagardère Services:
  - disposal of the Daily Regional Newspaper business;
  - Lagardère Active's withdrawal from certain countries (Sweden, Portugal, Poland, etc.);
  - disposal of stores in the Virgin Stores and Furet du Nord networks.

It should be noted that some of the entities concerned were still in the financial consolidation scope at 31 December 2007 as the transfer operations had not been fully completed at that date, but were not integrated into the scope of labour and social reporting as the Group was no longer operational manager at that date, and the "operational management" criterion for inclusion was therefore not met.

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 included in 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 reporting follows the Group's Human Resources policy, while taking into account the specific needs of each business line and geographic area. In 2006, driven by 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 precision. Certain parameters were also redefined to enable their application across the board of Lagardère's global scope. In 2007, the Group decided formally define the procedures included in the reporting reference base.

The reference base for labour and socialreporting can be accessed through the Intranet by the 148 staff contributors; this reference base specifies the procedures for collection and reporting of data, as well as the definitions of the selected indicators and the calculation formulas 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 Resources 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 guarantee data integrity data and therefore contribute to the reliability of the information system. At each level of contribution or validation, operators can extract consolidated reports on the data entered in order to make use of the data for operational management within their particular scope.

Regarding **environmental reporting**:

- The instructions for information on water, energy and paper consumption define the selected indicators and the procedures relative to data collection and reporting. This reference base is sent to all the employees involved in 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.

D) Methodological limitations

The methodologies relative to certain labour-related and environmental indicators may present limitations 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.

5-3-2 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 Resources 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
- **protecting health and safety at work** (5-3-2-5).

In addition to the information given below, labour indicators consolidated in the labour reporting for 2007 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;
- Balanced diversity;
- A proportion of supervisory staff appropriate to the business line.

A) The Group's employees

Changes in the workforce

At 31 December 2007, the permanent workforce[1] totalled 27,597 compared to 30,487 at the end of 2006. This decrease is mainly due to the disposal of the Regional Daily Newspaper activity at the end of 2007 and of 80% of the Virgin group. These two operations, which led to a sharp fall in employee numbers in France, were not offset by acquisitions in the course of the year by the different divisions.

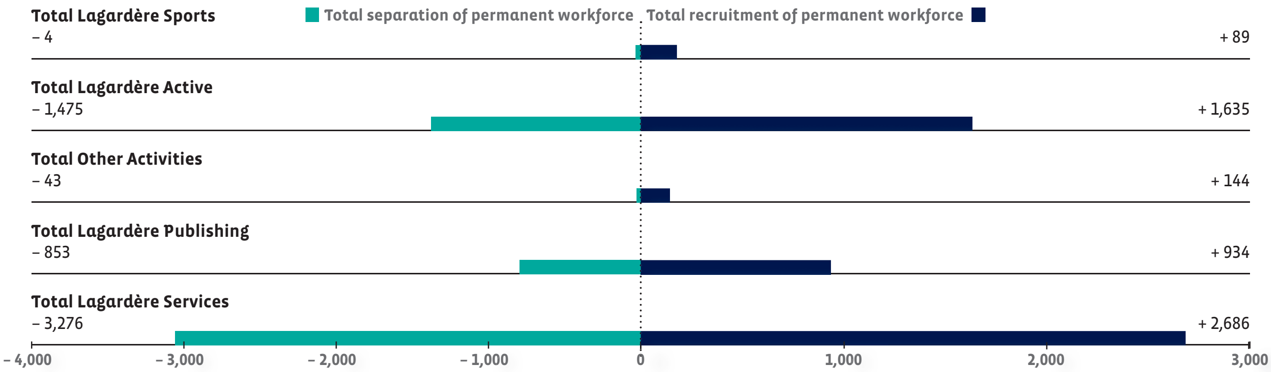
Number of employees on permanent and temporary work contracts (in full-time equivalents)

	2001	2002	2003	2004	2005	2006	2007
Lagardère Média	27,774	27,147	26,600	31,126	31,324	31,522	28,545

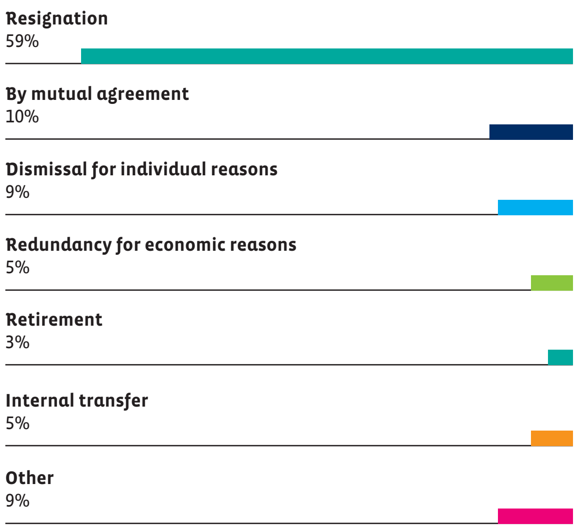
(1) Permanent work contracts.

The recruitment and separation table clearly shows these effects for Lagardère Active and Lagardère Services. The voluntary redundancy schemes set up at the end of 2007 at Lagardère Active are not yet visible in the figures for 2007, as their effects will mostly be apparent from the beginning of 2008.

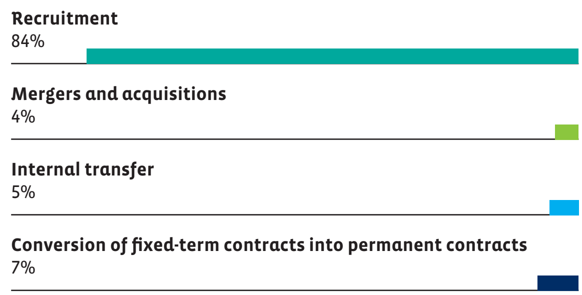
Recruitment and separation of permanent workforce by division



Typology of permanent staff separations



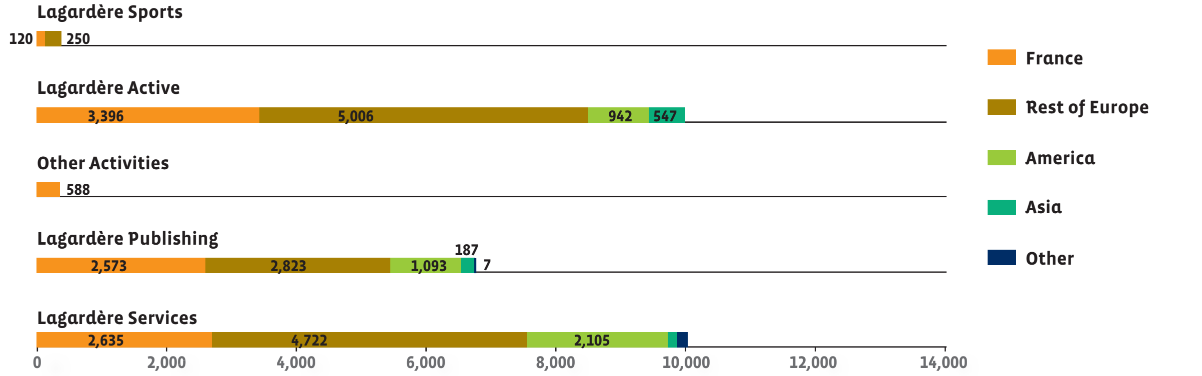
Typology of incoming permanent staff



Breakdown by geographic area

The international expansion of the Group, with operations in 30 countries, is reflected in employee numbers: from 60% at the end of 2006, at the end of 2007 66% of the workforce was based outside France. The Group remains predominantly French-based, however, with 34% of the total workforce in mainland France. After France, the next two principal countries in terms of employee numbers are Russia and Spain. In 2007, the countries in which our presence increased were Germany, through the sports activities of Sportfive and Upsolut, and Sweden, with IEC.

Permanent workforce at 31 December by division and by geographic area

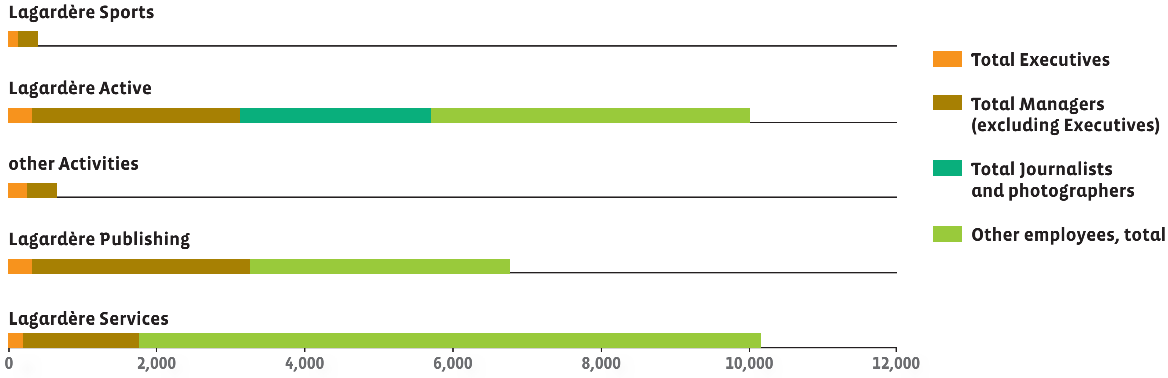


Breakdown by occupational group

For France, Lagardère maintained the classification distinguishing between executives/managers and other employees/non-managers rather than the statutory reference of "*cadre/non-cadre*" used for local labour reporting. The workforce of Lagardère is therefore divided into four occupational groups: Executives (Cadres *Dirigeants*), Managers (*Cadres*), 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 Lagardère Services, for instance, the proportion of managers is 17% 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 Lagardère Active, editors at Lagardère Publishing, etc. This distribution remains stable from year to year.

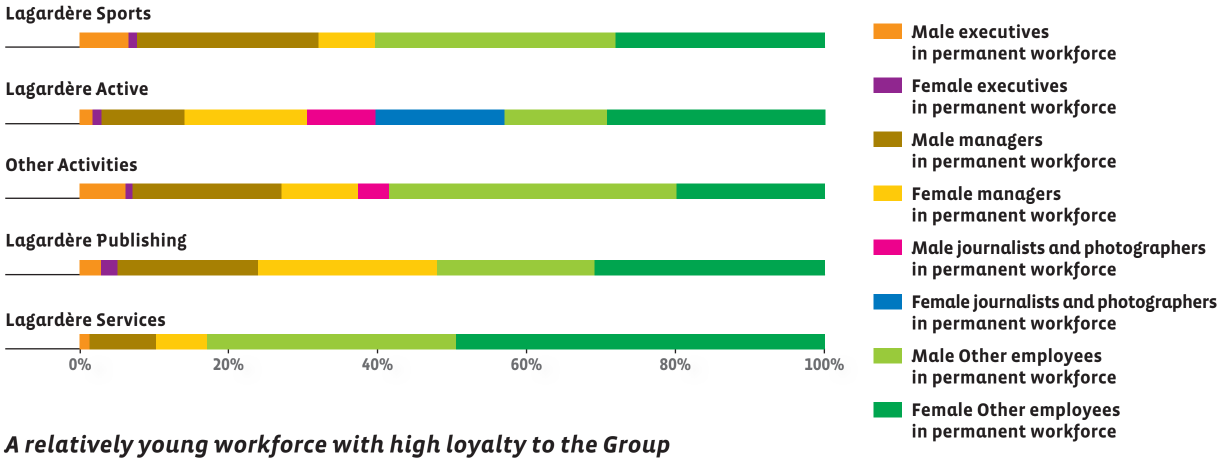
Permanent workforce at 31 December by occupational group



A predominantly female workforce

Women are still in the majority in Lagardère's total workforce (58.5% in 2007 and 57% in 2006). In 2007 they represented more than 62% of total recruitments. Women account for 30% of executive job positions, 53% (up 3% over 2006) of managers and 65% of journalists (up 6% over 2006) and the proportion of women in the "other employees" group remains at 61%.

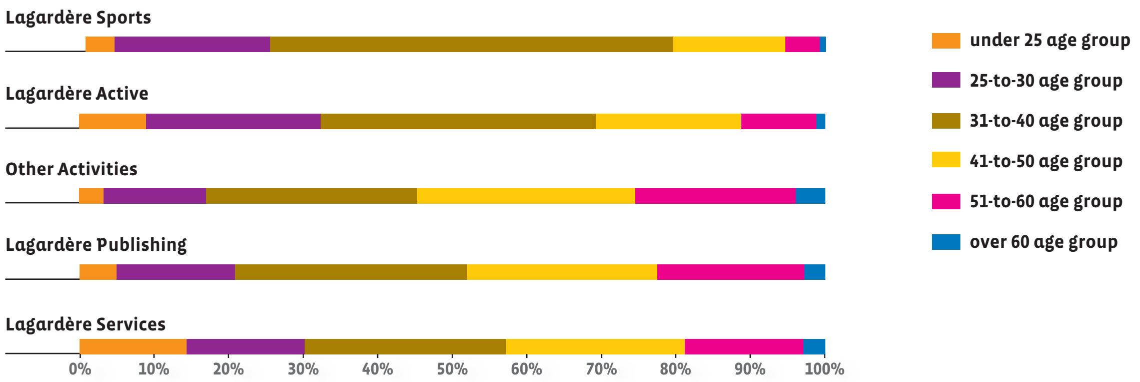
Permanent workforce at 31 December by occupational group and by division



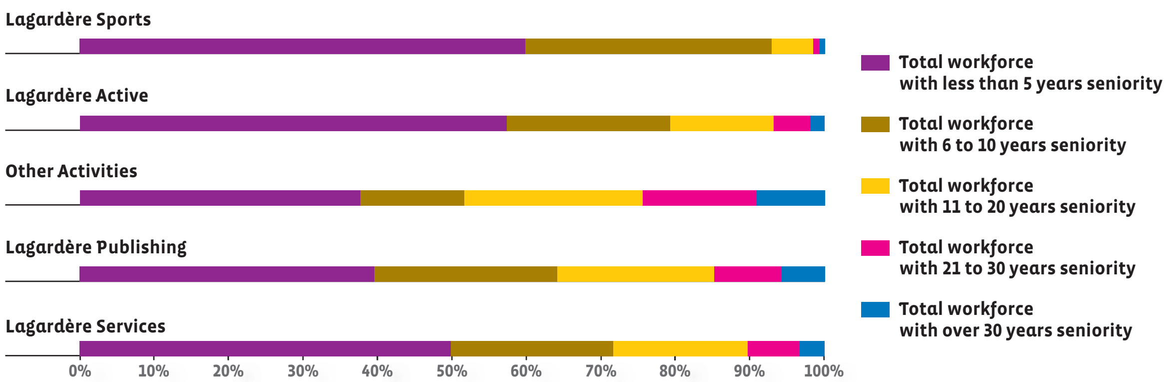
A relatively young workforce with high loyalty to the Group

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



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 (165,000 job applications were received in 2007 compared to 170,000 in 2006 and 150,000 in 2005). Staff turnover increased from 10% to 14% this year, a reasonable figure given the nature of the business. This change reflects the effect of an increase in the turnover rate among sales staff.

Furthermore, due to the nature of the press and audiovisual 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 global discussions of changes affecting them, and in particular takes part in the divisions' various negotiations regarding social security coverage, unemployment benefits and professional training. In 2006, Lagardère Publishing signed an agreement concerning professional training and social security coverage for home workers, and Lagardère Active 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 resources teams to consider the subject of equal opportunities and their implementation within the Group. This work was continued in France in 2007, leading to a partnership project with a voluntary organisation that assists newly-qualified people from underprivileged areas in finding jobs. This partnership is expected to lead to concrete action from the beginning of 2008.

Concerning disabled employees, in 2007 Lagardère employed an average 8.5 disabled people for every thousand employees, with the proportion reaching 12 per thousand in Europe. At Lagardère Active, for instance, the mission to promote the integration of disabled employees continued its action in 2007 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. An enterprise agreement regarding the integration of disabled workers was implemented, and the application for certification was validated in 2007 by the Labour and Employment board in the Hauts-de-Seine department, testifying to the fulfilment of the employment obligation.

C) *Flexible work organisation*

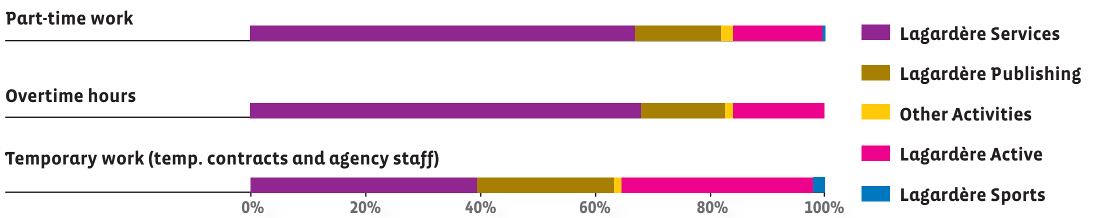
The Group takes care to respect the legal regulations specific to each country, both in terms of working hours and the management of overtime. The entities of the Group have implemented a work organisation scheme that provides the flexibility to meet the specific requirements of the business lines while 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.

Employment of temporary staff (on fixed-term work contracts or through temporary staffing agencies) is an inherent part of the specific nature of certain business lines. This is particularly true for seasonal peaks in business at Lagardère Publishing and Lagardère Services (the publication of new works of literature, generally scheduled from September to November in France, school textbook orders 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 in 2007 to 2,219 (compared to 2,789 in 2006). Lagardère aims to preserve the degree of flexibility and responsiveness required for the management of its business activities, and at the same time maintain the proportion of staff on such contracts at around 10% of the global workforce.

As flexibility and the optimisation of labour costs are essential to the distribution activities, Lagardère 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 (68%), part-time work (which is decreasing; 67% compared to 74% in 2006) and temporary agency staff contracts (39% of total temporary jobs) in the 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.

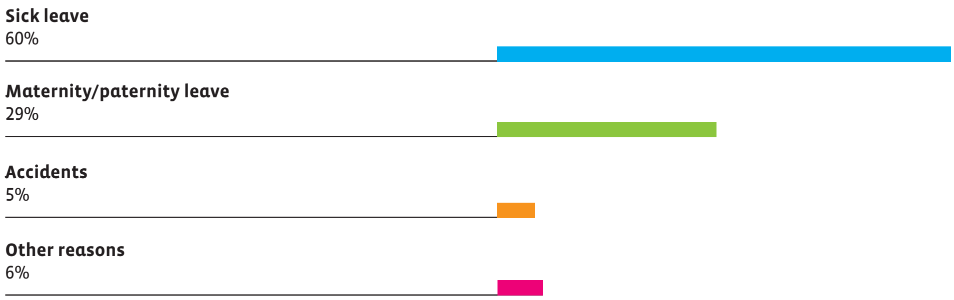
Flexibility of work by division



Absenteeism

The average number of days' absence per person, taking all reasons together, fell from13.96 in 2006 to 9.58 in 2007. Paid sick leave and maternity or parental 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 (day/person)

2007	Sick leave		Total average sick leave	Paternity leave	Maternity leave	Total average maternity/ paternity leave	Accident-related leave		Total average accident-related leave	Other paid leave		Total other paid leave	Total
	M	F					M	F		M	F		
Lagardère Services	6.60	6.93	6.78	0.08	3.75	2.11	0.62	0.66	0.65	0.7	0.5	0.53	22.59
Lagardère Publishing	4.22	5.66	5.03	0.18	4.99	2.9	0.65	0.5	0.57	0.46	0.61	0.54	20.80
Other Activities	3.14	4.99	3.73	0.23	3.38	1.24	0.79	0.31	0.64	0.06	0.11	0.07	8.35
Lagardère Active	3.41	6.18	5.07	0.19	6.08	3.71	0.39	0.07	0.2	0.63	1.19	0.76	19.22
Lagardère Sports	4.36	6.12	5.02	0.04	3.17	1.22	1.41	0.01	0.88	0.19	0	0.12	11.59
Divisions	4.86	6.3	5.67	0.14	4.86	2.8	0.58	0.41	0.49	0.58	0.75	0.62	9.58

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

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

In 2008, as in 2007, the Group's main concerns will revolve around:

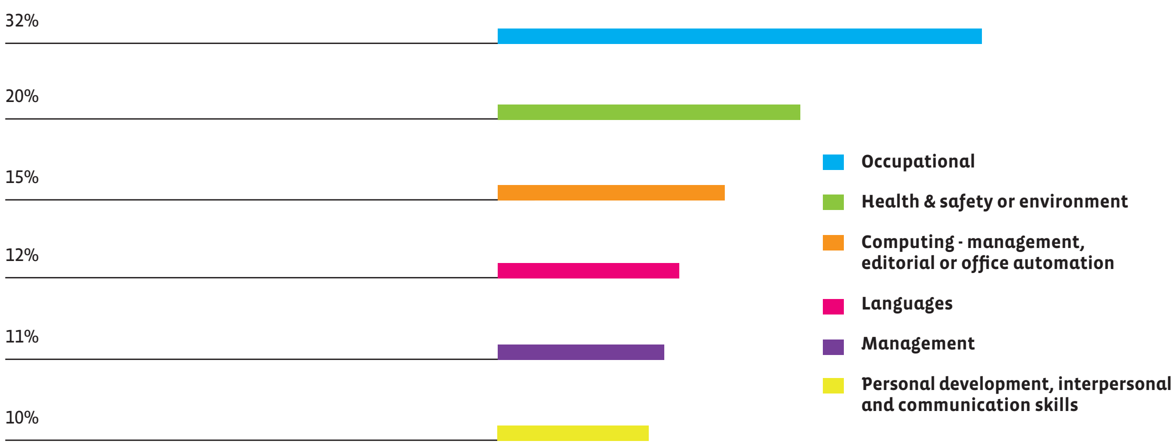
- Acquiring the skills related to digital technologies, and in particular, their use in combination with traditional media, and
- Improving the management of talents on a cross-business line basis, as well as between the divisions.

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 2007 were sustained: almost 41% of the Group's permanent workforce attended at least one training course, for an average investment of €1,655 per employee trained in France (€985 for the Group as a whole) over an average duration of 2.58 days.

Furthermore, the Group strives to build a corporate culture with its managers, and to foster 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 2007, manager training represented 11% of the Group's training budget.

Breakdown by type of training



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 2007, Lagardère welcomed some 1,440 placement students, 42% fewer than in 2006. The decline is mainly due to the merger of the press and audiovisual businesses, which prevented Lagardère Active from taking on as many students as before. The number of alternate work/study contracts increased by 12% in 2007, to 430.

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 contains information on 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: special efforts will be made in this domain in 2008.

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).

Lagardère's determination to maintain employees' purchasing power and its aim to encourage commitment and performance is unaffected by its concern to control labour costs.

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 scales

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 €39,260 in 2007 (compared to €37,844 in 2006).

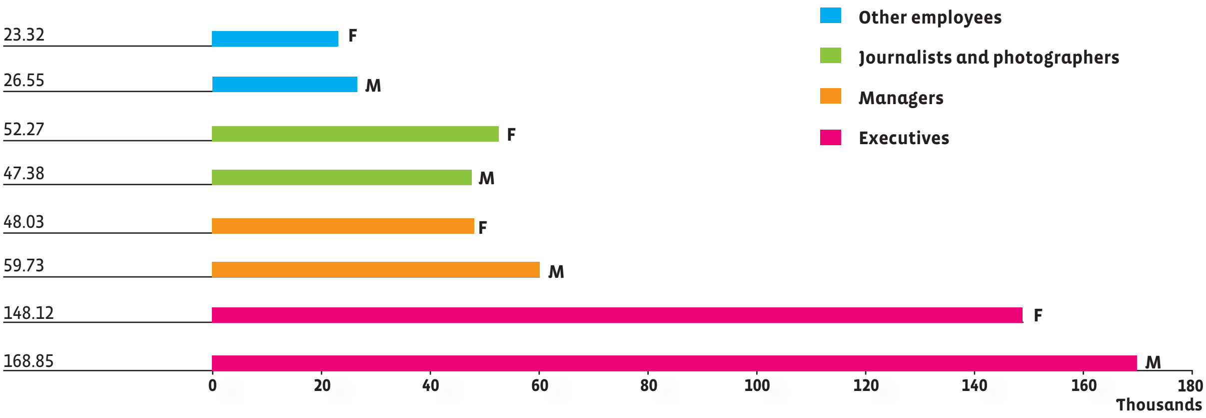
Gross annual salary (€) of permanent workforce, by occupational group and by division

2007	Executives	Managers	Journalists and Photographers	Other employees	All occupational groups
Lagardère Services	122,009	44,245	–	20,686	**25,947**
Lagardère Publishing	152,736	46,366	–	28,964	**42,379**
Other Activities	196,422	61,023	36,000	29,976	**52,728**
Lagardère Active	190,916	65,389	50,201	27,013	**49,636**
Lagardère Sports	211,608	95,378	–	49,652	**75,600**
Divisions	162,906	53,619	50,035	24,617	**39,260**

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 essentially due 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. 55% 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 is to encourage salary increases that reward 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 therefore 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 of 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 45% 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. 36% of employees in France belong to an employee savings scheme. 1.84% of the shares issued by the Group are held by employees, including 0.72% held through mutual funds.

In France, Group employees also benefit from **complementary health and social welfare plans** partially funded by the employers. Some also have a special pension fund for one or more specific categories of employees, in addition to the general pension scheme.

Furthermore, the Group implements a specific policy of profit sharing with employees according to their level of responsibility, performance and results, and encourages the development of a certain degree of loyalty in high potential employees. Each year, the Group allocates shares to employees, through stock options until 2006, and since 2007 through a free share allocation plan. A total of 594,350 shares were granted to 387 employees under this plan in 2007.

5-3-2-4 Promoting dialogue between the workforce and management

Dialogue between employee representative bodies and the Group is an essential component of Lagardère's human resources policy, based on the clear principle of seeking continuous balance between economic and labour issues, at all levels of the organisation (entities, divisions and Group).

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, the 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 2007, the *Bureau* of the Group Employees' Committee met three times. These meetings were the occasion for discussions of the measures to accompany the voluntary redundancy schemes at Lagardère Active, and the company's organisation and strategy.

The Group Employees' Committee was renewed at the end of 2007 and the first meeting will be held in the first half of 2008. This renewal took account of changes in structure and was attended for the first time by representatives from the audiovisual sector. Under the cover of the Group Employees' committee, an agreement was signed for the implementation of a special welfare fund.

B) Employee representation

In 2007, employee representation concerned 73% of Lagardère's total workforce. In France, the rate was over 94%. Employees not covered work in very small entities with only a few employees.

C) *Collective agreements*

81 collective agreements were signed in the course of 2007; these agreements generally concerned pay, working hours, social welfare coverage, etc.

Percentage of the workforce covered by a collective agreement, by type:
- 76.32% of the workforce is covered by an agreement concerning working hours;
- 59.66% of the workforce is covered by an agreement concerning health & safety and working conditions;
- 72.06% of the workforce is covered by an agreement concerning pay;
- 60.14% of the workforce is covered by an agreement concerning social welfare;
- 26.97% 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 Press 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, see above (*A relatively young workforce with high loyalty to the Group*).

In publishing, Lagardère Publishing is actively involved in joint negotiations between the French national Publisher's Union and the trade union organisations. 2007 saw the application of a new divisional agreement concerning home workers: pay, workshop fees, the use of flexible part-time working and training.

In press-related occupations, Lagardère Active plays an active role at the level of the general union and takes part in negotiations in France. In 2007, efforts focused on the rights of freelance journalists, intellectual property in the digital sector and vocational training.

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 accidents[1], Lagardère's various divisions conduct continuous prevention campaigns as appropriate to the specific nature and constraints of their business lines. In 2007, the Group's frequency rate decreased (an average of 9.68 for the Group compared to 12.45 in 2006 and 14.01 in France compared to 15.21 in 2006) and in 2007 the severity rate of work accidents remained stable (an average of 0.31 for the Group compared to 0.29 in 2006 and 0.41 in France compared to 0.49 in 2006), 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).

5-3-2-6 Appendices: Additional indicators

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

Permanent workforce (2007)

Permanent workforce at 31 December by division and by geographic area						
2007	France	Rest of Europe	America	Asia	Other	Total
Lagardère Services	2,635	4,722	2,106	170	363	9,996
Lagardère Publishing	2,573	2,823	1,093	7	189	6,685
Other Activities	588					588
Lagardère Active	3,396	5,006	942	547	67	9,958
Lagardère Sports	120	250				370
Total	**9,312**	**12,801**	**4,141**	**724**	**619**	**27,597**

(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 1,000): number of hours worked.

Permanent workforce at 31 December by occupational group and by division									
2007	Executives	% Executives	Managers	% Managers	Journalists and photographers	% Journalists and photographers	Other employees	% Non managers	Total
Lagardère Services	123	1%	1,579	16%	–	0%	8,294	83%	9,996
Lagardère Publishing	306	5%	2,885	43%	–	0%	3,494	52%	6,685
Other Activities	41	7%	179	30%	24	4%	344	59%	588
Lagardère Active	258	3%	2,787	28%	2,616	26%	4,297	43%	9,958
Lagardère Sports	28	8%	118	32%	–	0%	224	61%	370
Divisions	**756**	**3%**	**7,548**	**27%**	**2,640**	**10%**	**16,653**	**60%**	**27,597**

Permanent workforce at 31 December by occupational group and gender, by division															
	Executives			Managers			Journalists and photographers			Other employees					
2007	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Lagardère Services	107	16	123	890	689	1,579	–	–	–	3,335	4,959	8,294	4,332	5,664	9,996
Lagardère Publishing	186	120	306	1,279	1,606	2,885	–	–	–	1,418	2,076	3,494	2,883	3,802	6,685
Other Activities	36	5	41	118	61	179	23	1	24	225	119	344	402	186	588
Lagardère Active	179	79	258	1,149	1,638	2,787	897	1719	2,616	1,378	2,919	4,297	3,603	6,356	9,958
Lagardère Sports	24	4	28	91	27	118	–	–	–	120	104	224	235	135	370
Divisions	**532**	**224**	**756**	**3,527**	**4,021**	**7,548**	**920**	**1720**	**2,640**	**6,476**	**10,177**	**16,653**	**11,454**	**16,143**	**27,597**

Breakdown of permanent workforce at 31 December by age and by division						
2007	under 25 age group	25-to-30 age group	31-to-40 age group	41-to-50 age group	51-to-60 age group	over 60 age group
Lagardère Services	14%	16%	27%	24%	16%	3%
Lagardère Publishing	5%	16%	31%	26%	19%	3%
Other Activities	3%	14%	28%	29%	21%	4%
Lagardère Active	9%	23%	37%	20%	10%	1%
Lagardère Sports	4%	21%	54%	16%	5%	1%
Divisions	**10%**	**19%**	**32%**	**23%**	**14%**	**2%**

Breakdown of permanent workforce at 31 December by age and by geographic area						
2007	under 25 age group	25-to-30 age group	31-to-40 age group	41-to-50 age group	51-to-60 age group	over 60 age group
France	5%	17%	33%	25%	18%	2%
Rest of Europe	10%	19%	34%	23%	12%	2%
America	17%	18%	24%	21%	15%	4%
Asia	13%	31%	39%	12%	5%	0%
Other areas	11%	26%	29%	20%	11%	3%
Areas	**10%**	**19%**	**32%**	**23%**	**14%**	**2%**

Breakdown of permanent workforce at 31 December by seniority and by division					
2007	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
Lagardère Services	50%	22%	18%	7%	3%
Lagardère Publishing	40%	24%	21%	9%	6%
Other Activities	38%	14%	24%	15%	9%
Lagardère Active	57%	22%	14%	5%	2%
Lagardère Sports	60%	33%	6%	1%	0%
Divisions	**50%**	**23%**	**17%**	**7%**	**3%**

Breakdown of permanent workforce at 31 December by seniority and by geographic area					
2007	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	39%	24%	22%	10%	5%
Rest of Europe	52%	22%	16%	6%	3%
America	62%	20%	12%	5%	1%
Asia	67%	19%	10%	3%	1%
Other areas	68%	23%	8%	1%	0%
Areas	**50%**	**23%**	**17%**	**7%**	**3%**

Permanent workforce (2006)

Permanent workforce at 31 December by division and by geographic area						
Reporting scope (Divisions)	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	4,197	4,907	2,174	159	323	11,760
Press	3,705	3,963	899	514		9,081
New Media	157	68	61			286
Audiovisual	1,138	920			58	2,116
Books	2,713	2,804	1,100	3	183	6,803
Corporate	441					441
Total	**12,351**	**12,662**	**4,234**	**676**	**564**	**30,487**

Permanent workforce at 31 December by occupational group and by division									
2006	Executives	% Executives	Managers	% Managers	Journalists and photographers	% Journalists and photographers	Other employees	% Non managers	Total
Distribution	133	1%	1,743	15%	–	0%	9,884	84%	11,760
Press	159	2%	2,239	25%	2,768	30%	3,915	43%	9,081
New Media	13	5%	127	44%	19	7%	127	44%	286
Audiovisual	94	4%	579	27%	223	11%	1,220	58%	2,116
Books	346	5%	2,865	42%	–	0%	3,592	53%	6,803
Corporate	34	8%	131	30%	–	0%	276	63%	441
Divisions	**779**	**3%**	**7,684**	**25%**	**3,010**	**10%**	**19,014**	**62%**	**30,487**

Permanent workforce at 31 December by occupational group and gender, by geographic area											
	Executives		Managers		Journalists and photographers		Other employees		Employees		
2006	M	F	M	F	M	F	M	F	M	F	Total
France	231	93	2,073	2,278	704	638	2,633	3,701	5,641	6,710	12,351
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**	**3,925**	**1,249**	**1,761**	**7,415**	**11,599**	**12,964**	**17,523**	**30,487**

Breakdown of permanent workforce at 31 December by age and by division						
2006	under 25 age group	25-to-30 age group	31-to-40 age group	41-to-50 age group	51-to-60 age group	over 60 age group
Distribution	14%	18%	29%	23%	13%	2%
Press	4%	17%	34%	26%	17%	2%
New Media	4%	29%	54%	11%	2%	0%
Audiovisual	10%	24%	39%	18%	8%	1%
Books	5%	15%	31%	27%	19%	2%
Corporate	2%	10%	27%	32%	27%	2%
Divisions	**9%**	**17%**	**32%**	**24%**	**15%**	**2%**

Breakdown of permanent workforce at 31 December by age and by geographic area						
2006	under 25 age group	25-to-30 age group	31-to-40 age group	41-to-50 age group	51-to-60 age group	over 60 age group
France	6%	17%	33%	25%	18%	2%
Rest of Europe	9%	17%	32%	26%	14%	2%
America	19%	17%	25%	21%	15%	4%
Asia	16%	29%	37%	15%	4%	0%
Other areas	13%	25%	28%	19%	12%	3%
Areas	**9%**	**17%**	**32%**	**24%**	**15%**	**2%**

Breakdown of permanent workforce at 31 December by seniority and by division					
2006	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	50%	24%	16%	8%	3%
Press	39%	23%	21%	13%	5%
New Media	59%	33%	7%	1%	0%
Audiovisual	50%	31%	14%	3%	2%
Books	35%	30%	21%	8%	6%
Corporate	31%	18%	27%	19%	5%
Divisions	**43%**	**26%**	**19%**	**9%**	**4%**

Breakdown of permanent workforce at 31 December by seniority and by geographic area					
2006	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%	26%	21%	13%	6%
Rest of Europe	43%	27%	19%	7%	3%
America	61%	21%	12%	5%	1%
Asia	67%	16%	12%	4%	1%
Other areas	72%	20%	7%	1%	0%
Areas	43%	26%	19%	9%	4%

Temporary workforce (2007)

Average workforce on temporary contracts, in FTE, by division and by geographic area						
2007	France	Rest of Europe	America	Asia	Other areas	Total
Lagardère Services	231	552	11	5	172	970
Lagardère Publishing	176	99	8	–	20	303
Other Activities	24					24
Lagardère Active	201	559	5	92	7	865
Lagardère Sports	3	53				56
Total	636	1,263	24	97	199	2,219

Breakdown of workforce on temporary contracts, in FTE, by job position and by division								
2007	Marketing/ Sales/ Procurement	Accounting/ Finance/ Management/ Strategy	Industry/ Production/ Logistics	Media	Administration	HR/Legal/ Communication	IT	Other
Lagardère Services	54%	6%	17%	1%	2%	1%	1%	19%
Lagardère Publishing	17%	4%	18%	52%	4%	1%	2%	1%
Other Activities	12%	2%	8%	0%	24%	5%	1%	48%
Lagardère Active	14%	4%	5%	53%	8%	2%	1%	12%
Lagardère Sports	81%	11%	2%	0%	2%	3%	0%	1%
Divisions	34%	5%	12%	28%	5%	2%	1%	14%

Average workforce on temporary contracts, in FTE, by occupational category, by gender and by division											
	Executives		Managers		Journalists and photographers		Other employees		Employees on temporary contracts		Total employees on temporary contracts calculated on basis of occupational category
2007	M	F	M	F	M	F	M	F	M	F	
Lagardère Services	0%	0%	0%	0%	0%	0%	18%	25%	18%	26%	44%
Lagardère Publishing	0%	0%	1%	4%	0%	0%	3%	6%	4%	10%	14%
Other Activities	0%	0%	0%	0%	0%	0%	1%	0%	1%	0%	1%
Lagardère Active	0%	0%	2%	2%	6%	11%	7%	12%	14%	25%	39%
Lagardère Sports	0%	0%	0%	0%	0%	0%	2%	1%	2%	1%	3%
Divisions	0%	0%	3%	7%	6%	11%	29%	44%	38%	62%	100%

Temporary workforce (2006)

Average workforce on temporary contracts, in FTE, by division and by geographic area						
Reporting scope (division)	France	Rest of Europe	America	Asia	Other area	Total
Distribution	373	716	13	3	143	1,248
Press	208	535	–	99		842
New Media	12	1	–			12
Audiovisual	54	248			3	305
Books	192	111	30	–	41	374
Corporate	8					8
Total	**847**	**1,611**	**43**	**102**	**187**	**2,789**

Breakdown of workforce on temporary contracts, in FTE, by job position and by division								
2006	Marketing/ Sales/ Procurement	Accounting/ Finance/ Management/ Strategy	Industry/ Production/ Logistics	Media	Administration	HR/Legal/ Communication	IT	Other
Distribution	55%	5%	15%	0%	1%	1%	0%	22%
Press	15%	2%	12%	63%	4%	2%	1%	1%
New Media	0%	0%	0%	87%	6%	0%	5%	2%
Audiovisual	9%	4%	0%	47%	20%	3%	1%	16%
Books	19%	4%	23%	44%	5%	2%	2%	2%
Corporate	12%	10%	12%	0%	18%	10%	25%	12%
Divisions	**35%**	**4%**	**14%**	**26%**	**4%**	**2%**	**1%**	**14%**

Average workforce on temporary contracts, in FTE, by occupational category, by gender and by division											
	Executives		Managers		Journalists and photographers		Other employees		Employees on temporary contracts		Total employees on temporary contracts calculated on basis of occupational group
2006	M	F	M	F	M	F	M	F	M	F	
Distribution	0%	0%	0%	1%	0%	0%	15%	29%	15%	29%	45%
Press	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%
Books	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 (2007)

Permanent staff recruited by type, by gender and by division											
	Number of people recruited on permanent contracts during the year		Number of people joining the entity's permanent staff following internal transfer during the year		Number of people joining the entity's permanent staff following a merger or acquisition during the year		Number of people whose temporary contract was converted into a permanent contract		Total		
2007	M	F	M	F	M	F	M	F	M	F	Total
Lagardère Services	865	1,426	46	57	48	88	55	101	38%	62%	2,686
Lagardère Publishing	289	542	11	11	8	6	13	54	34%	66%	934
Other Activities	45	26	3	7	38	17	7	1	65%	35%	144
Lagardère Active	522	855	44	72	–	–	45	97	37%	63%	1,635
Lagardère Sports	27	13	12	7	5	3	17	5	69%	31%	89
Divisions	1,748	2,862	116	154	99	114	137	258	38%	62%	5,488

Typology of permanent staff recruited, by geographic area					
2007	Recruitment	Internal transfer	Mergers & acquisitions	Conversion of contract	Total permanent staff recruited
France	77%	10%	4%	9%	1,469
Rest of Europe	76%	6%	7%	11%	2,077
America	99%	0%	1%	0%	1,316
Asia	93%	0%	0%	7%	397
Other areas	99%	1%	0%	0%	229
Areas	84%	5%	4%	7%	5,488

Permanent staff recruited by type, by gender and by geographic area											
	Recruitment		Internal transfer		Mergers/ acquisitions		Temporary contract converted into permanent contract		Total		Total permanent staff recruited
2007	F	M	F	M	F	M	F	M	F	M	
Total Lagardère Services	1,426	865	57	46	88	48	101	55	1,672	1,014	2,686
Total Lagardère Publishing	542	289	11	11	6	8	54	13	613	321	934
Total Other Activities	26	45	7	3	17	38	1	7	51	93	144
Total Lagardère Active	855	522	72	44	0	0	97	45	1,024	611	1,635
Total Lagardère Sports	13	27	7	12	3	5	5	17	28	61	89
Total	2,862	1,748	154	116	114	99	258	137	3,388	2,100	5,488

Number of separations, permanent staff, by division								
2007	Resignation	By mutual agreement	Dismissal for individual reasons	Redundancy for economic reasons	Retirement	Internal transfer	Other	Total separations permanent staff
Lagardère Services	59%	13%	6%	5%	2%	4%	10%	3,276
Lagardère Publishing	58%	2%	16%	5%	9%	2%	8%	853
Other Activities	40%	0%	26%	0%	7%	21%	7%	43
Lagardère Active	57%	5%	16%	6%	2%	7%	7%	1,475
Lagardère Sports	59%	7%	27%	2%	0%	2%	2%	41
Total	**58%**	**9%**	**10%**	**5%**	**3%**	**5%**	**9%**	**5,688**

Number of separations, permanent staff, by type and gender, by division																	
	Resignation		By mutual agreement		Dismissal for individual reasons		Redundancy for economic reasons		Retirement		Internal transfer		Other reasons		Total separations		Total separations permanent staff
2007	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Total Lagardère Services	1,292	638	279	157	115	83	85	95	45	31	98	46	123	189	62%	38%	3,276
Total Lagardère Publishing	344	148	10	10	66	70	28	15	33	43	10	9	39	28	62%	38%	853
Total Other Activities	5	12	0	0	3	8	0	0	2	1	3	6	3	0	37%	63%	43
Total Lagardère Active	538	305	50	28	122	107	47	40	13	14	65	42	54	50	60%	40%	1,475
Total Lagardère Sports	7	17	1	2	1	10	0	1	0	0	0	1	0	1	22%	78%	41
Total	**2,186**	**1,120**	**340**	**197**	**307**	**278**	**160**	**151**	**93**	**89**	**176**	**104**	**219**	**268**	**62%**	**38%**	**5,688**

Recruitment – Separation (2006)

Number of people recruited on permanent contract by type, gender and division									
	Number of people recruited on permanent contracts during the year		Number of people joining the entity's permanent staff following internal transfer during the year		Number of people joining the entity's permanent staff following a merger or acquisition during the year		Number of people whose temporary contract was converted into a permanent contract		
2006	M	F	M	F	M	F	M	F	Total
Distribution	955	1,560	31	31	23	79	144	251	3,074
Press	216	580	30	56	30	29	65	64	1,070
New Media	40	16	4	2	–	–	4	6	72
Audiovisual	101	168	16	13	3	10	27	36	374
Books	327	569	16	18	32	50	47	68	1,127
Corporate	26	13	–	2	84	23	4	1	153
Divisions	**1,665**	**2,906**	**97**	**122**	**172**	**191**	**291**	**426**	**5,870**

Typology of permanent staff recruited, by geographic area					
2006	Recruitment	Internal transfer	Mergers & acquisitions	Conversion of contract	Total permanent staff recruited
France	65%	9%	10%	16%	1,927.00
Rest of Europe	69%	2%	8%	21%	1,914.00
America	99%	0%	1%	0%	1,360.00
Asia	98%	0%	0%	1%	325.00
Other areas	98%	1%	1%	1%	344.00
Areas	**78%**	**4%**	**6%**	**12%**	**5,870.00**

Permanent staff recruited by type and gender, by geographic area											
	Number of people recruited on permanent contracts during the year		Number of people joining the entity's permanent staff following internal transfer during the year		Number of people joining the entity's permanent staff following a merger or acquisition during the year		Number of people whose temporary contract was converted into a permanent contract		Total		
2006	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								
	Percentage separations, permanent staff							
2006	Resignation	By mutual agreement	Dismissal for individual reasons	Redundancy for economic reasons	Retirement	Internal transfer	Other	Total separations, permanent staff
Distribution	58%	15%	14%	2%	2%	1%	7%	3,632
Press	50%	2%	15%	8%	4%	4%	16%	1,202
New Media	47%	3%	19%	5%	0%	19%	7%	59
Audiovisual	47%	14%	21%	3%	1%	8%	6%	287
Books	50%	2%	23%	5%	7%	4%	9%	980
Corporate	10%	3%	34%	7%	24%	21%	0%	29
Divisions	54%	10%	16%	4%	4%	3%	9%	**6,189**

Number of separations, permanent staff, by type and gender, by division																		
	Percentage separations, permanent staff																	
	Resignation		By mutual agreement		Dismissal for individual reasons		Redundancy for economic reasons		Retirement		Internal transfer		Other reasons		Total		Total separations, permanent staff
2006	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%	3,632.30
Total Press	460	137	14	12	99	82	73	27	20	29	34	18	149	48	71%	29%	1,202.00
Total New Media	8	20	0	2	4	7	3	0	0	0	5	6	2	2	37%	63%	59.00
Total Audiovisual	74	62	21	20	29	30	6	3	1	3	16	6	8	8	54%	46%	287.00
Total Books	343	145	8	7	115	111	35	17	36	35	18	18	65	27	63%	37%	980.00
Total Corporate	2	1	1	0	6	4	1	1	5	2	0	6	0	0	52%	48%	29.00
Divisions	**2,284**	**1,070**	**368**	**272**	**550**	**447**	**159**	**72**	**115**	**102**	**97**	**72**	**365**	**216**	**64%**	**36%**	**6,189.30**

External workforce (2007)

Number of staff from temporary staffing agencies, in FTE, compared to average permanent and temporary workforce in FTE, by division						
2007	France	Rest of Europe	America	Asia	Other areas	Total
Lagardère Services	0.01	0.06	0	0	0	0.03
Lagardère Publishing	0.12	0.05	0.02	0	0	0.07
Other Activities	0.01					0.01
Lagardère Active	0.01	0.03	0	0.02	0	0.02
Lagardère Sports	0	0.01				0.01
Total	**0.04**	**0.05**	**0.01**	**0.02**	**0**	**0.04**

External workforce (2006)

Number of staff from temporary staffing agencies, in FTE, compared to average permanent and temporary workforce in FTE, by division						
Reporting scope (division)	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	0.01	0.06	0	0.01	0	0.03
Press	0.01	0.05	0	0.02		0.02
New Media	0	0	0			0
Audiovisual	0.01	0			0	0
Books	0.12	0.06	0.02	0.29	0.01	0.08
Corporate	0.01					0.01
Total	**0.03**	**0.05**	**0.01**	**0.02**	**0**	**0.04**

Working hours (2007)

Minimum working hours			
Reporting scope (geographic area)	**Minimum**		
	Minimum [hours/year]	Corresponding number of days worked	Corresponding number of hours worked per day
France	1,372	196	7
Rest of Europe	0	0	0
America	1,610	230	7
Asia	1,666	238	7
Other areas	1,786	235	7.6

Maximum working hours			
Reporting scope (geographic area)	**Maximum**		
	Maximum [hours/year]	Corresponding number of days worked	Corresponding number of hours worked per day
France	1,778.40	228	7.80
Rest of Europe	2,200.00	220	10.00
America	2,080.00	260	8.00
Asia	2,640.00	264	10.00
Other areas	2,288.00	286	8.00

Working hours (2006)

Minimum working hours			
Reporting scope (geographic area)	**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	1,733	231	7.5

Maximum working hours			
Reporting scope (geographic area)	**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 (2007)

Number of hours overtime worked in 2007, by division and geographic area						
	America	Asia	Other areas	Rest of Europe	France	Total
Lagardère Services	51,380	10,984		157,291	53,819	273,474
Lagardère Publishing	2	–	–	21,438	39,427	60,867
Other Activities					5,249	5,249
Lagardère Active	38,862	–	–	21,990	3,495	64,347
Lagardère Sports				779	–	779
Total	**90,244**	**10,984**	**–**	**201,498**	**101,990**	**404,715**

Overtime (2006)

Number of hours overtime worked in 2006, by division and geographic area						
Reporting scope (division)	America	Asia	Other areas	Rest of Europe	France	Total
Distribution	1,583		119,436	98,190	6,190	225,399
Press	38,748	–		23,077	33,808	95,633
Books	2	–	–	19,655	23,624	43,281
Corporate					539	539
New Media	50			–	198	248
Audiovisual			–	–	562	562
Total	**40,383**	**–**	**119,436**	**140,922**	**64,921**	**365,662**

Part-time work (2007)

Permanent workforce at 31 December in part-time work						
2007	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
Lagardère Services	642	15%	1,695	30%	23%	2,337
Lagardère Publishing	72	3%	467	12%	8%	539
Other Activities	36	9%	22	12%	10%	58
Lagardère Active	96	3%	436	9%	7%	532
Lagardère Sports	7	3%	19	14%	7%	26
Divisions	**853**	**8%**	**2,639**	**18%**	**14%**	**3,492**

Conversion of permanent employees to part-time work						
2007	Number of employees changing to part-time work during the year at their own initiative	% of total	Number of employees changing to part-time work during the year at their employer's initiative	% of total	Total number of employees changing to part-time work during the year	% compared to part-time workforce
Lagardère Services	101	65%	54	35%	155	7%
Lagardère Publishing	94	85%	17	15%	111	21%
Other Activities	3	75%	1	25%	4	7%
Lagardère Active	23	66%	12	34%	35	7%
Lagardère Sports	1	100%	0	0%	1	4%
Divisions	**222**	**73%**	**84**	**27%**	**306**	**9%**

Part-time work (2006)

Permanent workforce at 31 December in part-time work						
2006	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%	2,397	36%	28%	3,312
Press	52	2%	466	11%	7%	518
New Media	10	6%	15	14%	9%	25
Audiovisual	40	4%	67	6%	5%	107
Books	68	2%	443	12%	8%	510
Corporate	5	2%	9	6%	3%	14
Divisions	**1,090**	**9%**	**3,397**	**21%**	**16%**	**4,486**

Conversion of permanent employees to part-time work						
2006	Number of employees changing to part-time work during the year at their own initiative	% of total	Number of employees changing to part-time work during the year at their employer's initiative	% of total	Total number of employees changing to part-time work during the year	% compared to part-time workforce
Distribution	162	93%	12	7%	174	5%
Press	12	46%	14	54%	26	5%
New Media	3	100%	0	0%	3	12%
Audiovisual	6	86%	1	14%	7	7%
Books	93	94%	6	6%	99	19%
Corporate	3	100%	0	0%	3	21%
Divisions	**279**	**89%**	**33**	**11%**	**312**	**7%**

Part-time staff by geographic area (2007)

Permanent workforce in part-time work by gender and by geographic area			
2007	Part time employees, male	Part-time employees, female	Total part time employees
France	596	156	752
Rest of Europe	1,271	423	1,694
America	656	241	897
Asia	52	18	70
Other areas	64	15	79
Total	2,639	853	3,492

Part-time staff by geographic area (2006)

Permanent workforce in part-time work by gender			
2006	Permanent workforce, male, in part-time work	Permanent workforce, female, in part-time work	Total workforce in part-time work
Total France	214	993	1,206
Total Rest of Europe	406	1,357	1,763
Total America	274	787	1,061
Total Other areas	196	260	456
Total	1,090	3,397	4,486

Integration of disabled employees (2007)

Number of disabled employees per thousand permanent employees at 31 December						
2007	France	Rest of Europe	America	Asia	Other areas	Total
Lagardère Services	5.69	18.85	0.47	0	0	10.5
Lagardère Publishing	11.66	8.15	0	0	0	7.93
Other Activities	18.71					18.71
Lagardère Active	6.77	4.48	3.18	5.48	0	5.35
Lagardère Sports	0	8				5.41
Total	8.48	11.88	0.97	4.14	0	8.36

Integration of disabled employees (2006)

Number of disabled employees per thousand permanent employees at 31 December						
Reporting scope (division)	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	6.19	18.14	0.46	0	0	9.86
Press	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
Books	12.9	7.49	0.91	0	0	8.38
Corporate	20.41					20.41
Total	**12.55**	**11.42**	**1.18**	**1.48**	**0**	**9.93**

Local employment and regional development (2007)

Permanent workforce at 31 December by division and by geographic area						
2007	France	Rest of Europe	America	Asia	Other areas	Total
Lagardère Services	2,635	4,722	2,106	170	363	9,996
Lagardère Publishing	2,573	2,823	1,093	7	189	6,685
Other Activities	588					588
Lagardère Active	3,396	5,006	942	547	67	9,958
Lagardère Sports	120	250				370
Total	**9,312**	**12,801**	**4,141**	**724**	**619**	**27,597**

Local employment and regional development (2006)

Permanent workforce at 31 December by division and by geographic area						
Reporting scope (division)	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	4,197	4,907	2,174	159	323	11,760
Press	3,705	3,963	899	514		9,081
New Media	157	68	61			286
Audiovisual	1,138	920			58	2,116
Books	2,713	2,804	1,100	3	183	6,803
Corporate	441					441
Total	**12,351**	**12,662**	**4,234**	**676**	**564**	**30,487**

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

Training (2007)

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

2007	Executives	Managers	Journalists and photographers	Other employees	Total
Lagardère Services	2%	21%	0%	78%	40%
Lagardère Publishing	5%	47%	0%	48%	42%
Other Activities	15%	31%	0%	53%	32%
Lagardère Active	2%	41%	22%	35%	45%
Lagardère Sports	5%	29%	0%	65%	15%
Divisions	**3%**	**35%**	**7%**	**55%**	**41%**

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

2007	Executives	Managers	Journalists and photographers	Other employees	Total
France	2%	52%	8%	38%	45%
Rest of Europe	3%	21%	8%	67%	44%
America	5%	43%	7%	45%	18%
Asia	3%	14%	0%	83%	55%
Other areas	5%	16%	0%	80%	72%
Areas	**3%**	**35%**	**7%**	**55%**	**41%**

Proportion of each type of training course in relation to total (number of employees who followed at least one training course, by sector)

2007	Personal development, interpersonal and communication skills	Health & safety or environment	Computing - management, editorial or office automation	Languages	Management	Occupational training course	Total
Lagardère	1,325 *(9.88%)*	2,648 *(19.74%)*	2,032 *(15.15%)*	1,543 *(11.5%)*	1,490 *(11.11%)*	4,376 *(32.62%)*	13,414

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

2007	France	Rest of Europe	America	Asia	Other areas	Total
Lagardère Services	4.5	2.5	1.2	0.9	1.2	2.8
Lagardère Publishing	2.7	2.7	0.7		1.1	2.4
Other Activities	4.3					4.4
Lagardère Active	2.8	2.0	0.3	1.3	2.8	2.4
Lagardère Sports	0.3	2.2				2.0
Total	**3.4**	**2.4**	**0.8**	**1.1**	**1.4**	**2.6**

Average expenditure on training of permanent employees, by division and by geographic area						
2007	France	Rest of Europe	America	Asia	Other areas	Total
Lagardère Services	1,890	576	428	41	427	923
Lagardère Publishing	2,040	370	226		362	899
Other Activities	2,454					2,454
Lagardère Active	1,248	807	175	774	88	1,004
Lagardère Sports	–	3,986				3,551
Total	**1,655**	**606**	**267**	**459**	**379**	**985**

Percentage permanent workforce at 31 December having followed at least one training course by gender, occupational group and division									
	Executives		Managers		Journalists and photographers		Other employees		
2007	M	F	M	F	M	F	M	F	Total
Lagardère Services	1%	0%	12%	9%	0%	0%	31%	47%	40%
Lagardère Publishing	3%	2%	18%	29%	0%	0%	18%	30%	42%
Other Activities	12%	4%	18%	13%	0%	0%	35%	18%	32%
Lagardère Active	1%	1%	16%	25%	7%	15%	11%	24%	45%
Lagardère Sports	5%	0%	22%	7%	0%	0%	36%	29%	15%
Divisions	**2%**	**1%**	**15%**	**20%**	**2%**	**5%**	**21%**	**34%**	**41%**

Training (2006)

Proportion of the permanent workforce at 31 December, by occupational group, who attended at least one training course, by division					
2006	Executives	Managers	Journalists and photographers	Other employees	Total
Distribution	1%	16%	0%	82%	53%
Press	1%	38%	23%	37%	44%
New Media	4%	41%	13%	42%	41%
Audiovisual	6%	31%	2%	61%	38%
Books	5%	49%	0%	46%	50%
Corporate	7%	39%	0%	54%	46%
Divisions	**3%**	**31%**	**5%**	**61%**	**49%**

Proportion of the permanent workforce at 31 December, by occupational group, who attended at least one training course, by geographic area					
2006	Executives	Managers	Journalists and photographers	Other employees	Total
France	1%	34%	9%	56%	57%
Rest of Europe	4%	27%	2%	67%	48%
America	4%	38%	3%	55%	25%
Asia	2%	14%	0%	84%	51%
Other areas	4%	18%	0%	78%	75%
Areas	**3%**	**31%**	**5%**	**61%**	**49%**

Proportion of each type of training course in relation to total							
2006	Total number of permanent staff who attended at least one training course in:						
Reporting scope	Personal development, interpersonal and communication skills	Health & safety or environment	Computing - management, editorial or office automation	Languages	Management	Occupational training course	Total
Lagardère	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						
Reporting scope (division)	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	2.1	1.9	1.7	0.0	1.5	1.9
Press	3.6	2.2	0.2	0.9		3.0
New Media	2.5	4.6	10.0			3.4
Audiovisual	2.3	2.5			3.9	2.5
Books	2.4	3.0	0.4	13.0	1.8	2.3
Corporate	5.3					5.3
Total	**2.8**	**2.4**	**0.6**	**0.5**	**1.8**	**2.4**

Average expenditure on training of permanent employees, by division and by geographic area						
Reporting scope (division)	France	Rest of Europe	America	Asia	Other areas	Total
Distribution	709	448	388	32	369	558
Press	1,181	1,863	105	749		1,208
New Media	993	1,875	8,039			1,415
Audiovisual	1,386	1,232			118	1,249
Books	1,788	298	221	3,000	494	710
Corporate	1,986					1,986
Total	**1,094**	**610**	**244**	**428**	**359**	**812**

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

Salary increases and variable components of pay (2007)

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

2007	Executives		Managers		Journalists and photographers		Other employees		All occupational groups together		All occupational groups together
	M	F	M	F	M	F	M	F	M	F	
Lagardère Services	77%	106%	68%	74%	0%	0%	83%	82%	80%	81%	81%
Lagardère Publishing	83%	83%	90%	84%	0%	0%	87%	87%	88%	86%	87%
Other Activities	47%	80%	60%	62%	87%	0%	85%	83%	75%	76%	75%
Lagardère Active	34%	57%	57%	62%	64%	60%	44%	48%	53%	56%	55%
Lagardère Sports	21%	0%	41%	26%	0%	0%	63%	53%	50%	46%	49%
Divisions	**61%**	**76%**	**72%**	**73%**	**65%**	**60%**	**77%**	**75%**	**74%**	**73%**	**74%**

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

2007	Executives		Managers		Journalists and photographers		Other employees		Total
	M	F	M	F	M	F	M	F	
France	77%	100%	68%	74%	0%	0%	83%	82%	81%
Rest of Europe	83%	83%	90%	84%	0%	0%	87%	87%	87%
America	47%	80%	60%	62%	87%	0%	85%	83%	75%
Asia	28%	38%	53%	54%	55%	46%	31%	35%	43%
Other Areas	21%	0%	41%	26%	0%	0%	63%	53%	49%
Areas	**58%**	**67%**	**70%**	**69%**	**56%**	**46%**	**73%**	**69%**	**68%**

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

2007	Executives		Managers		Journalists and photographers		Other employees		All occupational groups together		All occupational groups together
	M	F	M	F	M	F	M	F	M	F	
Lagardère Services	91%	100%	93%	99%	0%	0%	34%	35%	47%	43%	45%
Lagardère Publishing	92%	101%	68%	55%	0%	0%	57%	50%	64%	54%	58%
Other Activities	69%	80%	34%	20%	0%	0%	3%	3%	18%	11%	16%
Lagardère Active	69%	92%	56%	61%	17%	9%	34%	37%	39%	37%	38%
Lagardère Sports	71%	75%	80%	52%	0%	0%	73%	55%	76%	55%	68%
Divisions	**82%**	**97%**	**70%**	**65%**	**17%**	**9%**	**39%**	**39%**	**49%**	**44%**	**46%**

Proportion of permanent workforce at 31 December, by occupational group, who received a variable component of pay, by geographic area					
2007	Executives	Managers	Journalists and photographers	Other employees	All occupational groups together
France	76%	71%	17%	73%	67%
Rest of Europe	92%	56%	8%	25%	31%
America	91%	78%	7%	25%	37%
Asia	100%	45%	0%	58%	57%
Other areas	88%	82%	0%	28%	38%
Areas	**87%**	**67%**	**12%**	**39%**	**46%**

Salary increases and variable components of pay (2006)

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	All occupational groups together
2006	M	F	M	F	M	F	M	F	M	F	
Distribution	80%	94%	71%	73%	0%	0%	89%	85%	85%	83%	84%
Press	49%	48%	67%	72%	60%	60%	55%	64%	61%	65%	63%
New Media	58%	100%	74%	85%	100%	100%	48%	45%	64%	66%	65%
Audiovisual	36%	39%	46%	44%	34%	31%	25%	24%	33%	30%	32%
Books	88%	95%	88%	86%	0%	0%	87%	87%	87%	87%	87%
Corporate	54%	67%	58%	62%	0%	0%	53%	69%	54%	67%	59%
Divisions	**71%**	**80%**	**74%**	**76%**	**57%**	**59%**	**78%**	**77%**	**75%**	**75%**	**75%**

Proportion of permanent workforce at 31 December, by occupational group and by gender, who receive a variable component to pay, by division											
	Executives		Managers		Journalists and photographers		Other employees		All occupational groups together		All occupational groups together
2006	M	F	M	F	M	F	M	F	M	F	
Distribution	91%	94%	86%	75%	0%	0%	33%	33%	44%	38%	41%
Press	86%	84%	42%	54%	5%	4%	15%	30%	22%	28%	26%
New Media	100%	100%	42%	59%	13%	0%	16%	21%	34%	33%	34%
Audiovisual	76%	68%	64%	64%	45%	50%	43%	45%	52%	51%	51%
Books	94%	100%	65%	55%	0%	0%	53%	48%	61%	53%	56%
Corporate	64%	67%	58%	56%	0%	0%	7%	37%	27%	44%	33%
Divisions	**88%**	**92%**	**64%**	**59%**	**10%**	**7%**	**34%**	**36%**	**43%**	**40%**	**41%**

Proportion of permanent workforce at 31 December, by occupational group, who received a variable component of pay, by geographic area					
2006	Executives	Managers	Journalists and photographers	Other employees	All occupational groups together
France	85%	68%	10%	57%	56%
Rest of Europe	95%	55%	6%	21%	28%
America	90%	46%	7%	25%	29%
Asia	94%	33%	0%	51%	48%
Other areas	82%	86%	0%	28%	40%
Areas	**89%**	**62%**	**8%**	**35%**	**41%**

Salary scales and employee savings schemes (2007)

Permanent workforce at 31 December in an entity that has defined salary ranges, by geographic area			
2007	Permanent workforce at 31 December	In an entity that has defined salary ranges	Proportion of the workforce in an entity that has defined salary ranges
France	9,312	6,117	66%
Rest of Europe	10,694	5,067	47%
America	4,141	2,106	51%
Asia	724	385	53%
Other areas	619	363	59%
Areas	**25,490**	**14,038**	**55%**

Permanent workforce at 31 December in an entity that has an employee savings scheme, by division			
2007	Permanent workforce at 31 December	In an entity that has an employee savings scheme	Proportion of the workforce in an entity that has an employee savings scheme
Lagardère Services	9,996	7,712	77%
Lagardère Publishing	6,685	1,373	21%
Other Activities	588	383	65%
Lagardère Active	7,851	4,750	58%
Lagardère Sports	370	–	0%
Divisions	25,490	14,038	55%

Salary scales and employee savings schemes (2006)

Permanent workforce at 31 December in an entity that has defined salary ranges, by geographic area	
2006	Proportion of the workforce in an entity that has defined salary ranges
France	80%
Rest of Europe	44%
America	52%
Asia	54%
Other areas	57%
Areas	61%

Permanent workforce at 31 December in an entity that has an employee savings scheme, by geographic area	
2006	Proportion of the workforce in an entity that has an employee savings scheme
France	38%
Rest of Europe	12%
America	14%
Asia	0%
Other areas	0%
Areas	**23%**

Employee social welfare contributions (in thousands of euros)

Social welfare contributions by division			
	2005	**2006**	**Change**
Distribution	*77,275*	78,155	*880*
Press	120,000	121,035	*1,035*
Books	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**	**Change**
Total France	259,725	259,390	*–335*
Total Rest of Europe	59,410	61,235	*1,825*
Total 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 section 5-3-2-4)

Labour relations (2007)

Proportion of permanent workforce at 31 December in an entity with employee representation, by geographic area	
2007	% covered by employee representation
France	94%
Rest of Europe	75%
America	38%
Asia	30%
Other areas	0%
Areas	**73%**

Proportion of permanent workforce at 31 December in an entity with employee representation, by division	
2007	Total permanent workforce at 31 December
Lagardère Services	83%
Lagardère Publishing	79%
Other Activities	100%
Lagardère Active	27%
Lagardère Sports	0%
Divisions	**61%**

Labour relations (2006)

Proportion of permanent workforce at 31 December in an entity with employee representation, by geographic area	
2006	% covered by employee representation
France	97%
Rest of Europe	77%
America	39%
Asia	31%
Other areas	0%
Areas	**77.67%**

Proportion of permanent workforce at 31 December in an entity with employee representation, by division	
2006	% covered by employee representation
Distribution	88%
Press	70%
New Media	55%
Audiovisual	49%
Books	78%
Corporate	95%
Divisions	**77.67%**

Collective agreements (2007)

Collective agreements, by geographic area		
2007	Existing collective agreements in force at 31 December	Collective agreements signed during the year
France	340	67
Rest of Europe	67	12
America	3	0
Asia	3	2
Other areas	0	0
Areas	**413**	**81**

Collective agreements, by division		
2007	Existing collective agreements in force at 31 December	Collective agreements signed during the year
Lagardère Services	19	95
Lagardère Publishing	19	134
Other Activities	7	24
Lagardère Active	36	140
Lagardère Sports	0	20
Total	**81**	**413**

Collective agreements (2006)

Collective agreements, by geographic area		
2006	Existing collective agreements in force at 31 December	Collective agreements signed during the year
France	500	73
Rest of Europe	53	12
America	3	2
Asia	1	1
Other areas	0	0
Areas	**557**	**88**

Collective agreements, by division		
2006	Existing collective agreements in force at 31 December	Collective agreements signed during the year
Distribution	95	22
Press	243	27
New Media	12	0
Audiovisual	55	19
Books	131	18
Other Activities	21	2
Areas	**557**	**88**

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

Health and Safety training (2007)

Proportion of type of training in relation to total (number of permanent staff who attended at least one training course per sector)							
2007	Personal development, interpersonal and communication skills	Health & safety or environment	Computing - management, editorial or office automation	Languages	Management	Occupational training course	Total
Lagardère	1,325 *(9.88%)*	2,648 *(19.74%)*	2,032 *(15.15%)*	1,543 *(11.50%)*	1,490 *(11.11%)*	4,376 *(32.62%)*	13,414

Health and Safety training (2006)

Proportion of type of training in relation to total							
	Number of permanent staff who attended at least one training course in:						
Reporting scope (geographic area)	Personal development, interpersonal and communication skills	Health & safety or environment	Computing - management, editorial or office automation	Languages	Management	Occupational training course	Total
Lagardère	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 (2007)

Health and safety: does your company provide regular medical check-ups for employees?		
2007	Yes	No
France	100%	
Rest of Europe	64%	36%
America	9%	91%
Asia	50%	50%
Other areas	20%	80%

Regular medical check-ups (2006)

Health and safety: does your company provide regular medical check-ups for employees?					
2006	America	Asia	Other areas	Rest of Europe	France
Total	10%: yes 90%: no	50%: yes 50%: no	20%: yes 80%: no	66.1%: yes 33.9%: no	100%: yes

Existence of a unit responsible for Health and Safety (2007)

Health and safety: does your company possess a unit responsible for health & safety?		
2007	Yes	No
France	43%	57%
Rest of Europe	62%	38%
America	55%	45%
Asia	0%	100%
Other areas	100%	0%

Existence of a unit responsible for Health and Safety (2006)

Health and safety: does your company possess a unit responsible for health & safety?					
2006	America	Asia	Other areas	Rest of Europe	France
Total	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 (2007)

Frequency rate of work accidents						
2007	France	Rest of Europe	America	Asia	Other areas	Total
Lagardère Services	17.11	14.83	11.12	7.3	4.64	14.01
Lagardère Publishing	22.85	9.69	2.4	0	0	12.37
Other Activities	13.72					13.72
Lagardère Active	3.08	2.24	0	0	0	2.07
Lagardère Sports	11.73	0				3.3
Total	13.34	9.54	5.82	2.1	2.62	9.68

Severity rate of work accidents, by division and by geographic area						
2007	France	Rest of Europe	America	Asia	Other areas	Total
Lagardère Services	0.59	0.44	0.22	0.13	0.07	0.41
Lagardère Publishing	0.86	0.17	0.14	0	0	0.39
Other Activities	0.69					0.69
Lagardère Active	0.11	0.1	0	0	0	0.08
Lagardère Sports	1.89	0				0.53
Total	0.51	0.26	0.14	0.04	0.04	0.31

Frequency rate and severity rate of work accidents, by division and by geographic area (2006)

Frequency rate of work accidents						
2006	France	Rest of Europe	America	Asia	Other	Total
Distribution	22.51	19.09	5.45	153.05	7.26	20.26
Press	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
Books	19.98	8.03	3.1	0	0	10.84
Corporate	7.46					7.46
Total	15.21	11.12	4.24	43.72	3.83	12.45

Severity rate of work accidents, by division and by geographic area						
2006	France	Rest of Europe	America	Asia	Other	Total
Distribution	0.73	0.35	0.08	0.15	0.10	0.41
Press	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
Books	0.59	0.19	0.08	0	0	0.30
Corporate	0.06					0.06
Total	0.49	0.22	0.06	0.10	0.05	0.29

5-3-3 Corporate citizenship

The business activities of Lagardère constitute an essential vehicle for conveying ideas and cultural diversity. Given its extremely diverse customer base, Lagardère SCA's principal commitment is to propose **responsible** editorial contents that satisfy society's expectations through its programmes, press articles and websites. Over and above this commitment, the Group intends to weave a **social fabric** with the community at large, as principally reflected in the work of the Jean-Luc Lagardère Foundation and sports sponsorship operations, but also through operations instigated by the divisions.

5-3-3-1 Lagardère SCA's specific challenge: responsible content

As a global media player, the Group's aim is to provide its listeners, viewers and readers with contents that meet their expectations in terms of quality and diversity.

The companies in the Lagardère Active division actively promote responsible broadcasting: programmes are pre-viewed and articles to be published are re-read, providing security that is indispensable in a field where consideration for audience sensitivity, particularly towards younger audiences, is essential.

This commitment is also expressed through content diversity (politics, history, sports, the environment, society, etc.) as proposed through magazines, newspapers, websites, television channels, radio stations and production companies, on a national and international scale.

A) Diversity and access to contents

As a global media player intent on satisfying expectations and curiosity, Lagardère strives to **provide the public with a wide variety of contents through various modes of production, distribution and consumption**, thereby facilitating **access to culture** and promoting **diversity in opinions and ideas**.

Diversity of contents and media:

- Lagardère Services runs an international network of more than 3,600 cultural product outlets and manages the promotion and distribution of newspapers and magazines in 17 countries (handling the distribution and daily delivery of millions of copies of national and international publications), and offers a wide range of cultural and entertainment products: newspapers, magazines, books, music, video and multimedia.
- Lagardère Active's audiovisual segment offers the public access to a variety of cultural contents:
  - The focus of programme scheduling at *Europe 1* is on current affairs, news and discussions;
  - The Group's music radio stations (*Virgin Radio*, formerly *Europe 2*, and *RFM* in France and 23 mainly music radio stations outside France) and music TV channels promote diversity of artistic expression by broadcasting contents from different musical genres: light music, pop, rock, rap, classical, jazz, etc. Furthermore, VirginMega (co-owned by Lagardère Services) offers a catalogue of 1.5 million music tracks for legal download, and is the second-largest operator in France for legal music downloads;
  - The Youth channels provide a wide range of genres (animation, drama, documentaries, etc.) in their programme grids, and programme types differ greatly depending on the channel: comedy on Canal J, early learning and discovery on Tiji, understanding others and culture on Gulli and entertainment on Filles TV.
  - 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. For example, the programmes proposed by the production company Image & Compagnie offer wide diversity in terms of the programme genres proposed and delivered (drama, features, documentaries, etc.), writers and producers (the films delivered by the company in 2007 made use of 33 different writer-producers, 13 different scriptwriters and 13 different musicians) and of broadcasters, for whom the programmes are made (in 2007, there were 2 productions for France 2, 3 productions for France 3, 5 productions for France 5 and 4 productions for Arte).
- Lagardère Publishing'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. Lagardère Publishing 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 almost 240 titles published worldwide, the Press division covers a wide range of press publications (television, current affairs, celebrities, women's and men's magazines, parental, lifestyle, leisure, automobile, youth, games, etc.), plus the websites and other information systems developed over the past few years, covering all target publics and every field of information

Lastly, the autonomy and independence of the publishing houses at Lagardère Publishing and Lagardère Active contribute to the extensive range of editorial contents these two divisions produce.

Lagardère Active is particularly attentive to the need to provide access to audiovisual contents for people who are deaf or hard of hearing:

- *Télé 7 Jours* and *TV Hebdo* are campaigning to make television programmes accessible to people who are deaf or hard of hearing: these magazines have raised these issues with the channels and have also created signing to show the deaf and hard of hearing which programmes carry subtitles; in 2007, T*élé 7 Jours* published a feature on subtitling and also took part in the Congress run by the National Union for the Social Integration of the Deaf (UNISDA) on the theme of "TV Programmes, films, DVDs, Advertising: accessibility for deaf and hard of hearing audiences/subtitling";
- The production company Images & Compagnie supplies broadcasters with programme versions designed for subtitling for the deaf and hard of hearing;
- Since 2007, the Youth channel content procurement contracts stipulate that production companies should deliver CEEFAX versions designed to carry subtitling.

Similarly, in February 2008 Lagardère Publishing set up an innovative company which facilitates the accessibility of books for the visually impaired: the first audio books by Audiolib (a company created by Lagardère Publishing, Albin Michel and France Loisirs) went on the market, taking books from paper to a portable, electronic format that can be listened to on a walkman, computer or in the car. Audiolib has adapted fiction and works of psychology and personal development, and enjoyed considerable success in 2007: *La femme du V^{e}* by Douglas Kennedy, "*Ni d'Eve, Ni d'Adam*" by Nathalie Nothomb, "*Un Secret*" by Philippe Grimbert, etc. Around thirty other titles are already planned for 2008, including, in particular, "*Le Rapport de Brodeck*" by Philippe Claudel, winner of the *Goncourt des lycéens* literary prize. Audiolib intends to develop the concept to include titles from all the publishing houses and not only those of Albin Michel and Lagardère Publishing.

B) The Group's vigilance concerning contents (particularly in terms of advertising)

Lagardère Publicité is committed to self-regulation of the advertising it sells; the company checks that regulations are respected in terms of advertising, with the support of Lagardère Active's Legal Division, which is in regular contact with the advertising brokers to provide advice (particularly concerning the domains of advertising that are subject to regulation).

In the same way, Lagardère Active's Legal Division answers any specific questions from operational staff about the content of the advertising messages broadcast on all media (television, radio, magazine press and the Internet).

Each Chief Editor of a publication and Head of a television channel 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 and food product claims, clairvoyance, comparative advertisements, compulsory use of the French language, compliance with the Evin law on cigarette and alcohol advertising, the regulations pertaining to toys and games and those relating to home information services) are systematically submitted for the approval of the Legal Division. The validity of the advertisements is assessed in the light of the laws in force, the provisions of the Consumer Code and therecommendations of the Advertising Verification Bureau.

Furthermore, advertising of alcoholic drinks and food products must be approved by the Advertising Commission of the magazine promotion association APPM *(Association pour la Promotion de la Presse Magazine)*, of which Lagardère Active is a member. Similarly, editorial articles referring to brands of alcoholic drinks or including competitions are submitted to the Legal Division which makes sure they meet requirements, particularly concerning health messages.

The Image & Cie production company is vigilant about the contents produced; viewing is arranged with Lagardère Active's Legal Division, and with an independent outside consultant for subjects deemed sensitive.

Out of concern for the moral integrity of the television viewer, the Management of *Télé 7 Jours* and *TV Hebdo* are very cautious. They make sure all programmes are pre-viewed to assess their contents and respond in accordance with the pictures viewed; the magazine prints a highly responsible and visible (colour-coded) opinion on the level of violence, eroticism or disturbing contents under each programme title in the form of pictograms or insets, giving viewers the maximum information for their viewing selection.

C) 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.

Similarly, the production companies are attentive to the code of ethics for journalists right from the recruitment stage, making sure new recruits possess a press card or a diploma guaranteeing an ethical approach to the profession of journalist.

The Youth channels perform intense monitoring of the code of ethics of journalism due to the age of the target audience. Gulli and Tiji have set up an ethics committee of child specialists, which produces a report on the channels' policy in terms of professional ethics.

At the magazine publishing business in France, an ethics charter is given to journalists when they join the group. This charter contains a detailed definition of the code of conduct applicable to journalists in all the editorial sections. The charter also defends self-regulation by the profession, and speaks out against threats of press censorship. It asserts the fundamental values of journalism: critical thinking, impartiality, equity, independence, respect of the public, honesty and an open mind.

D) *Child protection*

The Group's broadcasters make sure that the legislation and regulations in force are respected, as are the conventions signed with the French broadcasting authority (*Conseil supérieur de l'audiovisuel* (CSA)); the Group's television channels are rigorous in applying the provisions of the CSA concerning the protection of minors and, more particularly, the recommendations or decisions relative to:

- The system of children's programme rating symbols and the classification of children's programmes, which was the subject of major new regulations issued in 2005; a viewing commission allocates the programmes between five categories depending on the level of violence, eroticism or potential adverse effects for wellbeing and personal fulfilment;
- The presentation of film or audiovisual works, video games or telephone services, home information services or websites that are subject to access restrictions for minors;
- The appearance of minors in television programmes;
- The broadcasting of advertising messages for premium rate services likely to exploit children's credulity.

Each of the Group's channels has signed a convention with the CSA stipulating the permitted broadcasting times of programmes depending on their classification.

Each broadcaster also implements their own specific measures to protect minors:

- In all the programmes broadcast, the Management of the music radio stations monitors the application of the principles of respect for the 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, programme presenters' work contracts stipulate the conditions governing their broadcasting activity, and systematically impose an obligation to respect the laws on public order, morality and national security. The radio stations and advertising brokerage companies also intervene in favour of child protection by broadcasting advertising spots and placing advertising banners for French children's charities such as *SOS Villages Enfants* and *Petits Princes*.
- All of the Group's Youth channels make sure children are protected against dangerous content; this is the guiding principle behind all editorial choices. Programmes are also broadcast to inform and protect minors (for example, the "*Ados*" programme on Gulli or the "*faut K'on en parle*" section of the Kawaï programme on Filles TV). Ethics committees of child specialists advise the Gulli and Tiji channels on their programme grids and hold general discussions on the place of television in children's lives. Canal J and MCM Belgique television channels are similarly involved in campaigns concerning the dangers of the Internet and the promotion of signs indicating programme content, for the protection of young people.

5-3-3-2 The group's commitment to society in general

The Group shows its commitment to society through an involvement in culture, research and sports, particularly through the **Jean-Luc Lagardère Foundation**. In addition to **sports sponsorship**, which is a major component of the Group's involvement with society, the actions of the **Elle Foundation** and the work conducted by the Group in favour of **press freedom** are also representative of this commitment.

More generally, Lagardère regularly takes part in events for the promotion of culture through sponsorship and the organisation of prizes such as the Paris Match "*Grand Prix du Photo Reportage Etudiant*", the "readership prize" organised by Elle magazine, the *Bourse Lauga* prize awarded by Europe 1 to the best student journalist each year and the "*Roman Version Fémina*" in partnership with Virgin, the "*Prix du Roman d'Évasion*" awarded to a novel or essay illustrating the theme of imagination or escapism, organised in France by the Relay store chain, etc. This year again, Paris Match sponsored major exhibitions (in 2007, "René Lalique, Arcimboldo, Fragonard"). The *Les Femmes Version Fémina* prize, in partnership with the Credit Mutuel, is awarded to three unelected women who campaign at local level in France for the environment, solidarity, education or protection of the cultural heritage.

The Group's companies also provide support to a certain number of charitable organisations with a social or humanitarian mission, in the form of:

- Financial support (in 2007, the Group and its subsidiaries donated almost €9.1 million to various charities),
- Resources (through donations of advertising space in magazines, or advertising air time on radio stations and television channels and through the Group's advertising brokers in France and abroad), and
- Donations of CDs and DVDs to the communication services of several large hospitals and associations working with children in hospital.

The Group's commitment is also reflected in the Relay store chain's participation in local events in aid of sick children or bedridden patients, and in the actions of employees who, with the support of management, help social re-integration projects (for example, some Group employees have for a number of years been involved in a project set up by the City of Paris to help the long-term unemployed, advising and supporting them in their job search).

A) *Jean-Luc Lagardère Foundation*

The Jean-Luc Lagardère Foundation exists to implement the Group's commitment in favour of **culture and education**, **sport** and **research**; its ambitions are to boost confidence, promote excellence and foster social cohesion.

In the field of culture, the Jean-Luc Lagardère Foundation provides sponsorship in two main areas: supporting young talent and promoting culture internationally. The Foreign Affairs Ministry paid tribute to the Jean-Luc Lagardère Foundation on 19 February 2008 with the award of the Cultures France "*Passport without borders*" prize. This annual prize is given to artists and a sponsor whose work is outstanding, particularly in terms of international scope, creativity and foreign distribution.

In sports, the Jean-Luc Lagardère Foundation aims to develop the social responsibility and educational dimensions, with the support of other Group entities including TeamLagardère and Lagardère Paris Racing; it also seeks to promote the position of high-level athletes and extend their career transition opportunities.

A - 1) Culture and education

Every year since 1989 the Jean-Luc Lagardère Foundation has awarded Talent Bursaries to young talents in the world of culture and the media. Awarded by a prestigious jury, the bursaries are more than just financial assistance: they are a real career opportunity. In 2007, the Foundation created two new bursaries for animation and documentary films. To date, 152 winners in the categories of author, bookseller, photographer, press journalist, television script writer, film producer, musician, digital designer, animator and documentary film maker have received €3,580,000, of which €270,000 were awarded in 2007.

In 2007, the Jean-Luc Lagardère Foundation confirmed its commitment to spotlight new artists and make cultural products available to the widest possible audience by extending its support to cultural sponsorship, including:

- The *Marathon des Mots (Word marathon)*, a public reading event in Toulouse, involving journalists from the Group at the initiative of the Jean-Luc Lagardère Foundation.
- The *Europavox* festival aimed at promoting European identity through music. The Jean-Luc Lagardère Foundation was instrumental in launching the first European "web radio" devoted to contemporary music, and developing its content.
- *Bulle en herbe*, the talent competition for young comic-strip writers; the winner received a prize from the Jean-Luc Lagardère Foundation.

In 2007, giving a new impetus to the global reach of its cultural operations, the Jean-Luc Lagardère Foundation:

- Built up a partnership with the Alliance Française in New York: produced *Castor et Pollux* by L'Opéra Français de New York and the first edition of the contemporary French festival for new works, called *Crossing the Line*,
- Provided Patrick Chauvel with the means to produce a documentary (*Les Yeux de Sarah*) which followed the Foundation award-winning photographer Sarah Caron around the world for one year,
- Assisted and supported Sophie Calle in presenting her work *Prenez soin de vous* at the Venice Biennal art show, and created a connection between this exhibition and work on the theme of relationship break-ups produced by the *Maison de Solenn* (a dedicated area for teenagers at the Cochin hospital in Paris),
- Organised and supported the selection of French artists to show work at the first *eArts festival* of Shanghai. The programme presented, entitled *A Digital experience*, enabled French students from the Supinfocom and Les Gobelins art schools to work with students from Chinese Universities on a number of multimedia creations.

In education, the Jean-Luc Lagardère Foundation continued to contribute to the educational experiment conducted by the prestigious *Institut d'Etudes Politiques de Paris* in four high schools in the underprivileged Seine-Saint-Denis *department*. This operation aims to test new teaching methods and place greater importance on sport and culture in an effort to counteract academic failure. The Foundation has created workshops for music, drama, digital creation and sport, run by the winners of the Talent Bursaries and experts from TeamLagardère.

A - 2) Sport

In 2007, a number of programmes focusing on sport and social cohesion were developed by the Jean-Luc Lagardère Foundation, which, for example:

- Increased its support to associations such as *Fête le Mur* (Yannick Noah) and *Ping Attitude* (Jean-Philippe Gatien),
- Initiated the *Rugby Spirit 93* project in collaboration with the *Centre National des Sports de la Défense* (CNSD). This is a weekly sports workshop for high school pupils in Seine-Saint-Denis run by trainers from the Ministry of Defence. Several players from the district have joined this sports and social initiative geared towards conveying the strong values of rugby to underprivileged youths,
- Supported the Boxing Beats association in Aubervilliers, which combines sport and help with homework, and uses slam poetry to encourage young boxers to express themselves. The Jean-Luc Lagardère Foundation took the opportunity to create a Commitment to sport award, which was won by Mahyar Monshipour, sponsor of the Boxing Beats association.

The close links between sport and solidarity were extended outside France with support to the *Diambars* association in Senegal and a partnership with the *Ashalayam Rugby* Tour in India.

Driven by its ambition to promote the social standing of high-level athletes and provide them with career transition opportunities when they retire, in 2007 the Jean-Luc Lagardère Foundation put the accent on the fundamental link between sport and education:

- Working with the Group and the Paris *Institut d'Etudes Politiques*, an innovative system of training for high-level athletes was set up. Since autumn 2007, 17 athletes have been given high level training appropriate to the rhythm and constraints of their sports career, with a foundation in general education and a choice of four specialties: business, the media, voluntary organisations and international relations;
- The Foundation supports Afev (*Association de la Fondation Etudiante pour la Ville*) through two projects: Laura Flessel's *Envole toi* initiative which aims to prepare young fencers for the 2012 Olympic Games and provide them with suitable school tutoring, and the creation of the *Red Star Lab*, a space devoted to digital culture and multimedia training at the Saint-Ouen football club in Seine-Saint-Denis.

A - 3) Research

The Jean-Luc Lagardère Foundation has become the leading sponsor of innovation at the IRCAM music research institute, providing funding for a doctoral thesis on the new modes of interaction between music and multimedia. Creative workshops were also set up, creating interaction between teachers, the teams at IRCAM and the Pompidou Centre and high school pupils with learning difficulties.

In 2007 the Jean-Luc Lagardère Foundation undertook to subsidise the restoration and renovation of the former mathematics library at the Ecole Normale Supérieure, to turn it into a research centre to promote French excellence in mathematics.

In order to further research in the field of semantics and foster the emergence of new multimedia contents, the Jean-Luc Lagardère Foundation renewed its partnerships with the engineering school Supélec and the Atomic Energy Commission by financing the work of a post-doctoral research scientist from the Commission.

B) The Group's commitment in favour 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 of others, team spirit and striving for achievement.

In addition to the direct operations Lagardère conducts, which are described below, **Lagardère's subsidiaries** are involved in a number of partnerships and sponsorships; in particular, the Group's radio stations and television channels enter into a large number of partnership arrangements with sports federations each year through the events they organise.

B - 1) Lagardère, institutional partner of the "Paris Jean-Bouin" sports club

Lagardère set up an institutional partnership in 2004 with the Paris Jean-Bouin sports club, the non-profit organisation that holds the concession to operate the Paris Jean-Bouin stadium. The aim is to assist the hundred-year-old sports club, which has three thousand members in six sports disciplines, in modernising and developing its sports activities, and make the Jean-Bouin stadium an active centre for animating and influencing sporting life in Paris. In 2007, the Paris Jean-Bouin club benefited, in particular, from the support of the TeamLagardère Research Center located within the stadium.

The new dynamic trend originating from the partnership played a contributing role in the sports success of the organisation. Concerning the tennis section: the 1st men's tennis team reached the semi-finals of the French championship and the Paris Jean-Bouin club remains one of the top three Paris clubs in terms of high-level coaching. Given the title of "club trainer" by the French Tennis Federation and the Paris National Tennis League, with a number of individual and team championship wins in the Paris championships, the club is positioned among the top-ranking Paris clubs in terms of titles won.

B - 2) 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 extended its activities to new sports disciplines in 2006 and 2007.

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 (principally technical, tactical and physical);
- rigorous training;
- a continuous training system for technical supervisors (in particular, through assistance with the programming and evaluation of training sessions).

TeamLagardère has adopted a Code of Conduct, which stipulates in its introduction that the company's prime objective is to promote sports and place human, material and financial resources at the service of sport, respecting the fundamental values of generosity, striving for excellence and recognition of the rewards of effort, and respect of human dignity. This charter also states that TeamLagardère pursues the goal of combating abusive behaviour in sport such as the use of performance-enhancing drugs, overtraining and athletes betting on their own contests.

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 2007. These technicians are responsible for accompanying athletes in two main areas: physical training and technical monitoring.

Technical monitoring is carried out at the Research Center facility which is part of the Paris Jean-Bouin multi-sports club. This centre for scientific expertise applied to sport is devoted to the collection and analysis of energy, technical and muscle-related sports data used to optimise sports training sessions. In 2007, TeamLagardère installed an innovative technical system for analysing video footage of players' movements with a view to improving performance.

At the end of 2007, TeamLagardère was providing support and expert advice to a number of professional sports figures including tennis players Julien Benneteau, Alizé Cornet, Jonathan Eysseric, Richard Gasquet, Michaël Jeremiasz, Mickaël Llodra, Nicolas Mahut, Paul-Henri Mathieu and Gaël Monfils, and athletes Dimitri Démonière, Yannick Lesourd, Martial Mbandjock and Teddy Venel, and others.

TeamLagardère also set up partnerships with various clubs and federations such as the French Table Tennis Federation and the French Rugby Federation.

It also formed an internal partners' *club Club des Partenaires*, comprising the following major companies: Amer Sports France ("Suunto"), Babolat, Le Coq Sportif, the Journal du Dimanche, Matsport, Sony, Subaru and Zimmer MedizinSyteme.

B - 3) Lagardère Paris Racing Club

On 1 September 2006, the Group was awarded the occupation and operating rights for La Croix Catelan sports centre, 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).

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, to (i) RCF's other sports activities, comprising the disciplines of athletics, badminton, basketball, fencing, judo, swimming, pentathlon, skiing, shooting, triathlon and volleyball, and (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, the Group founded a professional sports limited company (SASP) in 2006. This company is the holder of the occupation rights to the two centres, which it manages. In 2007 it undertook preparatory work for an extensive development programme to include the covering of tennis courts at the La Croix Catelan sports centre. The SASP is also in charge of leisure sports activities at the sports centres. In 2007, it hosted the EDF Swimming Open at La Croix Catelan sports centre, which attracted the world swimming elite.

Also in 2006, the Group set up a non-profit organisation called "Lagardère Paris Racing", which hosts the various sports sections transferred from RCF, in addition to a new Bridge section which was set up in 2007.

A symbol of the Paris 1900 Olympic Games, Lagardère Paris Racing club aims to promote high-level sports, leisure sports, health and sports for the disabled. The club's remit is to develop an ambitious training and coaching policy to lead first-rate sports competitors to the top steps of the podium in international events. The major sports are: athletics, tennis, fencing, judo, badminton, basketball, swimming, triathlon and pentathlon.

Lagardère Paris Racing produced some excellent performances in 2007, including Richard Gasquet's qualification for the Shanghai Tennis Masters Cup, Mickael Llodra's excellent results in men's doubles on the ATP circuit, the victory of Stéphane Houdet and Michael Jeremiasz in the Wheelchair Tennis Doubles Masters in Brescia, and a total of eight medals in the world fencing championship in Saint Petersburg for Laura Flessel, Carole Vergne, the Jeannet brothers, and their co-team members. The year was also marked by the exceptional victory of Teddy Riner in the world judo championships in Brazil, and by Stéphanie Possamai's bronze medal..

B - 4) Partnerships with sports events

The Group has entered into a certain number of partnerships with sports events. In 2007, Lagardère was:

- official partner of the Roland Garros International Open Tennis Tournament (the "French Open"). This partnership, which was initiated in 2005, provides the Lagardère Group and the Europe 1 branch in particular with a high profile throughout the tournament.
- title partner of the international "*Mondial Paris Cadets – Trophée Lagardère*". This tournament is reserved for the under-sixteens, and in 2007 was held in the SASP Lagardère Paris Racing Ressources' facilities at La Croix Catelan sports centre.
- official partner to the Gaz de France Open, an official leg in the WTA Tour which attracted renowned international female tennis players.
- title partner of the "Jean-Luc Lagardère Trophy" as part of the ATP Senior Tour. The 2007 edition of this partnership, which dates back to 2004, was held in the SASP Lagardère Paris Racing Ressources' facilities at La Croix Catelan sports centre; under the direction of Guy Forget, captain of the French men's tennis team, it brought together eight of the best players in the history of the sport over the past twenty years: Sergi Bruguera, Pat Cash, Guy Forget, Henri Leconte, John McEnroe, Thomas Muster, Mikael Pernfors and Cédric Pioline.

In order to accompany the French Athletics Federation in its determination to modernise procedures and facilities for elite athletes, in 2007 Lagardère became founding partner of the French professional athletics league *(Ligue Nationale d'Athlétisme)*, and sponsor of the French Athletics team.

C) *The* ELLE *foundation*

Created in December 2004, the *Elle* Foundation is an extension of the original idea behind the magazine: "To support the advancement, the emancipation and the role of women in our society".

The Foundation supports innovative, sustainable initiatives promoting education for girls, the social integration of women with no qualifications through vocational training and bursaries for higher education for young women in difficult financial situations.

The Foundation also acts as "delegate producer" on behalf of organisations it supports: this action consists of bringing together other foundations and companies around a single project in order to increase operational and financial capacity. Since it was set up, the Foundation has mobilised co-financing partnerships with the Foundations of Air France, Accenture, Veolia and Vinci. It also works with the sponsorship and public affairs departments of major corporations such as Microsoft, Carrefour and La Redoute, and in 2008 partnerships will be finalised with the Foundations of L'Oréal, HSBC, L'Occitane and the Total group. Such partnerships have raised €450,000 in subsidies for projects supported by the *ELLE* Company Foundation since 2004.

In 2007, the *ELLE* Foundation supported 17 projects in France and abroad (Afghanistan, Mali, the Philippines, Ethiopia, Cambodia, Guatemala, Burundi, Algeria and Morocco) representing total donations of more than €220,000.

D) *Defending press freedom*

In 2007, 87 journalists were killed and more than 120 were imprisoned for carrying out their job. With business activities generally focused on editorial content publishing, Lagardère attaches particular importance to the freedom of the press and is actively involved in the combat for the right to inform and be informed.

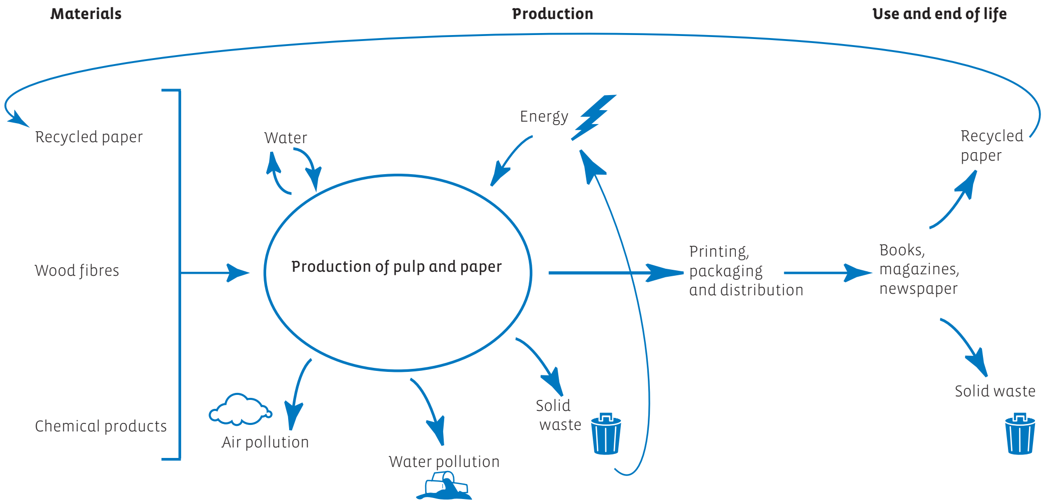
In the Lagardère Services division, for more than ten years the Relay chain in France has demonstrated its attachment to freedom of expression and press freedom through its support for "*Reporters Sans Frontières*" (RSF), by selling the Association's annual photographic book in its different points of 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 Virgin Radio (formerly Europe 2) also sponsors Cuban journalist Miguel Galvan Gutierrez, under the aegis of RSF. The children's channel Gulli took part in press freedom week with specific programmes to raise awareness.

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. 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; in 2008, a conference is scheduled on the subject of "the secrecy of sources". At the 19th edition of "Visa pour l'image", the international festival of photo journalism in Perpignan, in addition to the discussions organised on the theme of press freedom, a petition was launched for the right to information through pictures and the right to news pictures, at the initiative of the festival organisers and Paris Match.

5-3-4 Environmental information

The principal environmental issues for Lagardère are mainly related to the lifecycles of the Group's publications: books, magazines and daily newspapers.

The paper cycle



Source:adapted from European Ecolabel

Wood arrives at the paper mill in the form of logs or sawmill waste. It is transformed into paper pulp through a series of (mechanical or chemical) operations to extract the cellulose fibre from the wood, after cooking, bleaching and refining. Fibres obtained from salvaged or recycled paper may be incorporated at this stage. The pulp is then fed into machines on which, after pressing and drying, the paper is rolled and cut into reels adapted to the needs of the end-users.

The paper is delivered in the form of reels or sheets to the printing centres, where it is printed, bound and packaged to customer specifications. The printed products (magazines, newspapers and books) are dispatched to the distribution centres and from there to the various sales outlets.

The waste paper and offcuts produced by the printing centres, and returned unsold copies, are salvaged and sorted by reclaiming operators, then recycled to the paper industry. After various pulping and, where relevant, de-inking operations, these recycled fibres are reintroduced into the paper manufacturing process in the form of pulp. The other forms of waste, if not suitable for recycling, are processed appropriately to minimise their impact on the environment.

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 product or service lifecycle; within this framework, the Group's environmental commitment comprises the following aspects:

- **reducing paper consumption** in the manufacture of the Group's magazines and books.
- streamlining the **transport of books**, **magazines** and **newspapers**, and
- monitoring **consumption levels** and reviewing **waste management**.

Lagardère has also introduced environmental concerns into discussions with paper manufacturers and printers (see section 5.3.1.2.B) and monitors their environmental performance levels in this domain. As part of the reorganisation of the business in 2007, the Group disposed of the Regional Daily Newspaper activity including its only two printers (Nice Matin and La Provence); consequently, all printing work for magazine publishing is now carried out by non-Group subcontractors.

Following 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 launching new initiatives.

The Group initiated action in 2007 to obtain ISO 14001certification (which will take into account both landscaping and architectural projects) for operation of the La Croix Catelan site; in 2008 and 2009 it will also implement a "*bilan carbone®*[1], CO_2 emissions report, in order to measure greenhouse gas emissions related to its business activities.

In 2007, Lagardère Publishing made progress in its search for Sustainable Development processes. In the United Kingdom, Hachette Livre UK announced a global plan to reduce waste and greenhouse gas emissions, in conjunction with the NGO Greenpeace. This plan was well-received by the trade, and includes a move to put backlist publications on a firm sales only basis. Bookshops will therefore no longer be able to return these publications, which will save transport costs and considerably reduce the number of works pulped. Hachette Livre UK estimates that one million books will be withdrawn from the production-delivery-return-destruction cycle.

Hachette Book Group USA is examining similar measures, while in France the Group is continuing to streamline raw material flows and energy consumption.

The number of publications printed on FSC (Forest Stewardship Council) certified paper or 100% recycled paper, is also growing.

Ronald Blunden, Director of Communications, Lagardère Publishing

In addition to the policies aimed at enhancing control and reducing the environmental impact of its business activities, in 2006, through its subsidiary Matra Manufacturing & Services, the Group became involved 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 electric vehicles use command systems that offer excellent electromagnetic, thermal and mechanical efficiency, and are noiseless and pollution-free.

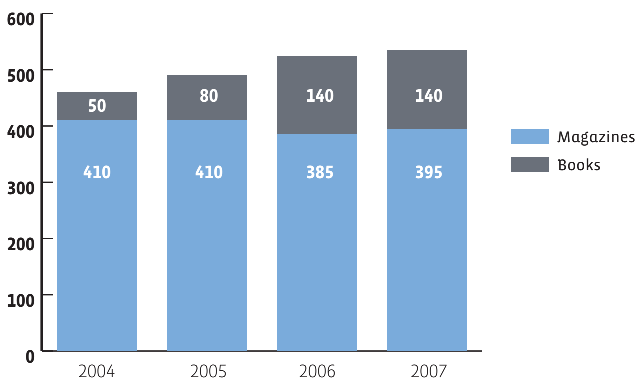
The principal **industrial and environmental** risks related to the Group's business activities are described in section 3-3 of this Reference Document.

5-3-4-1 Reducing paper consumption in the manufacture of the group's magazines and books

The amount of paper required to manufacture the Group's books and magazines in 2007 increased by 10,000 tonnes compared to 2006, reaching 535,000 tonnes.

This increase is the result of a rise in the volume of paper used by Lagardère Active for the manufacture of its newspapers and magazines (paper consumption by Lagardère Publishing remained stable between 2006 and 2007). The increased volume of paper consumed by Lagardère Active is related to robust business growth in Russia, mainly following the integration of new companies into the division: while Lagardère Active's paper consumption increased from 385,000 tonnes in 2006 to 395,000 tonnes in 2007, on a like-for like basis it decreased by 40,000 tonnes between 2006 and 2007.

Paper consumed in thousands of tonnes



(1) The bilan carbone® method measures greenhouse gas emissions on the basis of easily available data, to evaluate direct emissions or emissions induced by a business activity.

The Group has defined a paper management policy for the manufacture of its books, magazines and newspapers, aimed at:

- reducing formats and grammages and converting certain titles to electronic format,
- limiting paper wastage during the manufacturing process, and
- improving management of returns.

A) *Reducing formats and grammages and converting certain titles to electronic format*

In magazine publishing, the Group's policy in terms of reducing paper consumption is expressed particularly through the reduction of grammages and formats, and by the conversion of certain titles into electronic format.

Thanks to the continuous technological progress made by the paper industry, the Press division aims to use paper with lower grammages whenever quality allows. The grammage of the paper used for printing *Télé 7 Jours*, for instance, was reduced from 52 to 49 grammes. The Press division also has 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), the production of small-format versions of magazines (for example, *Télé 7 jeux*, or *Parents* in France and *ELLE* in Italy and Russia), and the conversion of certain dual-media titles into web-only, such as *ISA* and *Elle Girl*.

To monitor the results of these policies, the Press division analyses the "average weight per thousand pages" indicator for a representative sample of titles(1). In 2006, the list of titles in the sample was updated to incorporate changes in the representative value of the titles initially chosen. Based on this new sample of titles, under the combined effects of reducing the grammages of paper, reducing formats and converting certain titles into electronic format only, paper consumption was reduced by approximately 1.8% between 2005 and 2007 based on identical print runs.

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

B) *Limiting paper wastage during the manufacturing process*

Within the Group, production and editorial management teams work in close collaboration with the printers to keep paper wastage 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 used in 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 discarded 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).

B - 1) Action taken by Lagardère Publishing

As part of the policy of optimising paper wastage in the division, the teams at Lagardère Publishing 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 Lagardère Publishing'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:

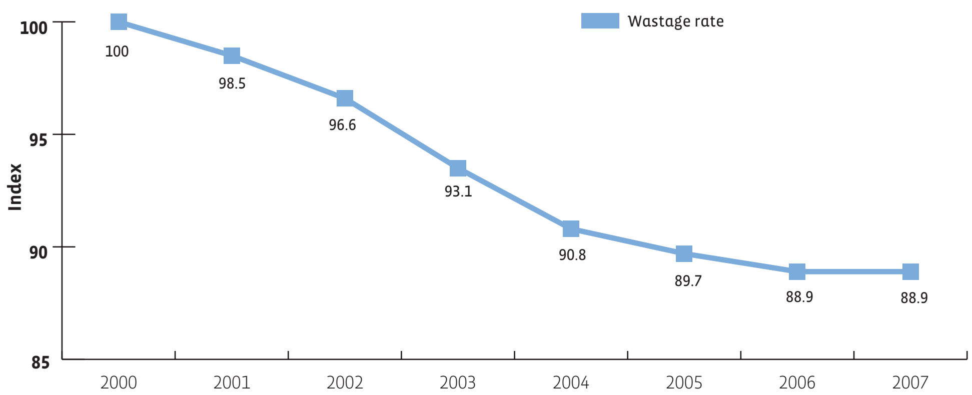
- validating selection of printers, printing techniques, types of paper, etc.
- identification of new technologies that can be used,
- informing the editorial managers of more economical formats, thus allowing them to respond to market demands in the best possible conditions.

For France, as the product mix has been relatively stable over the past few years, an 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 wastage during manufacture has been reduced by more than 11% over the last seven years at Lagardère Publishing in France. Outside France, this wastage rate indicator has not yet been consolidated via an information system.

(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 Lagardère Active.

The wastage rate levelled out between 2006 and 2007, after decreasing for several years. Measured on constant production levels, the wastage rate may continue to decline, but reductions will be related to the suppliers' ability to develop innovative technological solutions.

Wastage rate: changes between 2000 and 2007 for Hachette Livre in France



The downward trend in book print runs could have an unfavourable impact on the rate of paper wastage, by increasing the calibrations required, but conversely, it is expected to have a favourable impact on the rate of returns, by limiting the initial number of copies printed. In response to these issues, whenever possible, for small print runs Lagardère Publishing uses digital printing methods which eliminate wastage during calibration.

B - 2) Action taken by the Press division

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

- Improving the rate of wastage, for the Technical departments of the Production and Procurement Divisions, is a key factor in negotiations with the printers;
- For each magazine print run in France, in order to keep the rate of wastage to a minimum during the printing phase, the Press division 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 paper waste limiting policy is extensive printing press control procedures and optimisation of machine calibration (inking, size of paper cuts, unwrapping the paper reels on the unwinders, etc.).
- Lagardère Active performs regular monitoring of consumption and 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 six years.

Negotiations with printers on the occasion of Lagardère Active's 2007 call for tenders for the printing of its magazines enabled a further 1% reduction in the wastage rate to 2.5% depending on the titles, particularly through the use of more efficient, or more appropriate materials.

C) Improving management of returns

The Group operates a two-level policy regarding returns:

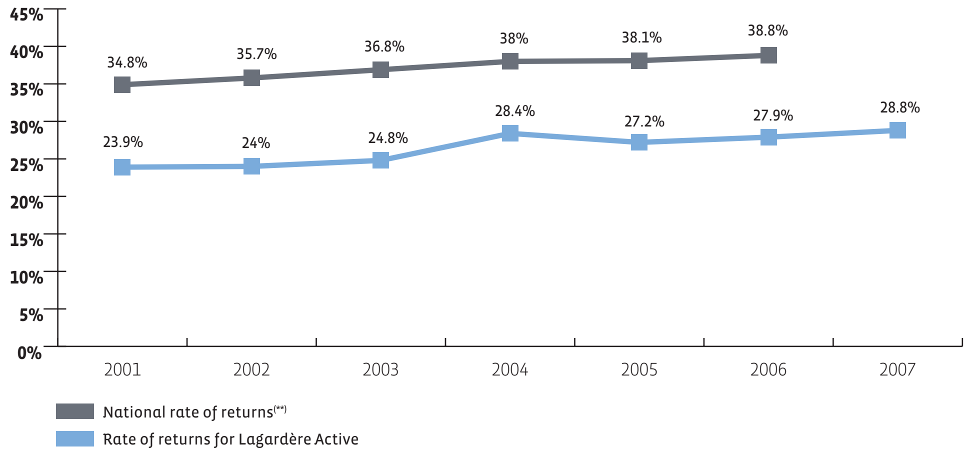
- upstream, effective management of the rate of returns can reduce the number of copies manufactured, thereby reducing consumption of paper and the number of copies to be destroyed;
- downstream, as copies returned consist principally of paper, they should be suitable for reprocessing or recycling.

C - 1) The Group's prevention policy

Proper 'adjustment' of its returns is considered very important by Lagardère Active. 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 the magazine publishing activity 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, the Press division makes regular "adjustments" to the volumes printed and delivered by means of specialised software used by the Sales Directors. Through these operations, the Press division in France (the location for half of its sales) has achieved rates of return well below national rates for more than five years.

Comparison of the rate of returns(*) at Lagardère Active 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 and annual report 2006; data relative to single-copy sales presenting the national rates of returns for 2007 were not available when this document went to print)

A comparison of the average rate of returns for each of the titles published by the Press division in France with the national rates of returns in the relevant press group or sub-group[1] shows that for more than five years and for more than three quarters of titles, the adjustments operated by Lagardère Active achieved average rates of returns that were significantly lower than the national average in their category. For 2006, almost 85.3% of the Press division's publications had rates of returns 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 Lagardère Publishing's publishers on the issues of optimising print runs has nonetheless been implemented, and the division's publishers continuously strive to optimise workflows.

C - 2) Recycling of returns

In the press returns processing cycle, the wholesale press 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 collection firms throughout France, which undertake to recycle them.

(1) NMPP source: Trends in sale-per-copy, Marché & Réseau 2003 and 2005, Bilan Presse NMPP-TP sale-per-copy in mainland France 2004, annual report 2006.
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 2006 were:

- *36.3% for the current affairs press (including, for example, "celebrity" magazines, "business" magazines, "consumer" magazines, etc.),*
- *37% for women's magazines (including "fashion/beauty" magazines, "cookery» magazines, "well-being/health" magazines, etc.),*
- *54.1% for children's' magazines,*
- *53% for the "Home" category,*
- *49.8% for the "automobile" category,*
- *20.1% for television magazines,*
- *54.3% for the culture and artistic press (including "theatre programmes", "cinemas/theatres", "photo/videos", etc.), and*
- *62% for the "recreational" category.*

The Group implements the same policy for processing returns outside France: the subsidiaries of Lagardère Services who work in non-French press distribution businesses send all returns for destruction to recycling companies. In 2007, these unsold copies represented an annual volume of 90,330 tonnes: 28,006 tonnes for SGEL, 15,231 tonnes for Lapker, 39,424 tonnes for AMP and 7,669 tonnes for Naville.

As regards the works put on sale by Lagardère Publishing, approximately 20% are returned by the sales outlets; half of these publications are sent back to the publishers or sorted to be put back on sale, and the other half is sent to be pounded and used to make paper pulp.

5-3-4-2 Rationalisation of transport

Co_2 emissions generated by transport activities contribute to global warming; the Lagardère Group's policy includes discussion with subcontractors for reduction of the environmental impact of the transport of its books, magazines and newspapers, while at the same time meeting customers' 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 Press division has defined a policy to rationalise the transport chain for magazine production, with a view to reducing its economic and environmental impact.

Under this policy, the Press division 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.

The Press division also conducts regular discussions with subcontractors (particularly printers, express delivery services and the national post office) 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 transport between subcontractors. Furthermore, as a result of the calls for tender in 2007, the suppliers selected were mainly those who handle the entire manufacturing process, including printing and binding, which limits the number of service providers involved in these two activities.

Negotiations with printers in connection with the call for tenders launched in 2007 by Lagardère Active for the printing of its magazines achieved a considerable increase – from 20% to 66% – in the proportion of titles produced on a single production site by a single provider with the necessary equipment for performing all printing and binding operations.

B) Rationalisation of transport during distribution

A rigorous transport optimisation policy aimed at reducing the number of delivery rounds, and therefore the kilometres covered, has been implemented both in and outside France.

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, Lagardère Publishing outsources the distribution of books to transport firms which optimise delivery rounds – and therefore the kilometres covered – in accordance with the constraints imposed by customers.

Outside France, although newspaper and magazine distribution is specific to each country, the Lagardère Group is actively involved in setting up a common approach to transport rationalisation. Certain Group subsidiaries act as wholesale press distributors (particularly SGEL in Spain, AMP in Belgium, Lapker in Hungary and Naville in Switzerland). Lagardère 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 continued application will ensure that all sales outlets can be supplied on time, with no significant variances from the optimum figures for kilometres covered and minimum transport time.

(1) For example, Lapker installed transport optimisation software for Budapest in 2007, whereas delivery round optimisation studies had previously been conducted manually. Since July 2007, the use of this application has enabled a reduction of approximately 15% in the number of daily delivery rounds carried out in the Hungarian capital.

5-3-4-3 Monitoring consumption levels and reviewing waste management

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) *Monitoring the Group's consumption*

In 2006, the Group incorporated certain environmental data items concerning **water and energy consumption** into its financial data consolidation system. The data below for 2007 covers 100% of **Lagardère's consolidated subsidiaries**, totalling almost 550 companies. Consumption included in certain site overheads (representing a relatively small number compared to the number of companies consolidated) 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 reinvoicing between consolidated companies is not taken into account: the relevant data is entered once only, by the business unit that receives the invoice from the service company.

In 2007, the total electricity, gas, oil and water consumed by the Group amounted to approximately 225.7 MWh, 53.1 MWh, 2.5 million litres and 592,000 m^3 respectively. The increases noted are mainly related to the integration of new companies into the Group's consolidation scope in 2007:
- for the audiovisual division, 42 entities (companies or groups of companies) compared to 30 in 2006,
- for the Press division, 24 entities (companies or groups of companies) compared to 23 in 2006,
- for Lagardère Publishing, 21 entities (companies or groups of companies) compared to 20 in 2006,
- for Lagardère Services, 37 entities (companies or groups of companies) compared to 36 in 2006,
- integration of Axelis in consumption for "Other Activities",
- integration of the companies in Lagardère Sports.

		Distribution	Audiovisual	Press	Books	Other Activities(*)	Sport	Total
Electricity (kWh)	**2007**	**117,413,576**	**26,573,544**	**36,396,483**	**39,981,922**	**4,544,042**	**787,500**	**225,697,067**
	2006	84,896,989	8,694,650	36,886,981	38,943,690	2,822,984		172,245,294
Gas (kWh)	**2007**	**20,533,435**	**2,240,060**	**3,564,241**	**22,623,687**	**4,178,063**		**53,139,486**
	2006	14,261,079	2,915,842	4,604,074	23,773,746	2,710,740		48,265,481
Oil (litres)	**2007**	**1,328,664**	**276,717**	**178,783**	**714,817**	**22,738**		**2,521,719**
	2006	1,393,185	121,812	172,208	461,475	500		2,149,180
Water (cubic metres)	**2007**	**405,239**	**16,076**	**70,085**	**91,160**	**5,559**	**3,750**	**591,869**
	2006	383,449	14,816	106,686	81,702	11,789		598,442

(*) 'Other Activities' consumption represents the consumption of Axelis, Matra Manufacturing & Services and Lagardère Ressources (for 2006, the data does not include Axelis consumption).

For 2007, the CO2 emissions associated with the energy consumption levels presented above are the following[1]:

	Distribution	Audiovisual	Press	Books	Other Activities	Sport	Total
CO_2 from electricity (t)	28,032	10,153	6,387	13,893	395	68	58,928
CO_2 from natural gas (t)(**)	3,799	414	659	4,185	773	0	9,831
CO_2 from oil (t)(***)	3,516	732	473	1,891	60	0	6,672
Total CO_2 (t)	**35,346**	**11,300**	**7,519**	**19,970**	**1,228**	**68**	**75,431**

(**) On the basis of assumed consumption expressed in kWh Higher heating value only.
(***) On the basis of assumed solely domestic oil consumption.

(1) The sources of the data used in the calculations are the following:
- *International Energy Agency Data Services. 2006. "CO_2 Emissions from Fuel Combustion (2006 Edition)" for electricity emission factors,*
- *Decree dated 28 July 2005 relative to the verification and quantification of emissions declared within the framework of the greenhouse gas emissions quota exchange system (0.185t CO_2/MWh Higher heating value) and oil (3.15 t CO_2/t oil).*

The Group's consumption of energy generated by recycling of domestic waste and/or combined heat and power production (cogeneration) amounted to almost 5.6 MWh in 2007 (compared to 3.2 MWh in 2006). The premises housing the head offices of Lagardère Active and Lagardère Publishing, 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.

Given the concern to reduce and/or optimise energy consumption, a global approach to "Controlling Energy Expenditure" (CEE) has been instigated in partnership with the Group's electricity supplier, with the aim of identifying all potential sources of energy savings, assessing the potential gains and implementing the corresponding action.

These audits were used to identify specific areas for progress, and improvement operations have been (and will continue to be) 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, windshields 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 consumption of bulbs, but also lower heat production and consequently lower air conditioning needs.

B) ***Waste management***

The discussions initiated by the Group on **waste management** at the level of its principal tertiary sites continued in 2007 with:

- an in-depth study was conducted on waste classification, responsibility with respect to existing regulations and long-term waste management prospects, and the results were sent to the operating units;
- the divisions appointed dedicated correspondents to summarise local waste collection practices; the various internal practices were compared, enabling an examination of the possibility of a global approach and the selection of common providers.

The wide disparity in situations and local constraints(2) will nonetheless lead the divisions to conduct local improvement operations, while making use of the Group's exchanges of best practices. Lagardère Active and Lagardère Publishing are both planning to launch calls for tender in 2008 with a view to selecting a provider who can match the initial objectives of the approach:

- Reinforce the tracking of volumes and the sorting of waste by type,
- Improve downstream traceability, particularly with respect to the selected subcontractors, and
- Reduce volumes and management costs, where possible.

As part of its environmental policy, Relais H has implemented a number of operations to handle the waste it produces. It reprocesses all items suitable for reuse in the network, in particular, certain items of metal furniture. In addition, since the end of 2006, Relais H has been giving out biodegradable carrier bags (excluding bags with an advertising message). This alternative to the plastic bags previously used does not affect the consumer, who is given a similar bag with the same volume, but the use of biodegradable bags represents considerable progress, since an average of more than 12 million bags per year are handed out to consumers.

5-3-4-4 Monitoring of the environmental performance levels of paper manufacturers and printers

The Group has instigated close links with its main partners (paper manufacturers and printers) in terms of Sustainable Development, requiring them to state their policy and their environmental performances through questionnaires; these performances are monitored by Lagardère (see 5-3-1-2 B).

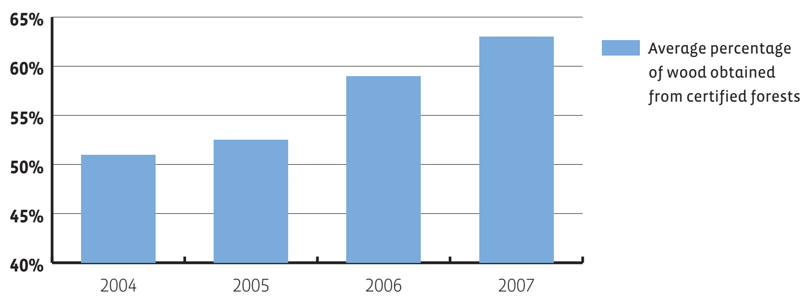
Concerning printing, as part of the reorganisation of the business in 2007, the Group disposed of the Regional Daily Newspaper activity including its only two printers (Nice Matin and La Provence). Consequently, all the printing work for magazine publishing is now carried out by non-Group subcontractors.

(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.*

(2) Sites owned by the Group for which it holds collection contracts, sites where the Group rents the entire site and signs the contracts, sites where the Group rents part of the site and is subject to the global management of a third party, sites under concession in train stations or airports, sites where collection is mostly managed by the municipalities, etc.

The targets and performance levels of the Group's paper suppliers and printers are presented below.

A) *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 environmental effect of their business activities into consideration, and has implemented action for improvement in order to achieve objectives.	The Group's paper suppliers demonstrate a high level of awareness regarding the environmental impact of their activity. Attentive to these issues, the Press division's paper suppliers have all drawn up an environmental policy for the continuous improvement of their performances; 97% have had their efforts recognised through ISO 14001 and/or EMAS certification, compared to 80% in 2006. As part of this approach, they have also defined environmental performance indicators that they monitor at the level of the company and perform periodic evaluations of their sites (followed, where relevant, by assigning a budget and implementation of a plan to solve any problems identified). They also alert their employees to environmental issues by organising regular training sessions. Furthermore, the paper suppliers have integrated environmental criteria into the selection of their own suppliers (of wood, etc.). At the end of 2007, 95% of Lagardère Publishing's paper suppliers' sites had an ISO 14001 certified system of environmental management (compared to 80% in 2005 and 90% in 2006).
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 manner and intensity of forest use will maintain their biological diversity, capacity for regeneration, vitality and capacity to satisfy current and future needs in terms of the ecological, economic and social functions that are relevant at local, national and global level. Certification also aims to ensure that the forests do not cause damage to other ecosystems.	All suppliers make sure that at least some, and possibly all, of the wood they use comes from forests certified by an independent third party: this share represented an average of 60% of supplies in 2007 (compared to 50% in 2006). All affirm their intention to increase this proportion in the future, as far as possible (compared to 90% in 2006).  50% of the paper supplies of Lagardère Publishing in France came from certified forests at the end of 2006, compared to 35% in 2005.
Traceability of supply: a traceability system provides the user with information about the origin of the products used in the manufacturing process.	The Press division and Lagardère Publishing's paper suppliers have all stated that they have implemented a system to trace their supplies of wood and paper pulp; all the Press division's suppliers have declared that their system is certified by an independent body. The Press division and Lagardère Publishing can trace the paper used from reception of the rolls or sheets of paper at the printer's to delivery of the magazines and books to the distribution centres.
Use of less toxic products	Products that may pose a threat to health and/or the environment are used in the production of paper. All the Press division's suppliers are committed to a pro-active policy to use less dangerous products as a substitute wherever possible. In particular, for bleaching, all paper suppliers have implemented processes that eliminate the conventional use of toxic chlorine products. They have all stated that sourcing products with a lower level of risk has become one of the major criteria for the selection of their own suppliers. In addition, more than 90% of these paper suppliers have stated that the policy of their own suppliers to reduce (or eliminate) use of such products is used as a selection criterion.

Targets	Performance levels
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 and books, 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 the Press division's suppliers have implemented a pro-active policy to increase the proportion of recycled fibres used in paper manufacturing. For certain publications, the Press division uses paper incorporating up to 30% recycledfibres and the paper used in production of the Group's newspapers is made entirely from recycled fibres. Almost half the paper suppliers use recycled paper and/or fibres, and 85% of these are seeking to increase the proportion used (compared to 80% in 2006). Some suppliers have multiplied these proportions by four or five over the past five years (reaching rates of close to 80% of suppliers and 10% of recycled fibres). Paper suppliers who do not use recycled fibres justify this choice by the specific quality constraints of the final product.
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 the Press division's suppliers have implemented a determined policy to reduce their waste water and emergency systems to counteract accidental spillage into the public water system. All have waste water treatment facilities within their factories and have implemented procedures and emergency systems to counteract such spillage. Furthermore, all these suppliers have implemented a policy of reducing emissions in the atmosphere (mainly from combustion facilities), particularly in order to limit their contribution to global warming.
Reducing water and power consumption: the paper manufacturing process requires large quantities of water and power.	The paper production process requires large quantities of water and power and the Group's suppliers regularly implement initiatives to reduce consumption levels. Most suppliers have adapted their facilities in order to make use of water in closed circuits (the same water is used for several stages in the manufacturing cycle). Several paper suppliers have achieved reductions of 10% to 30% in terms of volumes consumed over the past five years. In terms of power consumption, the paper suppliers have invested considerable efforts into improving the energy efficiency of the production sites and optimising certain units, leading to energy savings of up to 20-50% over the past five years.
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.	The main waste types produced as a by-product of paper manufacturing are bark, wood chips, cuttings of pulp and paper and sludge. They are generally recycled/re-used in the cement, concrete and brick industries, composted or used as fertiliser in agriculture, or incinerated to produce energy. All of the Press division's suppliers have implemented a determined policy to reduce and/or recycle their waste. Certain suppliers have already succeeded in recycling/re-using/converting to heat almost 99% of their waste.

An example of the energy efficiency of one of our suppliers

In Finland, one paper mill that supplies the Group has explored a number of ways of maximising the energy efficiency of facilities. One of the principal achievements concerns a co-generation unit where waste products from wood (bark, branches, sawdust, etc.) produce almost 90% of the energy produced on the site.

Co-generation is particularly well-suited to paper manufacturers who require electricity and heat simultaneously. This procedure produces a high yield, greater than that achieved through the separate production of electricity by conventional power stations and heat produced by a boiler. In the case of this particular mill, the energy is generated in the form of electricity, low pressure steam for paper manufacturing and hot water which feeds a heating network for a neighbouring town. Heat recovery systems from the pulp and paper manufacturing processes also supply considerable quantities of steam and hot water for heating. The hot water supplied to the urban heating system has reduced consumption by almost 20,000 tonnes of domestic heating oil, thereby preventing emission of 63,000 tonnes of carbon dioxide (CO_2) into the atmosphere.

B) *Targets and performance levels of printers*

Targets	Performance levels of Lagardère Active's printers
Implementation of an appropriate organisation and an environmental policy	All the printers questioned monitor the environmental performance of their site and have a dedicated organisation (environment or Sustainable Development department) or a manager in charge of the corresponding action. Almost one quarter have ISO 14001 or EMAS certification. This certification attests to the implementation of an environmental management system.
Implementation of a Health and Safety policy	All 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.). More than 85% of the printers questioned regularly conduct risk evaluation studies and provide regular staff training sessions on health and safety (two thirds of the sites have already trained more than 80% of their employees).
Limiting consumption	More than two thirds of the printers questioned have a deliberate policy of limiting their consumption of products such as developers, fixatives, isopropyl alcohol and cleaning agents. More than 80% have also fitted their machines with automatic cleaning systems that reduce the quantities of products required and limit staff exposure to toxic substances. Furthermore, all of these printers use recent digital technology ("computer-to-plate" in offset, digital procedures in photo-engraving) which reduce the quantities of chemical products used and reduce the amount of waste produced during certain stages in the printing process (these techniques obviate the need to produce films for photographic printing).
Limiting air pollution	More than 90% of the printers questioned possess a volatile organic compound (VOC) processing system. The systems used either incinerate the VOCs, with the resultant energy sometimes used as a by-product, or recover solvents for recycling or re-use. All those who use the photo-engraving technique are compliant with the applicable regulations concerning emissions of chromium VI (a substance that is highly carcinogenic if inhaled regularly over long periods).

Targets	Performance levels of Lagardère Active's printers
Management of products used	All the printers questioned systematically request the safety data sheets of new products introduced to the printing sites. These sheets provide information on the level of toxicity and harmfulness of the products, as well as any precautions to be taken when storing or using them. Furthermore, almost 80% are committed to an active policy of replacing toxic products with products that are less dangerous for the environment and for public health. More than 60% of the print sites have completely abolished the use of isopropyl alcohol, some no longer use trichloroethylene, and others have discontinued the use of a large number of glycol ether solvents. Successive surveys conducted by Lagardère Active in the course of the past three years have also shown an increase in the use of plant-based substitute products. The 2007 survey showed that more than a quarter of the printers use plant-based inks (including 2 who use them exclusively) and more than 40% make use of plant-based cleaning products (in three cases, for more than 50% of needs). Products that cannot be replaced are subject to specific conditions: staff training on identifying (79% of sites) and handling (82% of sites) hazardous products, work carried out under good ventilation conditions (for all the printers), etc. The printers have defined emergency protocols for implementation in the event of accidental spillage of chemical products, to avoid polluting rain water collection systems.
Waste management	Waste paper from the printing processes is systematically recycled by all the printers questioned. Almost 90% of printers also stated they had implemented a policy to restrict paper wastage (losses when machines are started up, offcuts, trimming, etc.). This approach is visible through the application of frequent controls, investment in modern equipment and the optimisation of machine calibration to limit the quantities of paper waste. Three printers from the Maury group have also implemented "charters" to encourage staff to respect the quantities of paper allocated. Regarding the other types of waste specific to the printing process, these are subject to appropriate treatment methods. All of the printers outsource processing of the electrolysis baths used in photo-engraving to specialist companies and more than 80% recycle or re-use the copper and chromium on the cylinders after printing. The aluminium plates used in offset printing are recycled or re-used by more than 95% of printers.

Chapter 6

Net assets
Financial position
Results

6 - 1 Per share data and distribution policy

6-1-1 Per share data

	2004		**2005**		**2006 Restated**(1)		**2007**	
(in euros)	basic	diluted(2)	basic	diluted(2)	basic	diluted(2)	basic	diluted(2)
Profit attributable to holders of the parent, per share	3.65	3.44	4.88	4.74	2.13	2.09	4.03	3.99
Equity attributable to holders of the parent, per share	28.68	31.28	31.45	33.72	32.93	33.11	34.47	34.21
Cash flow from operations before change in working capital, per share	8.75	8.76	9.52	9.23	6.17	6.07	5.99	5.95
Market price at 31 December	53.10		65.00		61.00		51.29	
Dividend	**1.00 + 2.00**(3)		**1.10**		**1.20**		**1.30**(4)	

(1) Per share data for 2006 is based on 2006 results incorporating retrospective application of the equity method to jointly-controlled entities, and the recognition in equity of actuarial gains and losses on provisions for pension and similar obligations (see notes 1 and 5 to the consolidated financial statements).
(2) Including the effect of dilutive stock options and free shares granted to employees.
(3) Ordinary dividend of €1 per share and exceptional dividend of €2 per share.
(4) Dividend to be approved by the Annual General Meeting of Shareholders on 29 April 2008.

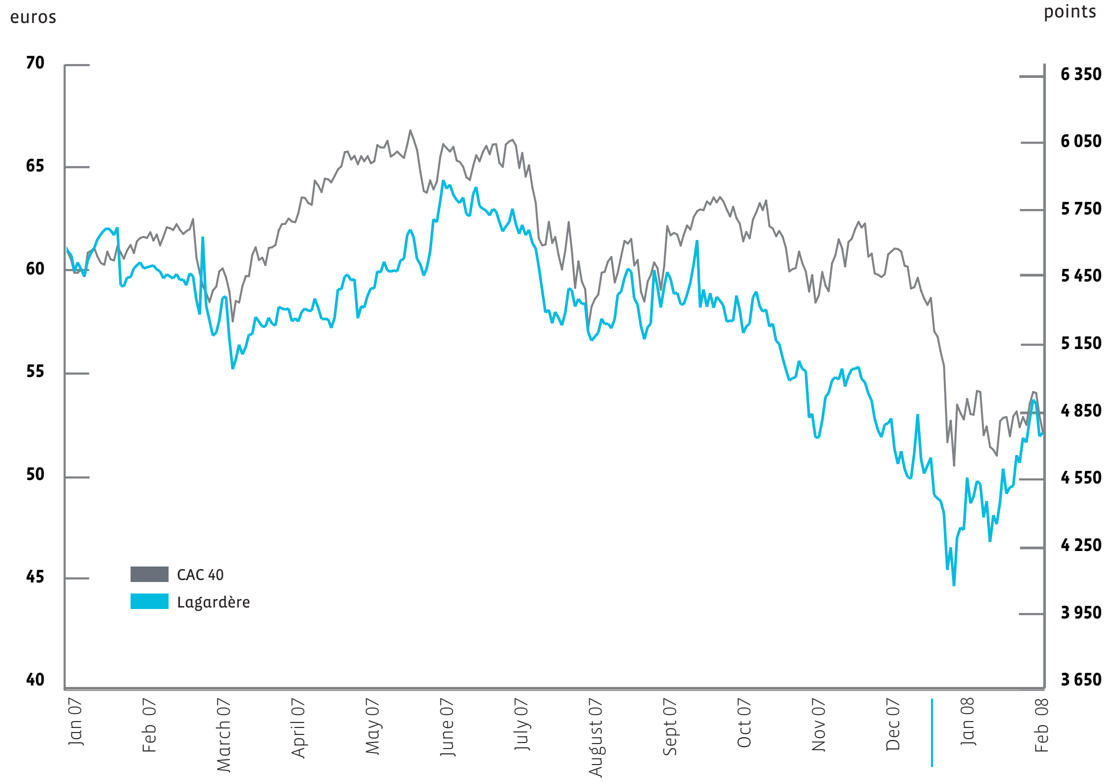
6-1-2 Distribution policy

Total dividends paid for the years 2004(*), 2005 and 2006 amounted to €136.7 million, €153.6 million and €160.4 million respectively.

For the years 2005 and 2006, total dividends accounted for 22.9% and 55.1% of net profit attributable to equity holders of the parent.

(*) Only the ordinary dividend of €1 paid out of 2004 net profit is taken into account, thus excluding the €2 exceptional dividend paid for the same year (see note (3) under table above).

6-1-3 Changes in closing share prices



6 - 2 Analysis of Lagardère SCA's financial position and results

6-2-1 General

	2007	2006 Restated
Net sales	**8,582**	**7,910**
Profit before finance costs and tax	**867**	**585**
Finance costs, net	(204)	(174)
Income tax expense	(99)	(92)
Net profit	**564**	**319**
Attributable to equity holders of the parent	*534*	*291*
Attributable to minority interests	*30*	*28*

The Lagardère Group's consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and under the same accounting principles as those applied for the year ended 31 December 2006, except for the two changes described in note 1 to the consolidated financial statements summarizes below:

- As of 1 January 2007, the Group applies the option allowed by IAS 31 "Interests in joint ventures", whereby interests in jointly-controlled entities may be accounted for by the equity method as an alternative to proportionate consolidation.
- As of 1 January 2007, the Group has opted to apply the option allowed by IAS 19 (revised) under which actuarial gains and losses on pension and similar obligations can be recognised directly in equity.

The comparative figures presented for the year 2006 have been restated for retrospective application of these changes of method, whose impact is described in note 5 to the consolidated financial statements.

The Lagardère Group's business is carried out through Lagardère Media, through its holding in EADS, and through "Other Activities", i.e. business not directly related to the operating divisions.

6-2-2 Lagardère Media

Lagardère Media includes the operations of Lagardère Publishing (formerly the Book Publishing division), Lagardère Active which comprises the Press and Audiovisual activities, Lagardère Services (formerly the Distribution Services division), and from 2007, a new division: Lagardère Sports.

The major changes in this segment's structure during 2007 were the acquisition of Sportfive (Lagardère Sports division) which is fully consolidated from 1 January 2007, and the acquisition of a 20% interest in Canal+ France, accounted for by the equity method as of 1 January 2007.

These acquisitions are described in note 4 to the consolidated financial statements, which also presents the other changes that took place but had no significant impact on the financial statements.

Summarised statements of income and cash flows of Lagardère Media are as follows:

Income statement		
	2007	2006 Restated
Net sales	**8,582**	**7,910**
Recurring operating profit before associates	636	520
Income from associates(*)	64	81
Non-recurring items	(201)	(54)
Amortization of acquisition - related intangible assets	(59)	–
- Fully consolidated companies	*(39)*	–
- Companies accounted for by the equity method	*(20)*	–
Profit before finance costs and tax	**440**	**547**
Finance costs, net	(145)	(84)
Profit before tax	**295**	**463**

(*) Excluding amortization of acquisition - related intangible assets.

Cash flows		
	2007	2006 Restated
Cash flows from operations before changes in working capital	780	760
Changes in working capital	(5)	20
Cash flows from operations	**775**	**780**
Interest paid and received and income taxes paid	(375)	(286)
Net cash provided by operating activities	**400**	**494**
Cash used in investing activities	(1,373)	(1,179)
- Intangible assets and property, plant and equipment	*(218)*	*(149)*
- Investments	*(1,155)*	*(1,030)*
Proceeds from disposals	193	185
- Intangible assets and property, plant and equipment	*16*	*42*
- Investments	*177*	*143*
Decrease in short-term investments	57	5
Net cash used in investing activities	**(1,123)**	**(989)**
Total cash used in operating and investing activities	**(723)**	**(495)**
Capital employed(*)	**5,600**	**4,910**

(*) Non-current assets less non-current liabilities (excluding debt) and working capital requirement.

Income statement

2007 was marked by disparities in the pace of growth in different businesses, particularly in the second half of the year. Magazine and radio activities in mature countries were affected by the ongoing sluggish advertising environment, but in Eastern Europe and China there was further high expansion on the advertising markets. In book publishing, France had only a moderate number of new titles and sales in the presidential election period of the first half-year, but the second half-year was very positive, with impressive increases in Education, and in Spain, at Hodder Headline in the UK and Hachette Book Group in the US. Lagardère Services again benefited from the sustained level of air travel boosting retail sales in airports, and its retail sales rose in Eastern Europe and the Asia-Pacific region. In addition to these favourable developments, sales levels were high in all retail networks, offsetting the lower circulation for certain magazine titles and a downturn in wholesale activities in certain European countries (Poland, Spain and Belgium).

In the Press division, the market environment was still difficult for magazine circulation. In Audiovisual activities, the sustained sales of the second half-year brought 2007 results to a level that represents an improvement from 2006 on a like-for-like basis.

At 31 December 2007, Lagardère Sports, which includes the newly-acquired assets of Sportfive, IEC and Newsweb, contributed €440 million to Lagardère Media's sales, or 5.6% of total sales growth.

Lagardère Media's sales for 2007 thus increased by 8.5% from 2006, without adjustments for changes in group structure and exchange rates. Changes in exchange rates (average rate over the period) had a negative impact of 1%, mainly due to the movements in the US dollar/euro rate. Consolidation of Lagardère Sports, consolidation over a full year of Time Warner Book Group (which was only consolidated in the final three quarters of 2006) and application of the equity method to Cellfish Media had a positive net impact accounting for €446 million of the €501 million increase in sales resulting from changes in the scope of consolidation.

Excluding the effect of changes in group structure and exchange rates, sales growth was 3.3%. It was positive in Book Publishing, Press and Distribution Services, and television and foreign radio activities.

Recurring operating profit before associates amounted to €636 million, a rise of €116 million or 22% from 2006 without adjustments for changes in group structure and exchange rates.

The following factors contributed:
- Lagardère Publishing's recurring operating profit rose by €20 million. Increases were registered in every country where the division operates; growth in Education and Illustrated books in France, Part works, Hodder Headline and Hachette Book Group compensated for the decline in General Literature in France and at certain British publishing houses.
- For Lagardère Active, recurring operating profit for the Press division was up by €22 million (before €3 million of amortization of acquisition - related intangible assets in 2007), reflecting the initial effects of the cost-reducing plan introduced in 2006, which among other measures shut down unprofitable titles. The full consolidation since April 2007 of women's supplements for daily newspapers (accounted for by the equity method in the restated 2006 comparative information) and the sale of photograph agencies also contributed to this improvement in recurring operating profit. Investment in websites continued, with a negative impact on the margin for 2007. The results of the Audiovisual activities were stable. The lower profits of French radio stations and television activities were offset by higher profits by foreign radio stations and application of the equity method to Cellfish Media (previously fully consolidated).
- The Distribution Services division's recurring operating profit rose by €7 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 retail network in other European countries. Thanks to a dynamic policy of diversification in products sold, other activities stood up well to lower press and telephone card sales and the impact of new tobacco marketing regulations.
- The Sports division registered recurring operating profit of €67 million, excluding amortization of goodwill created in connection with the acquisition of Sportfive (–€36 million).

Income from associates was €44 million in 2007, a decrease of €37 million from 2006, which included a €52 million contribution by CanalSatellite, whereas the contribution in 2007 by the Canal+ France group, which bore significant restructuring costs after merging the Canalsat and TPS satellite platforms, was only €30 million before amortization of goodwill created when Lagardère recorded its investment (–€20 million net of deferred taxes).

Non-recurring items included in the profit before finance costs and tax represented a net loss of €201 million in 2007 compared to a net loss of €54 million the previous year.

This loss comprises the following components:
- €203 million of impairment losses on goodwill, property, plant and equipment and intangible assets, distributed between Lagardère Services (€98 million), Lagardère Active (€83 million) and Lagardère Publishing (€22 million).
  €95 million of the impairment loss recognised by Lagardère Services concerns the Virgin Stores group, whose book value was adjusted at 31 December 2007 to reflect the terms of the agreement signed by Lagardère Services on 21 December 2007 for the sale to Butler Capital Partners of a majority investment in the Virgin Stores group. This operation was still awaiting the necessary regulatory and legal authorisations and had not been completed at 31 December 2007.
  At Lagardère Active, impairment losses concerned magazine titles published in the US (€62 million) after revision of forecasts for growth in advertising revenue, men's magazines in France (€7 million) and the rights distribution and audiovisual production (€10 million).
  At Lagardère Publishing, impairment (€22 million) concerned the British subsidiary Octopus and was recognised as a result of the decline in the market for international co-editions of illustrated books and the map publishing sector.
- €91 million of restructuring costs, €88 million of which concern Lagardère Active for the cost-cutting plan in the Press and Audiovisual activities (€78 million and €10 million respectively).
- €93 million of gains on disposals, including €70 million on the sale of daily regional press investments, €15 million on sales of press activities in Sweden, and €6 million on the sale of the investment in the TV channel Teva.

As a result of the above items, profit before finance costs and tax stood at €440 million in 2007, €107 million lower than in 2006.

Net finance costs were €145 million in 2007, an increase of €61 million from 2006. This incorporates the effect of the rise in debt in the Media segment, which primarily resulted from acquisition in 2007 of Sportfive, Jumpstart and Nextedia, and acquisition in 2006 of shares in Newsweb and Canal+ France. Other factors were the additional quarter of interest paid in connection with the acquisition of Time Warner Book Group, only consolidated over three quarters in 2006, and the increase in average interest rates

Cash flows

Cash flows from operations before change in working capital amounted to €780 million, an increase of €20 million from 2006. This increase in 2007 includes the contribution of Lagardère Sports (€111 million), whereas in 2006 it included an amount of €102 million corresponding to dividends received from CanalSatellite under the agreements signed in early 2006 concerning the Lagardère Group's investment in Canal+ France.

Working capital increased by €5 million in 2007 after a €20 million decline in 2006. This trend covers strongly contrasting results in the divisions: the Press, Publishing and Sports divisions made positive contributions, while Lagardère Services and the Audiovisual activities saw a rise in their working capital requirement, particularly following very high levels of audiovisual business in late 2007.

Following the same trend as indebtedness and financing costs, interest paid (net of interest received) amounted to €139 million in 2007 compared to €84 million in 2006. Taxes paid increased from €202 million to €236 million in 2007.

All these items generated net cash from operating activities of €400 million in 2007, compared to €494 million in 2006.

Purchases of intangible assets and property, plant and equipment, net of disposals, totalled €202 million in 2007, €95 million higher than in 2006. This increase includes €62 million of investments by Lagardère Sports. In 2006, disposals included the sale of a British business by Lagardère Publishing.

Purchases of investments in 2007 amounted to €1,155 million. The principal investments were the acquisitions of Sportfive (€859 million), Jumpstart (€61 million) and Nextedia (€48 million).

Disposals of investments amounted to €177 million including in particular the sale of regional daily press investments (€160 million).

As a result, total cash of €723 million was used in operating and investing activities in 2007, compared with €495 million in 2006.

At 31 December 2007, capital employed totalled €5,600 million, up by €690 million from 2006, largely as a result of the new investments made in 2007.

6-2-3 EADS

EADS is accounted for by the equity method from 1 January 2007. On 25 June 2007, Lagardère transferred 20,370,000 EADS shares or approximately 2.5% of the capital of EADS to the holders of the Mandatory Exchangeable Bonds, in redemption of the first tranche of the bonds, which were issued in April 2006.

As a result, including the effect of other changes in EADS' share capital during 2007 (exercise by employees of their share subscription options and cancellation of shares), Lagardère's holding in EADS was reduced from 14.98% at 31 December 2006 to 12.51% at 31 December 2007.

The share of profit included in the consolidated income statement was based on a percentage interest of 14.98% for the first half of 2007, and 12.51% for the second half of 2007. The €472 million gain on the transfer was calculated on the basis of EADS' consolidated equity at 30 June 2007.

EADS' contribution to consolidated profit fell from +€23 million in 2006 to -€44 million in 2007 due to expenses incurred for the launch of the A350 programme and to exceptional expenses related to the A400M aircraft, the 'Power 8' restructuring plan and the A380 programme.

6-2-4 Other Activities

Other Activities comprise those operations not directly related to one of the Media segment's operating divisions.

Income statement		
	2007	**2006 Restated**
Recurring operating profit	–	1
Non-recurring items	(1)	14
Profit(loss) before financial costs and tax	**(1)**	**15**
Net financial loss	(59)	(90)
Loss before tax	**(60)**	**(75)**

Recurring operating profit recorded by Other Activities in 2007 was nil after +€1 million in 2006, and included amounts received as a result of the claim filed by Matra in connection with its former Transit Systems activities, mostly offset by a decline in the fees received from NMPP and the downward trend in the contribution of the automobile Spare Parts business.

Non-recurring items recognised by Other Activities in 2006 mainly comprised the gains generated by sales of real property.

The net financial loss was reduced by €31 million, reflecting the improved financial performance of the central holding companies, which bear the financial costs on Group borrowings and recognise income consisting of amounts invoiced to subsidiaries on financing for their external growth operations

6-2-5 Overview of consolidated results

Profit before tax of the Group's activities, and consolidated profit for the year, are as follows:

	2007	**2006 Restated**
Lagardère Media	295	463
Income (loss) from EADS (accounted for by the equity method)	(44)	23
Gain on sale of EADS shares	472	–
Other Activities	(60)	(75)
Profit before tax	**663**	**411**
Income tax expense	(99)	(92)
Consolidated profit for the year	**564**	**319**
Attributable to equity holders of the parent	*534*	*291*
Attributable to minority interests	*30*	*28*

6-2-6 Cash flows

6-2-6-1 Consolidated cash flow statement

In 2007, net cash from operating activities amounted to €429 million, €400 of which was attributable to the Media segment and €29 million to Other Activities, which benefited from cash inflows corresponding to taxes collected from entities belonging to the tax consolidation group.

Net cash of €485 million was used in investing activities in 2007, mainly for the €1,123 million net investments by the Media segment, which were offset by the €664 million inflow corresponding to the sale price of EADS shares.

Net cash of €648 million was used in financing activities in 2007, mainly comprising the following:

- applications:
  - dividends paid (€181 million);
  - redemption of the first tranche of EADS Mandatory Exchangeable Bonds (€664 million);
  - acquisition of treasury shares (€337 million, net);
- sources:
  - a €600 million drawing on Lagardère SCA's syndicated loan to finance the acquisition of Sportfive.

As a result of the above cash flows, including the effect of translation adjustments and reclassifications, cash and cash equivalents decreased by €699 million from 31 December 2006 to €472 million at 31 December 2007.

6-2-6-2 Net indebtedness

Net indebtedness is calculated as follows:

	31 December 2007	31 December 2006 Restated
Short-term investments and cash and cash equivalents	869	1,633
Non-current debt	(1,960)	(2,309)
Current debt	(1,479)	(1,369)
Net indebtedness	**(2,570)**	**(2,045)**
Including: Mandatory Exchangeable Bonds	*(1,423)*	*(2,144)*

Changes during 2007 and 2006 were as follows:

	2007	2006 Restated
Net indebtedness at 1 January	**(2,045)**	**(1,091)**
Total cash from operating and investing activities	(56)	(392)
Acquisition of treasury shares	(337)	(259)
Dividends	(181)	(182)
Decrease in short-term investments	(14)	(5)
Change in put options granted to minority shareholders recognised in debt	(28)	22
Change in financial liabilities following measurement at fair value	35	(108)
Effect on cash of changes in exchange rates, consolidation scope and other	56	(30)
Net indebtedness at 31 December	**(2,570)**	**(2,045)**

6 - 3 Consolidated financial statements at 31 December 2007

Consolidated income statement for the year ended 31 December 2007			
(in millions of euros)		**2007**	**2006 Restated(*)**
Net sales	*(Notes 6 & 7)*	8,582	7,910
Other income from ordinary activities		493	471
Revenues		**9,075**	**8,381**
Purchases and changes in inventories		(3,901)	(3,575)
Capitalised production		2	5
Production transferred to inventories		6	(5)
External charges		(2,518)	(2,427)
Payroll costs	*(Note 8)*	(1,796)	(1,720)
Depreciation and amortization other than on acquisition - related intangible assets		(164)	(128)
Amortization of acquisition - related intangible assets		(39)	–
Other operating income (expenses)	*(Note 9)*	202	(50)
Income from associates	*(Note 16)*	0	104
Profit before finance costs and tax	*(Note 6)*	**867**	**585**
Financial income	*(Note 10)*	59	67
Financial expenses	*(Note 10)*	(263)	(241)
Profit before tax		**663**	**411**
Income tax expense	*(Note 11)*	(99)	(92)
Profit for the year		**564**	**319**
Attributable to equity holders of the parent		534	291
Attributable to minority interests	*(Note 23)*	30	28
Basic earnings per share attributable to equity holders of the parent	*(Note 12)*	*4.03*	*2.13*
Diluted earnings per share attributable to equity holders of the parent	*(Note 12)*	*3.99*	*2.09*

(*) The comparative figures presented for 2006 have been restated, with retrospective application of the equity method to jointly-controlled entitities, and the recognition in equity of actuarial gains and losses on provisions for pension and similar obligations (see notes 1 and 5 to the consolidated financial statements).

Consolidated cash flow statement for the year ended 31 December 2007			
(in millions of euros)		**2007**	**2006 Restated(*)**
Profit for the year		**564**	**319**
Income tax expense		99	92
Finance costs, net		204	174
Profit before finance costs and tax		**867**	**585**
Depreciation and amortization expense		203	128
Impairment losses, provision expense and other non-cash items		271	42
Gains on disposals of assets		(565)	(16)
Dividends received from associates		19	211
Income from associates		–	(104)
Changes in working capital		(23)	9
Cash flows from operations		**772**	**855**
Interest paid		(242)	(129)
Interest received		39	52
Income taxes paid		(140)	(110)
Net cash provided by operating activities	**(A)**	**429**	**668**
Cash used in investing activities			
Purchases of intangible assets and property, plant and equipment		(227)	(154)
Purchases of investments		(1,227)	(1,073)
Cash acquired through acquisitions		103	(7)
Purchases of other non-current assets		(38)	(25)
Total cash used in investing activities	**(B)**	**(1,389)**	**(1,259)**
Cash from investing activities			
Proceeds from disposals of non-current assets			
Intangible assets and property, plant and equipment		33	43
Investments		859	156
Cash transferred on disposals		(37)	(23)
Decrease in other non-current assets		35	18
Total cash from investing activities	**(C)**	**890**	**194**
Decrease in short-term investments	**(D)**	14	5
Net cash used in investing activities	**(E) = (B)+(C)+(D)**	**(485)**	**(1,060)**
Total cash used in operating and investing activities	**(F) = (A)+(E)**	**(56)**	**(392)**
Capital transactions			
Proceeds from capital increase by the parent		–	29
Change in minority interests in capital increases by subsidiaries		7	10
Change in treasury shares		(337)	(259)
Dividends paid to equity holders of the parent(**)		(163)	(160)
Dividends paid to minority shareholders of subsidiaries		(18)	(22)
Financing transactions			
Increase in debt		623	2,028
Decrease in debt		(760)	(496)
Net cash provided by (used in) financing activities	**(G)**	**(648)**	**1,130**
Other movements			
Effect on cash of changes in exchange rates		16	(20)
Effect on cash of other movements		(11)	1
Total other movements	**(H)**	**5**	**(19)**
Change in net cash and cash equivalents	**(I) = (F)+(G)+(H)**	**(699)**	**719**
Cash and cash equivalents at beginning of the year		**1,171**	**452**
Cash and cash equivalents at end of the year	*(Note 22)*	**472**	**1,171**

(*) See note on previous page.
(**) Including the portion of net profit paid to the general partners.

Consolidated balance sheet at 31 December 2007			
ASSETS *(in millions of euros)*		**31 December 2007**	**31 December 2006 Restated[*]**
Intangible assets	*(Note 14)*	1,428	1,501
Goodwill	*(Note 13)*	2,975	2,062
Property, plant and equipment	*(Note 15)*	640	711
Investments in associates	*(Note 16)*	2,847	2,496
Other non-current assets	*(Note 17)*	205	749
Deferred tax assets	*(Note 11)*	166	144
Total non-current assets		**8,261**	**7,663**
Inventories	*(Note 18)*	529	597
Trade receivables	*(Note 19)*	1,585	1,367
Other current assets	*(Note 20)*	1,306	1,317
Short-term investments	*(Note 21)*	136	156
Cash and cash equivalents	*(Note 22)*	733	1,477
Total current assets		**4,289**	**4,914**
Assets held for sale	*(Note 28)*	229	–
Total assets		**12,779**	**12,577**

(*) The comparative figures presented at 31 December 2006 have been restated, with retrospective application of the equity method to jointly-controlled entities, and the recognition in equity of actuarial gains and losses on provisions for pension and similar obligations (see notes 1 and 5 to the consolidated financial statements).

Consolidated balance sheet at 31 December 2007			
EQUITY AND LIABILITIES *(in millions of euros)*		**31 December 2007**	**31 December 2006 Restated(*)**
Share capital		818	870
Reserves		3,222	3,349
Profit attributable to equity holders of the parent		534	291
Minority interests	*(Note 23)*	85	100
Total equity	*(Note 23)*	**4,659**	**4,610**
Provisions for employee benefit and similar obligations	*(Note 24)*	103	134
Non-current provisions for contingencies and losses	*(Note 24)*	200	195
Non-current debt	*(Note 25)*	1,960	2,309
Other non-current liabilities	*(Note 27)*	193	89
Deferred tax liabilities	*(Note 11)*	340	419
Total non-current liabilities		**2,796**	**3,146**
Current provisions for contingencies and losses	*(Note 24)*	432	367
Current debt	*(Note 25)*	1,479	1,369
Trade payables		1,849	1,766
Other current liabilities	*(Note 27)*	1,405	1,319
Total current liabilities		**5,165**	**4,821**
Liabilities associated with assets held for sale	*(Note 28)*	159	–
Total equity and liabilities		**12,779**	**12,577**

(*) The comparative figures presented at 31 December 2006 have been restated, with retrospective application of the equity method to jointly-controlled entities, and the recognition in equity of actuarial gains and losses on provisions for pension and similar obligations (see notes 1 and 5 to the consolidated financial statements).

Consolidated statement of recognised income and expenses					
(in millions of euros)	**Other reserves**	**Translation reserve**	**Valuation reserve**	**Minority interests**	**Equity**
Net profit for 2006 - restated	**291**			**28**	**319**
Currency translation adjustments		(141)		(2)	(143)
Change in fair value of:					
Derivative financial instruments			563		563
Investments in non-consolidated companies			24		24
Actuarial gains and losses on pension and similar obligations	(99)				(99)
Income and expenses recognised directly in equity	**(99)**	**(141)**	**587**	**(2)**	**345**
Total recognised income and expenses for 2006 – restated	**192**	**(141)**	**587**	**26**	**664**

(in millions of euros)	**Other reserves**	**Translation reserve**	**Valuation reserve**	**Minority interests**	**Equity**
Net profit for 2007	**534**			**30**	**564**
Currency translation adjustments		(161)		(3)	(164)
Change in fair value of:					
Derivative financial instruments			86		86
Investments in non-consolidated companies			(4)		(4)
Actuarial gains and losses on pension and similar obligations	63				63
Income and expenses recognised directly in equity	**63**	**(161)**	**82**	**(3)**	**(19)**
Total recognised income and expenses for 2007	**597**	**(161)**	**82**	**27**	**545**

Consolidated statement of changes in equity for the year ended 31 December 2007								
(in millions of euros)	**Share capital**	**Share premiums**	**Other reserves**	**Treasury shares**	**Translation reserve**	**Valuation reserve**	**Minority interests**	**Equity**
At 1 January 2006 - restated	**866**	**1,435**	**1,650**	**(166)**	**238**	**184**	**116**	**4,323**
Profit for the year			291				28	319
Income and expenses recognised directly in equity			(99)		(141)	587	(2)	345
Total recognised income and expenses(1)			**192**		**(141)**	**587**	**26**	**664**
Dividends			(160)				(25)	(185)
Capital increase by the parent(2)	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							(43)	(43)
At 31 December 2006 - restated	**870**	**1,460**	**1,720**	**(408)**	**97**	**771**	**100**	**4,610**
Profit for the year			534				30	564
Income and expenses recognised directly in equity			63		(161)	82	(3)	(19)
Total recognised income and expenses(1)			**597**		**(161)**	**82**	**27**	**545**
Dividends			(163)				(18)	(181)
Capital reduction by the parent(3)	(52)	438		490				0
Capital increase attributable to minority interests							3	3
Changes in treasury shares				(328)				(328)
Share-based payments			37					37
Changes in consolidation scope and other							(27)	(27)
At 31 December 2007	**818**	**1,022**	**2,191**	**246**	**(64)**	**853**	**85**	**4,659**

(1) See details on previous page.
(2) Options exercised.
(3) Capital reduction by cancellation of treasury shares.

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Notes to the consolidated financial statements – Summary

Notes to the consolidated financial statements for the year ended 31 December 2007

(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 of the International Financial Reporting Interpretation Committee (IFRIC) endorsed by the European Union for application at 31 December 2007 are applied. They can be consulted on the European Commission website at: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

The Group has not elected for early application in 2007 of standards and interpretations which will be applicable after 2007.

The consolidated financial statements at 31 December 2007 have been prepared under the same accounting principles as those applied for the year ended 31 December 2006, except for the two changes described below:

- As of 1 January 2007, the Group applies the option allowed by IAS 31 "Interests in joint ventures", whereby interests in jointly-controlled entities may be accounted for by the equity method as an alternative to proportionate consolidation.
  This change of method applies to all jointly-controlled entities, particularly the EADS group, with the objective of providing a clearer view of the accounts which over the period 2007-2009 will include the impact of changes in the percentage holding in EADS following redemption of the EADS Mandatory Exchangeable Bonds. The basis for consolidation of the EADS group was reduced from approximately 15% at 31 December 2006 to approximately 12.5% at 30 June 2007, and will be reduced further to 10% at 30 June 2008 and 7.5% at 30 June 2009.
  Proportionate consolidation of the EADS group's balance sheets, income statements and cash flow statements would have resulted in presenting figures for 2007 to 2009 on a percentage basis that differed from one year to the next, and even between the two halves of a given year. This would have prevented comparability in financial indicators over time, resulting in a lack of clarity in the financial statements.

- As of 1 January 2007, the Group has decided to apply the option allowed by IAS 19 (revised) under which actuarial gains and losses on pension and similar obligations can be recognised directly in equity. These gains and losses were previously recognised under the corridor approach, i.e. unrecognised actuarial gains and losses on a benefit plan in excess of 10% of the higher of the value of the obligation and the fair value of plan assets were taken to profit and loss over the average residual working life of plan beneficiaries.

The comparative figures presented for the year 2006 have been restated for retrospective application of these changes of method, whose impact is described in note 5.

The new standards, revised standards and interpretations which became mandatory for 2007 are:
Amendment to IAS 1 – Capital disclosures
IFRS 7 – Financial Instruments: Disclosures
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
IFRIC 10 – Interim Financial Reporting and Impairment

Their application in 2007 had no material impact on the consolidated financial statements.

The main standards, revised standards and interpretations released by the IASB that are likely to concern Lagardère but will be applicable after 2007 are:
Amendment to IAS 1 – Revised Presentation of the Financial Statements
Amendment to IAS 23 – Borrowing Costs
IFRS 8 – Operating Segments
IFRIC 11 – Group stock options
IFRIC 13 – Customer Loyalty Programmes
IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group does not anticipate that application of these standards, revisions and interpretations will have any material impact on the consolidated 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 the value of income and expenses for the year.

Management reviews these estimates and assumptions at regular intervals, based on past experience and various other factors considered as reasonable, which form the basis of its assessment of the carrying amount of assets and liabilities. Actual amounts may differ from these estimates, due to changes in assumptions or other conditions.

Note 2 Scope and methods of consolidation

2 - 1 Scope of consolidation

The consolidated financial statements include the financial statements of the parent company and of the subsidiaries under its control, jointly-controlled entities (joint ventures) and entities in which the Group has significant influence in management and financial policy (associates), which are consolidated by the methods described below. Significant influence is assumed to be exercised when the Group holds, directly or indirectly, 20% or more of the capital.

2 - 2 Consolidation methods

The consolidation methods used are as follows:

- **Full consolidation** – 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.
- **Equity method** – Joint ventures and associates are accounted for by the equity method. 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 entity's net assets.

A list of consolidated companies is provided in note 33.

2 - 3 Closing dates

The financial statements of all consolidated subsidiaries were closed at 31 December.

2 - 4 Translation of financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries are translated into euros as follows:
- Balance sheet items are translated using official year-end exchange rates,
- Income statement items are translated using average exchange rates for the year.

The resulting exchange differences are recognised as a separate component of equity, under "Translation reserve".

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are considered as assets and liabilities of the subsidiary concerned. They are therefore measured in the subsidiary's functional currency and translated at the year-end exchange rate. When a foreign subsidiary is sold, cumulative exchange differences recognised in equity are reclassified into profit.

2 - 5 Intra-group balances and transactions

Intra-group balances and transactions are eliminated on consolidation. Impairment losses deducted from the carrying amount of investments in and receivables from consolidated companies are cancelled by adjusting equity, and movements for the year are neutralised in the income statement.

Note 3 Accounting principles and valuation methods

3 - 1 Net sales

Revenue from sales of goods and services is recognised when title is transferred to the buyer or the service is rendered.

Purchases and sales corresponding to exchanges of goods or services of a similar nature and value are eliminated on consolidation and do not therefore appear in the income statement.

Revenues from magazine sales (Press division) and sales of part-books (Publishing division) are stated net of distribution fees.

For sales of advertising space, national press distribution (Curtis at Lagardère Services) and sports rights contracts when Group entities act as agents only, revenues consist solely of the fees received.

3 - 2 Operating leases

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

3 - 3 Performance indicators used by the Group

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 goodwill, property, plant and equipment and intangible assets

Restructuring costs

Amortization of acquisition - related intangible assets
(fully consolidated companies and entities accounted for by the equity method)

= Recurring operating profit

Less:

Income from associates before amortization of acquisition - related intangible assets

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= Recurring operating profit before associates

Profit before finance costs and tax published for 2007 includes amortization of certain intangible assets with finite lives, which resulted from allocation of the acquisition costs of the business combinations that took place during the year. The Group decided to neutralise the effects of these new items in calculating the recurring operating profit and the recurring operating profit before associates, so that book amortization with no effect on cash generated by the businesses acquired is eliminated from the measure of performance.

3 - 4 Translation of foreign currency transactions

In the balance sheet, foreign currency receivables and payables are translated into euros at the year-end exchange rate. The resulting exchange differences are recognised in profit, except for those related to long-term financing of the Group's net investment in foreign operations which are recognised directly in equity.

3 - 5 Share-based payments

Stock purchase options and free 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 grant date, and a matching entry is recognised directly in equity. IFRS 2 applies to stock options and free shares granted 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 for stock options and a Black-Scholes type model for free share allocations, taking into account 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.

3 - 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, cash and cash equivalents.

3 - 7 Deferred taxes

Deferred taxes are recognised for temporary differences between the carrying amount of assets and liabilities and their tax base. In accordance with the liability method, they are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Adjustments to deferred taxes for changes in tax rates are recognised in profit for the period in which the change is announced. In accordance with IAS 12 "Income Taxes", deferred tax assets and liabilities are not discounted.

At the level of each tax entity (company or tax group), deferred tax assets arising from deductible temporary differences, tax assets and tax loss carry-forwards are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

For investments in associates, when 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, 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.

3 - 8 Business combinations and goodwill

Goodwill corresponds to the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities at the date of the business combination. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit.

In accordance with IFRS 3 "Business combinations", goodwill is not amortized but is reviewed for impairment at each year-end or whenever there is an indication that fair value may be impaired. The method used to test goodwill for impairment is described in note 3-10 below.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill related to entities accounted for by the equity method is included in the carrying amount of the investment.

3 - 9 Intangible assets

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. They are amortized over their probable useful life. Intangible assets with an indefinite life are not amortized but are tested regularly for impairment in the same way as goodwill (see note 3-10).

In the Group's Media business, no development costs are incurred that would be recognised in the balance sheet under IFRS.

3 - 10 Impairment tests

The carrying amount of property, plant and equipment and intangible assets is reviewed at regular intervals to determine whether there is any indication that their value may be impaired. One such indication is evidence that an asset's economic performance is or will be worse than expected. If such an indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount.
The recoverable amount of goodwill and intangible assets with an indefinite life is estimated at each balance sheet date, irrespective of whether there is any indication of impairment. When the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised on goodwill are irreversible.

If it is not possible or relevant to estimate the recoverable amount of an individual asset, the estimate is performed at the level of the cash-generating unit to which the asset belongs.

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 2007 and 2006 were within the following ranges:

	2007	2006
Discount rate (risk-free plus a market risk premium)	7.7 to 8.3%	6.6 to 7.8%
Growth rate	2 to 3%	2 to 5%

3 - 11 Property, plant and equipment

Property, plant and equipment are measured using the cost method.
The Group has not elected to apply the option available under IFRS 1 "First-Time Adoption of IFRS" to measure items of property, plant and equipment at the IFRS transition date (1 January 2004) 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.

3 - 12 Inventories

Inventories are stated at the lower of cost and net realisable value. The carrying amount of inventories does not include any borrowing costs

3 - 13 Financial assets

• Investments in non-consolidated companies

Investments in non-consolidated companies are initially recognised at cost. Based on the criteria set out in IAS 39, all investments in non-consolidated companies are classified as available-for-sale investments.

At each year-end, shares traded on an active market or for which other sufficiently reliable price information exists are measured at fair value. Shares that do not fulfil these criteria are measured using the cost method.

When the fair value, if 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 and loss.

• Loans and receivables

Loans and receivables are measured at amortized 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”.

3 - 14 Financial liabilities

Financial liabilities comprise borrowings, trade payables and other liabilities. They are measured at amortized cost by the effective interest method.

Specific measurement rules apply to financial liabilities hedged by derivative instruments. These rules are described in note 3-16.

3 - 15 Put options granted to minority shareholders

In its Media activities, 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. In the balance sheet, the put options are 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. In the income statement, the 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.

3 - 16 Derivative financial instruments

The Group uses derivative financial instruments to hedge currency and interest rate risks. These instruments are initially recognised at cost, in “Other current assets” or “Other current liabilities”, and are subsequently measured at fair value through profit 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 and loss.
The cumulative gains and losses recognised in equity are reclassified into profit and loss when the hedged transaction takes place.

3 - 17 Treasury shares

Lagardère SCA shares held by the Company or by other Group entities are deducted from consolidated equity. When treasury shares are sold outside the Group, the after-tax gain or loss is also recognised directly in equity.

3 - 18 Provisions for employee benefit obligations

The Group recognises provisions to cover the present value of its obligations for benefits payable to employees at the time of their retirement and after retirement, when the plans concerned qualify as defined-benefits plans. For defined-contribution plans, the Group’s obligation consists solely of payment of premiums or contributions to external organisations, and these premiums and contributions are charged to expenses as incurred.

The defined-benefit plans to which the Group subscribes are principally pension plans outside France, while in France they cover end-of-career bonuses paid to employees upon their retirement.

The present value of obligations is calculated by the projected unit credit method, which considers that each period of service gives rise to an additional unit of benefit entitlement. The method takes into account parameters such as:
- expected salary increases;
- employee turnover;
- mortality rates;
- a financial discount rate, and the expected rate of return on plan assets where applicable.

These calculations are performed in full at least every three years, and updated annually, unless a more in-depth review is required due to exceptional events such as substantial modifications in the terms of the plan, or in the types of employees covered.

As of 1 January 2007, the Group has opted to apply the option allowed by IAS 19 (revised) under which actuarial gains and losses arising from changes in the assumptions used in measuring obligations are recognised directly in equity.

3 - 19 Provisions for contingencies and losses

A provision is recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Restructuring provisions are recorded when the Group has a detailed formal plan and has announced details of the plan to the persons concerned.

3 - 20 Assets held for sale and associated liabilities

An asset or group of assets and directly associated liabilities is considered to be held for sale when its book value will be recovered primarily through a sale transaction rather than through continuous use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Such assets or groups of assets held for sale are stated at the lower of book value or estimated sale price, net of selling costs. Assets held for sale and the associated liabilities are respectively presented on specific lines in the consolidated balance sheet.

Note 4 Main changes in the scope of consolidation

4 - 1 Changes in 2007

Significant changes in consolidated companies during 2007 were as follows:

Acquisition of Sportfive group

In January 2007, the Group acquired 100% of Sportfive Group SAS through its new division Lagardère Sports. Sportfive is a leading company in the management of sports broadcasting and marketing rights with special emphasis on football.

The total acquisition price including cash acquired was €859 million, including €12 million of acquisition expenses. Goodwill of €724 million was generated, of which €143 million was allocated to current contracts transferred at the date of the transaction. The residual goodwill after deferred taxes thus amounted to €630 million.

This group is fully consolidated from 1 January 2007 and contributed as follows to consolidated results for 2007 (in millions of euros):

Net sales	421
Recurring operating profit	63
Profit before finance costs and tax	27

Sale of regional daily press interests

At the end of 2007, Lagardère Active completed the sale to the Hersant group of its regional daily press interests in the South of France (principal titles La Provence, Nice Matin, Var Matin, Corse Matin and Marseille Plus), for the sum of €160 million generating a net gain of €70 million. These operations represented net sales of €224 million and recurring operating profit of €8 million for 12 months in 2007, but the relevant assets and liabilities are not included in the consolidated balance sheet at 31 December 2007.

Acquisition of a 20% interest 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 was accounted for by the equity method in the consolidated financial statements at 31 December 2006, and the shares in Canal+ France were recorded as unconsolidated investments. In 2007, the 20% investment in Canal+ France is accounted for by the equity method.

The acquisition price for this new investment was calculated as €1,423 million, which is the sum of the carrying value of the CanalSatellite shares in the consolidated financial statements at 31 December 2006 (€935 million, considered as their fair value), the purchase price for the additional shares (€469 million) and expenses related to the operation (€19 million). This resulted in goodwill of €1,106 million, of which €300 million was allocated to the Canal+ subscriber list, leaving residual goodwill of €906 million after deferred taxes.

Sale of 2.5% of the capital of EADS

On 25 June 2007, in accordance with the redemption schedule established in the contract for the Mandatory Exchangeable Bonds issue, Lagardère remitted 20,370,000 EADS shares or approximately 2.5% of the capital of EADS to the holders of the bonds, in redemption of the first tranche of the issue.

As a result, including the effect of other changes in EADS' share capital during 2007 (exercise by employees of their subscription options and cancellation of shares), Lagardère's holding in EADS was reduced from 14.98% at 31 December 2006 to 12.51% at 31 December 2007.

EADS is accounted for by the equity method from 1 January 2007. The share of profit included in the consolidated income statement was based on a percentage interest of 14.98% for the first half of 2007, and 12.51% for the second half of 2007. The €472 million gain on the transfer was calculated on the basis of EADS' consolidated equity at 30 June 2007.

Other changes

The principal other changes in the scope of consolidation, which did not have a material impact on the financial statements, were as follows:

Lagardère Publishing

- Acquisition of the French publisher Pika, fully consolidated as of 1 April 2007;
- Acquisition of the Mexican educational publisher Grupo Patria Cultural, fully consolidated as of 1 July 2007;
- Acquisition of Piatkus Books, a British publisher specialising in popular fiction and practical and self-development books, fully consolidated as of 1 July 2007;
- Acquisition of a 51% investment in Escala Educacional, a Brazilian publisher specialising in textbooks, fully consolidated as of 1 August 2007;
- Consolidation of Time Warner Book Group over the full year 2007, whereas in 2006 it was only consolidated as of 1 April. In the first quarter of 2007, Time Warner Book Group contributed sales revenues of €80 million and recurring operating profit of €1 million.

Lagardère Active

- Acquisition of Jumpstart Automotive Media, an online advertising space sales company specialising in the US automotive sector, fully consolidated as of 1 June 2007.
- Acquisition of Nextedia, an interactive marketing services agency, fully consolidated as of 1 July 2007.
- Full consolidation as of 1 April 2007 of Société de Presse Féminine SPF (which publishes the magazine Version Fémina), which was accounted for under the equity method in the restated 2006 financial statements. This change of method results from the takeover by Hachette Filipacchi Médias (HFM) which includes a commitment to acquire the 50% investment held by Socpresse.
- Sale of:
  - Press subsidiaries Hachette Filipacchi Norway, Hachette Filipacchi Sweden, Hachette Filipacchi Burda Poland, Hachette Filipacchi Publicações (Portugal);
  - Hachette Photo Presse (photo agencies).
  - Application of the equity method to Cellfish Media LLC, previously fully consolidated over the first nine months of 2006, 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, France and Germany.

Lagardère Sports

- Acquisition of Newsweb, a company specialised in the production and distribution of contents via Internet (principally in sports), fully consolidated as of 1 January 2007.
- Acquisition of International Events and Communication in Sports (IEC), a Swedish company specialised in management of sports rights, principally for tennis, football, volleyball and athletics, fully consolidated as of 1 September 2007.

4 - 2 Changes in 2006

Significant changes in consolidated companies during 2006 were as follows:

Lagardère Publishing

- Acquisition of the publishing group Time Warner Book Group (see above) and the educational resources publisher Philip Allan Updates;
- Sale of the French publisher Editions Dalloz.

Lagardère Active

- Acquisition of four radio stations in Russia (RBMH group).

Lagardère Services

- Sale of the German distributor Saarbach.

Note 5 Impact of changes of method on the 2006 financial statements

The tables below show details of the transition from the financial statements published at 31 December 2006 to the comparative information for 2006 presented in this document, after restatement for changes in method introduced in 2007 (see note 1 above).

Impact of adoption of the IAS 19 (revised) option for actuarial gains and losses

As explained in note 1, as of 1 January 2007, the Group has decided to apply the option allowed by IAS 19 (revised) under which actuarial gains and losses on pension and similar obligations can be recognised directly in equity. In the balance sheet at 31 December 2006, this change of method results in a €15 million increase in pension provisions for fully-consolidated companies (before deferred taxes), a €201 million decrease in the value of the investment in EADS accounted for by the equity method, and a corresponding €211 million reduction in equity after recognition of deferred tax assets of €5 million.
In the 2006 income statement, no adjustment was made to the amortization of the actuarial gains and losses recognised under the previous method, as the amounts concerned were not significant.

Consolidated income statement for the year ended 31 December 2006

		Change to equity method for jointly-controlled entities			
(in millions of euros)	**Published**	**EADS**	**Other**	**Total**	**Restated**
Net sales	13,999	(5,907)	(182)	(6,089)	**7,910**
Other income from ordinary activities	497	(33)	7	(26)	**471**
Revenues	14,496	(5,940)	(175)	(6,115)	**8,381**
Purchases and changes in inventories	(7,711)	4,105	31	4,136	**(3,575)**
Capitalised production	5				**5**
Production transferred to inventories	165	(170)		(170)	**(5)**
External charges	(2,539)	18	94	112	**(2,427)**
Payroll costs	(3,064)	1,314	30	1,344	**(1,720)**
Depreciation and amortization other than on acquisition - related intangible assets	(343)	213	2	215	**(128)**
Amortization of acquisition - related intangible assets	–	–	–	–	**–**
Other operating income (expenses)	(502)	452		452	**(50)**
Income from associates	91	0	13	13	**104**
Profit before finance costs and tax	**598**	(8)	(5)	**(13)**	**585**
Finance costs, net	(192)	18		18	**(174)**
Profit before tax	**406**	10	(5)	**5**	**411**
Income tax expense	(85)	(12)	5	(7)	**(92)**
Profit for the year	**321**	(2)	0	**(2)**	**319**
Attributable to equity holders of the parent	291				**291**
Attributable to minority interests	30	(2)		(2)	**28**

Details of the impact of the change of method on profit before finance costs and tax:

		Change to equity method for jointly-controlled entities			
(in millions of euros)	**Published**	**EADS**	**Other**	**Total**	**Restated**
Recurring operating profit before associates	**578**	**(39)**	**(18)**	**(57)**	**521**
Non-recurring items	(71)	31	–	31	(40)
Income from associates	91	–	13	13	104
Profit before finance costs and tax	**598**	**(8)**	**(5)**	**(13)**	**585**

Consolidated cash flow statement for the year ended 31 December 2006						
			Change to equity method for jointly-controlled entities			
(in millions of euros)		**Published**	**EADS**	**Other**	**Total**	**Restated**
Profit for the year		**321**	**(2)**		**(2)**	**319**
Income tax expense		85	12	(5)	7	92
Finance costs, net		192	(18)		(18)	174
Profit before finance costs and tax		**598**	**(8)**	**(5)**	**(13)**	**585**
Depreciation and amortization expense		343	(213)	(2)	(215)	128
Impairment losses, provision expense and other non-cash items		379	(337)		(337)	42
Gains on disposals of assets		(39)	23		23	(16)
Dividends received from associates		122	73	16	89	211
Income from associates		(91)		(13)	(13)	(104)
Changes in working capital		10	2	(3)	(1)	9
Cash flows from operations		**1,322**	**(460)**	**(7)**	**(467)**	**855**
Interest paid		(169)	41	(1)	40	(129)
Interest received		109	(57)		(57)	52
Income taxes paid		(154)	39	5	44	(110)
Net cash provided by operating activities	**(A)**	**1,108**	**(437)**	**(3)**	**(440)**	**668**
Cash used in investing activities						
Purchases of intangible assets and property, plant and equipement		(584)	428	2	430	(154)
Purchases of investments		(1,522)	448	1	449	(1,073)
Cash acquired through acquisitions		(7)				(7)
Purchases of other non-current assets		(79)	61	(7)	54	(25)
Total cash used in investing activities	**(B)**	**(2,192)**	**937**	**(4)**	**933**	**(1,259)**
Cash from investing activities						
Proceeds from disposals of non-current assets						
Intangible assets and property, plant and equipment		190	(147)		(147)	43
Investments		169	(13)		(13)	156
Cash transferred on disposals		(23)				(23)
Decrease in other non-current assets		166	(148)		(148)	18
Total cash from investing activities	**(C)**	**502**	**(308)**		**(308)**	**194**
Decrease in short-term investments	**(D)**	503	(498)		(498)	5
Net cash used in investing activities	**(E) = (B)+(C)+(D)**	**(1,187)**	**131**	**(4)**	**127**	**(1,060)**
Total cash used in operating and investing activities	**(F) = (A)+(E)**	**(79)**	**(306)**	**(7)**	**(313)**	**(392)**
Capital transactions						
Proceeds from capital increase by the parent		29				29
Change in minority interests in capital increases by subsidiaries		10				10
Change in treasury shares		(259)				(259)
Dividends paid to equity holders of the parent(*)		(160)				(160)
Dividends paid to minority shareholders of subsidiaries		(25)	2	1	3	(22)
Financing transactions						
Change in debt		1,650	(118)		(118)	1,532
Net cash provided by (used in) financing activities	**(G)**	**1,245**	**(116)**	**1**	**(115)**	**1,130**
Other movements						
Effect on cash of changes in exchange rates		(29)	9		9	(20)
Effect on cash of other movements		1	(2)	2		1
Total other movements	**(H)**	**(28)**	**7**	**2**	**9**	**(19)**
Change in net cash and cash equivalents	**(I) = (F)+(G)+(H)**	**1,138**	**(415)**	**(4)**	**(419)**	**719**
Cash and cash equivalents at beginning of the year		**1,277**	**(805)**	**(20)**	**(825)**	**452**
Cash and cash equivalents at end of the year		**2,415**	**(1,220)**	**(24)**	**(1,244)**	**1,171**

(*) Including the portion of net profit paid to the general partners.

Consolidated balance sheet at 31 December 2006						
		Change to equity method for jointly-controlled entities			Impact of IAS 19 option for actuarial gains and losses	
ASSETS *(in millions of euros)*	**Published**	**EADS**	**Other**	**Total**		**Restated**
Intangible assets	1,715	(193)	(21)	(214)		**1,501**
Goodwill	2,798	(732)	(4)	(736)		**2,062**
Property, plant and equipment	2,773	(2,057)	(5)	(2,062)		**711**
Investments in associates	1,529	1,133	35	1,168	(201)	**2,496**
Other non-current assets	1,819	(1,076)	6	(1,070)		**749**
Deferred tax assets	476	(336)	(1)	(337)	5	**144**
Assets held for sale	12	(12)		(12)		
Total non-current assets	**11,122**	**(3,273)**	**10**	**(3,263)**	**(196)**	**7,663**
Inventories	3,137	(2,531)	(9)	(2,540)		**597**
Trade receivables	2,111	(727)	(17)	(744)		**1,367**
Other current assets	2,009	(680)	(12)	(692)		**1,317**
Short-term investments	289	(133)		(133)		**156**
Cash and cash equivalents	2,712	(1,220)	(15)	(1,235)		**1,477**
Total current assets	**10,258**	**(5,291)**	**(53)**	**(5,344)**		**4,914**
Total assets	**21,380**	**(8,564)**	**(43)**	**(8,607)**	**(196)**	**12,577**

Consolidated balance sheet at 31 December 2006						
		Change to equity method for jointly-controlled entities				
EQUITY AND LIABILITIES *(in millions of euros)*	**Published**	**EADS**	**Other**	**Total**	**Impact of IAS 19 option for actuarial gains and losses**	**Restated**
Share capital	870					**870**
Reserves	3,560				(211)	**3,349**
Profit attributable to equity holders of the parent	291					**291**
Minority interests	127	(27)		(27)		**100**
Total equity	**4,848**	**(27)**		**(27)**	**(211)**	**4,610**
Provisions for employee benefit and similar obligations	699	(580)		(580)	15	**134**
Non-current provisions for contingencies and losses	690	(495)		(495)		**195**
Non-current debt	2,844	(534)	(1)	(535)		**2,309**
Other non-current liabilities	2,023	(1,932)	(2)	(1,934)		**89**
Deferred tax liabilities	759	(334)	(6)	(340)		**419**
Liabilities associated with assets held for sale						
Total non-current liabilities	**7,015**	**(3,875)**	**(9)**	**(3,884)**	**15**	**3,146**
Current provisions for contingencies and losses	896	(528)	(1)	(529)		**367**
Current debt	1,689	(328)	8	(320)		**1,369**
Trade payables	2,904	(1,118)	(20)	(1,138)		**1,766**
Other current liabilities	4,028	(2,688)	(21)	(2,709)		**1,319**
Total current liabilities	**9,517**	**(4,662)**	**(34)**	**(4,696)**		**4,821**
Total equity and liabilities	**21,380**	**(8,564)**	**(43)**	**(8,607)**	**(196)**	**12,577**

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Note 6 Segment information

Lagardère's main activities are carried out in Media businesses, which comprise the following divisions (business segments):

- Lagardère Publishing (formerly the Book Publishing division): publication of general literature, textbooks, illustrated books and part-books.
- Lagardère Active, which comprises:
  - Audiovisual and digital operations including special interest television channels, audiovisual production and distribution, radio and sales of advertising space.
  - Press activities, principally mainstream magazine publishing.
- Lagardère Services (formerly the Distribution Services division): press distribution, retailing in cultural, entertainment and consumer products.
- Lagardère Sports, a new business division formed on 1 January 2007, which comprises the newly acquired companies Sportfive and IEC (management of sports broadcasting and marketing rights) and Newsweb (content production and distribution via Internet, principally in sports).

At 31 December 2007 Lagardère also held a 12.51% investment in the EADS group which 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 above business divisions, the Group has a "corporate" reporting unit ("Other Activities") used primarily to report the effect of financing obtained by the Group, the net 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.

Transactions between business divisions are generally carried out on arm's length terms.

6 - 1 Information by business segment

Income statement 2007									
	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS and Other Activities(*)	Total
		Audiovisual	Press	Total					
Net sales	2,194	510	1,821	2,331	3,723	440	**8,688**	–	**8,688**
Inter-segment sales	(64)	(1)	(39)	(40)	(2)	–	**(106)**	–	**(106)**
Consolidated net sales	**2,130**	**509**	**1,782**	**2,291**	**3,721**	**440**	**8,582**	**0**	**8,582**
Recurring operating profit before associates	**239**	**77**	**137**	**214**	**116**	**67**	**636**	–	**636**
Income from associates before amortization of acquisition - related intangible assets	3	29	24	53	8	–	**64**	(44)	**20**
Recurring operating profit	**242**	**106**	**161**	**267**	**124**	**67**	**700**	**(44)**	**656**
Restructuring costs	–	(10)	(78)	(88)	(3)	–	**(91)**	(1)	**(92)**
Disposal gains (losses)	8	(1)	87	86	(1)	–	**93**	472	**565**
Impairment losses(**)	(22)	(10)	(73)	(83)	(98)	–	**(203)**	–	**(203)**
Amortization of acquisition - related intangible assets									
- Fully consolidated companies	–	–	(3)	(3)	–	(36)	**(39)**	–	**(39)**
- Companies accounted for by the equity method	–	(20)		(20)	–	–	**(20)**	–	**(20)**
Profit before finance costs and tax(*)	**228**	**65**	**94**	**159**	**22**	**31**	**440**	**427**	**867**
Finance costs, net	(15)	(53)	(42)	(95)	(5)	(30)	**(145)**	(59)	**(204)**
Profit before tax(*)	**213**	**12**	**52**	**64**	**17**	**1**	**295**	**368**	**663**
Items included in recurring operating profit									
Depreciation and amortization of intangible assets and property, plant and equipment	(30)	(13)	(27)	(40)	(54)	(35)	**(159)**	(5)	**(164)**
Cost of stock option plans	(8)	(5)	(6)	(11)	(2)		**(21)**	(10)	**(31)**

(*) Including EADS: €428 million (net loss from associates -€44 million; gain on sale of shares +€472 million).

(**) Impairment losses on goodwill, intangible assets and property, plant and equipment.

Income statement 2006 (restated)									
	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS and Other Activities(*)	Total
		Audiovisual	Press	Total					
Net sales	2,027	585	1,799	2,384	3,616	–	**8,027**	–	**8,027**
Inter-segment sales	(65)	(3)	(47)	(50)	(2)	–	**(117)**	–	**(117)**
Consolidated net sales	**1,962**	**582**	**1,752**	**2,334**	**3,614**	**0**	**7,910**	**0**	**7,910**
Recurring operating profit before associates	**219**	**77**	**115**	**192**	**109**	**–**	**520**	**1**	**521**
Income from associates before amortization of acquisition - related intangible assets	2	44	30	74	5	–	**81**	23	**104**
Recurring operating profit	**221**	**121**	**145**	**266**	**114**	**0**	**601**	**24**	**625**
Restructuring costs	(3)	(1)	(31)	(32)	(7)	–	**(42)**	(3)	**(45)**
Disposal gains (losses)	4	4	(2)	2	8	–	**14**	17	**31**
Impairment losses(**)	(2)	(3)	(26)	(29)	–	–	**(31)**	–	**(31)**
Gain on negative goodwill	–	–	–	–	5	–	**5**	–	**5**
Amortization of acquisition - related intangible assets									
- Fully consolidated companies	–	–	–	–	–	–	**–**	–	**–**
- Companies accounted for by the equity method	–	–	–	–	–	–	**–**	–	**–**
Profit before finance costs and tax(*)	**220**	**121**	**86**	**207**	**120**	**0**	**547**	**38**	**585**
Finance costs, net	(15)	(36)	(28)	(64)	(5)		**(84)**	(90)	**(174)**
Profit before tax(*)	**205**	**85**	**58**	**143**	**115**	**0**	**463**	**(52)**	**411**
Items included in recurring operating profit									
Depreciation and amortization of intangible assets and property, plant and equipment	(30)	(15)	(24)	(39)	(54)	–	**(123)**	(5)	**(128)**
Cost of stock option plans	(7)	(5)	(6)	(11)	(3)	–	**(21)**	(12)	**(33)**

(*) Including EADS: income from associates +€23 million.

(**) Impairment losses on goodwill, intangible assets and property, plant and equipment.

2007 Cash flow statement	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS, Other Activities and eliminations	Total
		Audiovisual	Press	Total					
Cash flows from operations	295	66	147	213	138	129	**775**	(3)	**772**
Interest paid and received, income tax paid	(110)	(99)	(74)	(173)	(37)	(55)	**(375)**	32	**(343)**
Net cash provided by operating activities	**185**	**(33)**	**73**	**40**	**101**	**74**	**400**	**29**	**429**
Cash used in investing activities	(92)	(77)	(162)	(239)	(81)	(961)	**(1,373)**	(16)	**(1,389)**
- Purchases of intangible assets and property, plant and equipment	*(40)*	*(15)*	*(25)*	*(40)*	*(76)*	*(62)*	***(218)***	*(9)*	***(227)***
- Purchases of investments	*(52)*	*(62)*	*(137)*	*(199)*	*(5)*	*(899)*	***(1,155)***	*(7)*	***(1,162)***
Proceeds from disposals of non-current assets	10	10	155	165	15	3	**193**	697	**890**
- Sales of intangible assets and property, plant and equipment	*9*	–	*1*	*1*	*6*	–	***16***	*17*	***33***
- Sales of investments	*1*	*10*	*154*	*164*	*9*	*3*	***177***	*680*	***857***
(Increase) decrease in short-term investments	–	43	–	43	14	–	**57**	(43)	**14**
Total cash provided by (used in) investing activities	**(82)**	**(24)**	**(7)**	**(31)**	**(52)**	**(958)**	**(1,123)**	**638**	**(485)**
Net cash provided by (used in) operating and investing activities	**103**	**(57)**	**66**	**9**	**49**	**(884)**	**(723)**	**667**	**(56)**

Balance sheet at 31 December 2007	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS, Other Activities and eliminations	Total
		Audiovisual	Press	Total					
Segment assets	2,183	944	2,735	3,679	938	1,238	**8,038**	796	**8,834**
Investments in associates	12	1,456	365	1,821	10	–	**1,843**	1,004	**2,847**
Segment liabilities	(1,190)	(738)	(1,060)	(1,798)	(920)	(373)	**(4,281)**	(241)	**(4,522)**
Capital employed	**1,005**	**1,662**	**2,040**	**3,702**	**28**	**865**	**5,600**	**1,559**	**7,159**
Assets held for sale and associated liabilities									**70**
Net cash (indebtedness)									**(2,570)**
Equity									**4,659**

2006 Cash flow statement (restated)									
	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS, Other Activities and eliminations	Total
		Audiovisual	Press	Total					
Cash flows from operations	281	222	94	316	183	–	**780**	75	**855**
Interest paid and received, income tax paid	(96)	(81)	(68)	(149)	(41)	–	**(286)**	99	**(187)**
Net cash provided by operating activities	**185**	**141**	**26**	**167**	**142**	**0**	**494**	**174**	**668**
Cash used in investing activities	(463)	(545)	(83)	(628)	(88)	–	**(1,179)**	(80)	**(1,259)**
- Purchases of intangible assets and property, plant and equipment	*(29)*	*(11)*	*(44)*	*(55)*	*(65)*	–	***(149)***	*(5)*	***(154)***
- Purchases of investments	*(434)*	*(534)*	*(39)*	*(573)*	*(23)*	–	***(1,030)***	*(75)*	***(1,105)***
Proceeds from disposals of non-current assets	153	16	8	24	8	–	**185**	9	**194**
- Sales of intangible assets and property, plant and equipment	*37*	*1*	*2*	*3*	*2*	–	***42***	*1*	***43***
- Sales of investments	*116*	*15*	*6*	*21*	*6*	–	***143***	*8*	***151***
(Increase) decrease in short-term investments	–	–	–	–	5	–	**5**	–	**5**
Total cash provided by (used in) investing activities	**(310)**	**(529)**	**(75)**	**(604)**	**(75)**	**0**	**(989)**	**(71)**	**(1,060)**
Net cash provided by (used in) operating and investing activities	**(125)**	**(388)**	**(49)**	**(437)**	**67**	**0**	**(495)**	**103**	**(392)**

Balance sheet at 31 December 2006 (restated)									
	Lagardère Publishing	Lagardère Active			Lagardère Services	Lagardère Sports	Lagardère Media	EADS, Other Activities and eliminations	Total
		Audiovisual	Press	Total					
Segment assets	2,197	1,309	2,941	4,250	1,171	–	**7,618**	830	**8,448**
Investments in associates	11	932	358	1,290	6	–	**1,307**	1,189	**2,496**
Segment liabilities	(1,175)	(664)	(1,112)	(1,776)	(1,064)	–	**(4,015)**	(274)	**(4,289)**
Capital employed	**1,033**	**1,577**	**2,187**	**3,764**	**113**	**0**	**4,910**	**1,745**	**6,655**
Net cash (indebtedness)									**(2,045)**
Equity									**4,610**

6 - 2 Information by geographical segment

Net sales	2007	2006 Restated
France	3,218	3,160
European Union	3,249	2,906
Rest of Europe	592	536
USA and Canada	944	893
Middle East	32	10
Asia-Pacific	397	283
Other (Africa, Latin America)	150	122
Total	**8,582**	**7,910**

Segment assets	31 Dec. 2007	31 Dec. 2006 Restated
France	5,014	4,617
European Union	2,095	2,041
Rest of Europe	266	242
USA and Canada	1,224	1,362
Middle East	–	–
Asia-Pacific	165	163
Other (Africa, Latin America)	70	23
Total	**8,834**	**8,448**

Purchases of intangible assets and property, plant and equipment	31 Dec. 2007	31 Dec. 2006 Restated
France	131	76
European Union	54	48
Rest of Europe	13	9
USA and Canada	21	14
Middle East	–	–
Asia-Pacific	3	6
Other (Africa, Latin America)	5	1
Total	**227**	**154**

Note 7 Net sales

Total net sales before adjustment for changes in group structure and exchange rates increased by 8.5% in 2007, and 3.3% on a like-for-like basis.

Like-for-like net sales are calculated by adjusting:
- 2007 net sales to exclude companies consolidated for the first time during the year and 2006 net sales to exclude companies divested in 2007;
- 2007 and 2006 net sales based on 2007 exchange rates.

Net sales break down as follows:

	2007	2006 Restated
Sales of goods and services	7,122	6,575
Advertising revenue	1,436	1,312
Barter transactions	24	23
Total	**8,582**	**7,910**

Note 8 Payroll costs

8 - 1 Average number of employees

The average number of employees of fully consolidated companies breaks down as follows by divisions:

	2007	2006 Restated
Lagardère Publishing	7,537	7,242
Lagardère Active	13,458	12,750
Audiovisual	*2,678*	*2,428*
Press	*10,780*	*10,322*
Lagardère Services	11,278	11,536
Lagardère Sports	537	–
Lagardère Media	**32,810**	**31,528**
Other Activities	740	595
Total	**33,550**	**32,123**

8 - 2 Payroll costs

	2007	2006 Restated
Wages and salaries	1,421	1,348
Payroll taxes	344	338
Share-based payments	31	33
Total	**1,796**	**1,719**

8 - 3 Share-based payments

Share purchase option plans

In past years up to and including 2006, the Managing Partners granted 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 2007 are presented in note 23-2.

In accordance with the principles described in note 3-5 "Share-based payments", options granted on or after 7 November 2002 and not yet vested at 1 January 2005 are 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 and 2007 are presented below:

	Number of options	Weighted average exercise price (in €)
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**
Options forfeited	(93,305)	54.15
Options exercised	(28,663)	51.59
Options outstanding at 31 December 2007	**6,292,155**	**54.26**
Including: options exercisable	*4,474,755*	*53.62*

Options outstanding at 31 December 2007 were exercisable at prices ranging between €51.45 and €56.97 and their average term to maturity was 7.55 years.

Free share allocation plan

On 28 December 2007, a plan to award free shares in Lagardère SCA was introduced for certain members of management and employees of the Group, covering a total of 594,350 shares. These shares will be remitted to the beneficiaries on 29 December 2009, provided the average quoted price for the Lagardère SCA share in December 2009 is at least equal to the quoted price at the grant date, which was €51.14.

Assumptions used to calculate fair value

The fair value of stock purchase options and shares granted under the free share allocation plan was calculated using the binomial and Black-Scholes models respectively.

The assumptions underlying the plans for which an expense was recognised in the 2007 and 2006 financial statements are described below:

	Free shares	Stock purchase options		
	28 Dec. 2007 Plan	**14 Dec. 2006 Plan**	**21 Nov. 2005 Plan**	**20 Nov. 2004 Plan**
Share market price at grant date (€)	51.14	59.85	58.25	54.40
Exercise price (€)	(*)	55.84	56.97	51.92
Expected volatility	27%	27%	30%	40%
Expected dividend	2%	2%	2%	2%
Risk-free interest rate	4.19%	3.85%	3.5%	3.7%

(*) Free shares

Volatility assumptions used for the 2004 plan take into account the historical volatility of Lagardère SCA's share price over 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 March 2007, November 2006 and November 2005 to cover Lagardère SCA's obligation under employee stock option plans (see note 23-3).

For the 2007 plan, the assumed volatility is the implicit volatility observed on 28 December 2007 for tradeable Lagardère options with the same maturity, as published by Euronext.

Expenses recognised by the fully consolidated companies in respect of share-based payments amounted to €31 million in 2007 and €33 million in 2006.

Note 9 Other operating income and expenses

	2007	2006 Restated
Restructuring costs	(92)	(45)
Gains and losses on disposals of assets	565	31
Impairment losses on goodwill, intangible assets and property, plant and equipment	(203)	(31)
Gain on negative goodwill	–	5
Write-downs of current and other non-current assets	(25)	(35)
Exchange gains and losses	(2)	5
Financial expenses other than interest	(8)	(5)
Other income and expenses	(33)	25
Total	**202**	**(50)**

In 2007

Gains on disposals of assets principally arose on the sale of:

- EADS shares (€472 million);
- Daily Regional Press investments (€70 million), Hachette Filipacchi Sweden (€15 million) and the investment in the TV channel Teva (€6 million).

Restructuring costs of €92 million were incurred in 2007, including €88 million by Lagardère Active (€78 million under the cost-cutting plans implemented in the Press division and €10 million for the workforce reduction in Audiovisual activities).

Impairment losses on goodwill, intangible assets and property, plant and equipment amounted to €203 million and concerned Lagardère Services (€98 million), Lagardère Active (€83 million) and Lagardère Publishing (€22 million).

At Lagardère Services, €95 million of the impairment loss of €98 million concerns the Virgin Stores group, whose book value was adjusted at 31 December 2007 to reflect the terms of the agreement signed by Lagardère Services on 21 December 2007 for the sale to Butler Capital Partners of a majority investment in the Virgin Stores group. This operation was still awaiting the necessary regulatory and legal authorisations at 31 December 2007. In the balance sheet at 31 December 2007, the Virgin Stores group's assets and liabilities are reported as assets held for sale and associated liabilities.

Impairment losses booked by Lagardère Active (€83 million) comprise:

- €73 million for Press operations including €62 million concerning titles published in the US, booked after medium-term forecasts for growth in advertising revenue were revised downwards, and €7 million for impairment of goodwill on SCPE (which publishes men's magazines in France) due to downward circulation and advertising trends in the segment;
- €10 million for Audiovisual activities, including €5 million for the rights distribution activity booked in view of the downward trends observed in sales, and €5 million for audiovisual production.

Lagardère Publishing recorded an impairment loss of €22 million against the goodwill of the subsidiary Octopus (which publishes illustrated books in the UK), as a result of:

- structural changes in the market for international co-editions: increasingly, European and Scandinavian publishers are producing their own illustrated books rather than joint editions with British publishers; and
- negative trends in the map publishing sector due to competition from free online products and the spread of GPS.
  Future result forecasts were revised in view of these new market conditions.

Write-downs of assets totalled €25 million in 2007 and €35 million in 2006, principally relating to advances paid to writers in the Publishing division.

Other income and expenses recorded in 2007 and 2006 reflect changes in provisions.

In 2006

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 Press 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, property, plant and equipment and intangible assets amounted to €31 million, including €24 million recognised in respect of magazine titles in the US.

Note 10 Financial income and expenses

Financial income and expenses break down as follows:

	2007	2006 Restated
Interest income on loans	36	23
Investment income and gains on sales of short-term investments	23	44
Financial income	**59**	**67**
Interest expense on borrowings	(211)	(169)
Loss on exchange of T-Online shares	–	(15)
Loss on financial derivative instruments acquired as hedges of net debt(*)	(52)	(57)
Financial expenses	**(263)**	**(241)**
Total	**(204)**	**(174)**

(*) Including in 2007 and 2006, €50 million related to the derivative instrument attached to Mandatory Exchangeable Bonds (see note 25-3).

Note 11 Income tax expense

11 - 1 Analysis of income tax expense

Income tax expense breaks down as follows:

	2007	2006 Restated
Current taxes	(165)	(110)
Deferred taxes	66	18
Total	**(99)**	**(92)**

11 - 2 Tax proof

The following table reconciles income tax expense reported in the income statement to theoretical income tax expense for 2007 and 2006:

	2007	2006 Restated
Profit before tax	663	411
Income from associates	–	104
Profit before tax and income from associates	**663**	**307**
Theoretical tax expense(*)	(228)	(106)
Effect on theoretical tax expense of:		
Profit taxed (losses deducted) at reduced rates	(2)	15
Tax loss carryforwards used in the year(**)	4	8
Tax loss carryforwards arising during the year(**)	(6)	(10)
Tax differential on foreign subsidiaries earnings	32	13
Limitation on deferred taxes	(18)	(15)
Tax credit and similar	–	–
Impairment losses on goodwill, property, plant and equipment and intangible assets	(45)	(7)
Permanent differences and other	164	10
Effective tax expense	**(99)**	**(92)**

(*) At the French standard rate (34.43% in 2007 and 2006).
(**) The tax effect of these tax losses was not recorded.

In 2007, "Permanent differences and other" include an amount of €162 million reflecting the fact that the gain realised on the sale of EADS shares (€472 million) was tax free.

11 - 3 Deferred taxes recognised in the balance sheet

Deferred taxes concern the following assets and liabilities:

	31 Dec. 2007	31 Dec. 2006 Restated
Intangible assets	(295)	(368)
Property, plant and equipment	(45)	(53)
Non-current financial assets	(29)	(32)
Inventories	17	12
Provisions for employee benefit obligations	26	32
Other provisions	82	47
Other working capital requirements	210	183
Temporary differences (gross amount)	**(34)**	**(179)**
Provision for write-down of deferred tax assets	(167)	(142)
Temporary differences (net amount)	**(201)**	**(321)**
Tax loss carryforwards	27	46
Tax credits	–	–
Net deferred tax liability	**(174)**	**(275)**
Deferred tax assets	166	144
Deferred tax liabilities	(340)	(419)

11 - 4 Changes in deferred taxes

	2007	2006 Restated
Net deferred tax liability at 1 January	(275)	(308)
Income tax benefit recognised in the income statement	66	18
Deferred tax recognised directly in equity	–	(12)
Effect of change in consolidation scope and exchange rates	35	27
Net deferred tax liability at 31 December	**(174)**	**(275)**

Deferred taxes recognised directly in equity can be analysed as follows:

	31 Dec. 2007	31 Dec. 2006 Restated
Available-for-sale investments	(3)	(7)
Cash flow hedges	–	–
Adoption of IAS 19 option for actuarial gains or losses	1	5
Total	**(2)**	**(2)**

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.

	2007	2006
Profit attributable to equity holders of the parent (in millions of €)	534	291
Number of shares making up the share capital at 31 December	134,133,286	142,691,231
Treasury shares	(4,010,793)	(7,420,165)
Number of shares outstanding at 31 December	130,122,493	135,271,066
Average number of shares outstanding during the year	**132,696,780**	**136,943,532**
Net earnings per shares (in €)	**4.03**	**2.13**

Diluted earnings per share

The only dilutive ordinary shares are unexercised uncovered employee stock options with exercise prices lower than the average quoted price of Lagardère SCA share over the reference period ("in-the-money" options), and free shares allocated in 2007.

	2007	2006
Profit attributable to equity holders of the parent (in millions of €)	534	291
Average number of shares outstanding	132,696,780	136,943,532
Adjustement to assume conversion of stock options:		
Dilutive stock options ("in the money" options)	996,950	2,354,220
Other stock options ("out of the money" options)		1,011,554
Average number of shares including dilutive stock options	**133,693,730**	**139,297,752**
Diluted earnings per share (in €)	**3.99**	**2.09**

Note 13 Goodwill

	2007	2006 Restated
At 1 January	**2,062**	**1,838**
Cost	*2,111*	*1,889*
Accumulated impairment losses	*(49)*	*(51)*
Change of method from proportionate to equity method	–	(4)
Acquisitions	1,036	419
Adjustment arising from recognition of put options granted to minority interests	28	(29)
Goodwill written-off on disposals	(16)	(167)
Impairment losses	(73)	–
Translation adjustments	(60)	(2)
Other movements	(2)	7
At 31 December	**2,975**	**2,062**
Cost	*3,056*	*2,111*
Accumulated impairment losses	*(81)*	*(49)*

Net goodwill in the balance sheet concerns the following companies:

	31 Dec. 2007	31 Dec. 2006 Restated
Sportfive group	630	–
Hachette Filipacchi Médias(*)	596	596
Editis group	238	238
Hachette Book Group (formerly Time Warner Book)	199	223
Little Brown Book Group (formerly Time Warner Book)	60	51
Hodder Headline group	189	206
Lagardère Active Broadcast group	254	242
Nextedia	91	–
Hatier group	84	84
IEC in Sports	73	–
Newsweb	72	–
Jumpstart Automotive Media	53	–
Payot Naville Distribution group	40	40
Société de Presse Féminine	39	–
Lagardère (**)	45	45
Orion group	31	34
Octopus group	28	53
Salvat group	27	27
Newslink	25	25
Lapker group	16	17
Escala Educacional group	14	–
Pika Editions	14	–
S.C.P.E.	1	16
Virgin Stores	–	34
Nice Matin	–	22
Adjustment arising from recognition of put options granted to minority interests	52	24
Other	104	85
Total	**2,975**	**2,062**

(*) Merged with Hachette SA at 31 December 2007.
(**) Goodwil on Matra Hachette shares purchased prior to the business combination.

Note 14 Intangible assets

Cost	Publication titles	Other	Total
At 1 January 2006	**1,447**	**566**	**2,013**
Acquisitions	–	29	**29**
Changes in scope of consolidation	–	(2)	**(2)**
Disposals	(2)	(17)	**(19)**
Reclassifications	14	(6)	**8**
Change of method from proportionate consolidation to equity method	(19)	(5)	**(24)**
Translation adjustments	(83)	(5)	**(88)**
At 31 December 2006	**1,357**	**560**	**1,917**
Acquisitions	1	70	**71**
Changes in scope of consolidation	(105)[(1)]	401[(2)]	**296**
Disposals	–	(38)	**(38)**
Reclassification as assets held for sale	–	(80)	**(80)**
Reclassifications	–	9	**9**
Translation adjustments	(84)	(8)	**(92)**
At 31 December 2007	**1,169**	**914**	**2,083**

(1) Including -€110 million on the sale of Regional Daily Press activities.
(2) Including +€403 million of sports rights acquired with investements by the Sports division.

Amortization and impairment lossses	Publication titles	Other	Total
At 1 January 2006	**(52)**	**(348)**	**(400)**
Amortization	–	(25)	**(25)**
Impairment losses	(26)[(3)]	(5)	**(31)**
Changes in scope of consolidation	–	3	**3**
Disposals	–	17	**17**
Reclassifications	–	12	**12**
Change of method from proportionate consolidation to equity method	–	3	**3**
Translation adjustments	1	4	**5**
At 31 December 2006	**(77)**	**(339)**	**(416)**
Amortization	–	(98)	**(98)**
Impairment losses	(65)[(3)]	(40)[(4)]	**(105)**
Changes in scope of consolidation	–	(125)	**(125)**
Disposals	–	36	**36**
Reclassification as assets held for sale	–	43	**43**
Reclassifications	–	–	**–**
Translation adjustments	7	3	**10**
At 31 December 2007	**(135)**	**(520)**	**(655)**
Carrying amounts			
At 31 December 2006	**1,280**	**221**	**1,501**
At 31 December 2007	**1,034**	**394**	**1,428**

(3) Including impairment losses on publication titles in the US: -€25 million in 2006 and -€62 million in 2007.
(4) Including -€37 million related to the Virgin Stores group.

The main Lagardère Media publication titles are owned by the following companies:

Net carrying amounts		
	31 Dec. 2007	**31 Dec. 2006 Restated**
Hachette Filipacchi Magazines Inc.[1]	530	657
Rusconi group	192	164
Hachette Filipacchi UK	103	113
Nice Matin	–	80
Hachette Fujin Gaho	51	53
Hachette Filipacchi Médias[2]	32	32
Quillet group	–	25
Hachette Filipacchi SA (Spain)	24	27

(1) Due to the decline of the US dollar exchange rate and recognition of a €62 million impairment loss.
(2) Merged with Hachette SA at 31 December 2007.

Note 15 Property, plant and equipment

Property, plant and equipment break down as follows by category:

2007 - Cost	At 1 January 2007	Acquisitions	Changes in scope of consolidation	Disposals and reclassifications as assets held for sale	Reclassifications	Translation adjustment	At 31 December 2007
Land	151	1	(4)	(2)	1	(1)	146
Buildings	561	25	(65)	(62)	–	(4)	455
Machinery and equipment	451	44	(66)	(64)	30	(6)	389
Other	500	57	(6)	(77)	(16)	(3)	455
Assets under construction	43	13	–	(4)	(34)	–	18
Total	**1,706**	**140**	**(141)**	**(209)**	**(19)**	**(14)**	**1,463**

2007 - Depreciation and impairment losses	At 1 January 2007	Depreciation	Impairment losses	Changes in scope of consolidation	Disposals and reclassifications as assets held for sale	Reclassifications	Translation adjustment	At 31 December 2007
Land	(3)	–	–	–	–	1	–	(2)
Buildings	(292)	(25)	(24)(*)	44	68	1	2	(226)
Machinery and equipment	(341)	(37)	–	35	60	(1)	4	(280)
Other	(359)	(44)	(1)	6	61	18	4	(315)
Assets under construction	–	–	–	–	–	–	–	–
Total	**(995)**	**(106)**	**(25)**	**85**	**189**	**19**	**10**	**(823)**
Carrying amounts	**711**	**34**	**(25)**	**(56)**	**(20)**	**0**	**(4)**	**640**

(*) Including impairment losses of -€24 million related to the Virgin Stores group.

2006 Restated- Cost							
	At 1 January 2006	Acquisitions	Changes in scope of consolidation	Disposals	Reclassifications	Translation adjustments	At 31 December 2006
Land	153	–	–	(4)	2	–	151
Buildings	548	16	–	(7)	7	(3)	561
Machinery and equipment	414	34	6	(14)	12	(1)	451
Other	484	48	–	(18)	(6)	(8)	500
Assets under construction	28	30	–	(1)	(14)	–	43
Total	**1,627**	**128**	**6**	**(44)**	**1**	**(12)**	**1,706**

2006 Restated - Depreciation and impairment losses								
	At 1 January 2006	Depreciation	Impairment losses	Changes in scope of consolidation and other	Disposals	Reclassifications	Translation adjustment	At 31 December 2006
Land	(3)	–	–	–	–	–	–	(3)
Buildings	(274)	(26)	–	–	6	–	2	(292)
Machinery and equipment	(311)	(35)	–	(5)	13	(4)	1	(341)
Other	(342)	(45)	–	3	17	2	6	(359)
Assets under construction	–	–	–	–	–	–	–	–
Total	**(930)**	**(106)**	**0**	**(2)**	**36**	**(2)**	**9**	**(995)**
Carrying amounts	**697**	**22**	**0**	**4**	**(8)**	**(1)**	**(3)**	**711**

Investment property

Balance sheet assets include a real property carried at net value of €75 million at 31 December 2007 and €78 million at 31 December 2006. This property is subject to an operating lease agreement with NMPP and its market value is estimated at €118 million at 31 December 2007 (€109 million at 31 December 2006). Related rental income in 2007 and 2006 totalled €9 million.

Finance leases

Finance leases are included mainly in land and buildings at the following amounts:

	31 December 2007	31 December 2006 Restated
Cost	116	130
Carrying amount	75	79

Note 16 Investments in associates

The following amounts are recognised in the consolidated financial statements for the principal companies accounted for by the equity method:

	% interest		Balance sheet		Income statement	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006 Restated	2007	2006 Restated
Canal+ France	20%	–	1,433	–	10	–
CanalSatellite	–	34%	–	935	–	52
Marie-Claire	42%	42%	236	234	6	9
Amaury group	25%	25%	76	68	9	10
OEE	25%	–	15	–	–	–
S.E.T.C.	39%	39%	14	12	1	1
Editions J'ai lu	35%	35%	11	10	1	1
Other			59	50	17	8
Excluding EADS			**1,844**	**1,309**	**44**	**81**
EADS	12.51%	14.98%	1,003	1,187	(44)	23
Total			**2,847**	**2,496**	**0**	**104**

Condensed financial information for EADS, Canal+ France and CanalSatellite is presented below:

	31 Dec. 2007		31 Dec. 2006	
(On a 100% basis)	EADS	Canal+ France	EADS	CanalSatellite
Balance sheet information				
Total assets	70,225	4,967	66,439	599
Total liabilities	62,124	3,068	58,334	447
Income statement information				
Net sales	39,123	3,750	39,434	1,133
Net profit (loss)	(437)	151	166	152

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. EADS reported a net loss of €446 million for 2007.

Following acquisition of shares in Canal+ France on 19 December 2006 and the contribution of a 34% holding in CanalSatellite on 4 January 2007, Lagardère now holds 20% of Canal+ France (see note 4-1 for a description of the operation).

Note 17 Other non-current assets

Other non-current assets break down as follows:

Carrying amounts	31 Dec. 2007	31 Dec. 2006 Restated
Non-current investments	124	671
Loans and receivables	81	78
Derivative financial instruments	–	–
Total	**205**	**749**

Non-current investments include:

Carrying amounts	31 Dec. 2007		31 Dec. 2006 Restated	
	Carrying amount	% interest	Carrying amount	% interest
Canal+ France			469	7%
Newsweb			64	87%
Viel	43	12%	42	13%
Le Monde SA	36	17%	36	17%
La Dépêche du Midi	12	15%	12	15%
Autofin			3	10%
Other	33		45	
Total	**124**		**671**	

Canal+ France and Newsweb were acquired in December 2006 and consolidated from 1 January 2007. Other non-current assets are classified as available-for-sale investments.

Fair value adjustments of available-for-sale investments recognised directly in equity represented a net loss of €6 million in 2007, compared to a net gain of €19 million in 2006.

Loans and receivables break down as follows:

Loans and receivables	31 Dec. 2007	31 Dec. 2006 Restated
Gross amount	190	175
Accumulated write-downs	(109)	(97)
Carrying amount	**81**	**78**

Analysis of write-downs	31 Dec. 2007	31 Dec. 2006 Restated
At 1 January	(97)	(100)
Write-downs reversed in the year	20	3
Other movements and translation adjustments	(32)	–
At 31 December	**(109)**	**(97)**

Loans and receivables included in non-current assets are principally comprised of deposits, loans and receivables with an estimated maturity of over one year.

Note 18 Inventories

Inventories break down as follows:

	31 Dec. 2007	31 Dec. 2006 Restated
Lagardère Publishing	438	429
Lagardère Active	80	87
Audiovisual	*39*	*35*
Press	*41*	*52*
Lagardère Services	241	297
Lagardère Sports	–	–
Other Activities(*)	23	26
Cost	**782**	**839**
Accumulated write-downs	(253)	(242)
Carrying amount	**529**	**597**

(*) Spare part inventories of Matra Manufacturing & Services (formerly Matra Automobile): €23 million in 2007 and €25 million in 2006.

Analysis of write-downs

	31 Dec. 2007	31 Dec. 2006 Restated
At 1 January	(242)	(223)
Write-downs recognised in the year	(15)	(1)
Other movements and translation adjustments	4	(18)
At 31 December	**(253)**	**(242)**

Note 19 Trade receivables

Trade receivables break down as follows:

	31 Dec. 2007	31 Dec. 2006 Restated
Trade receivables	1,718	1,481
Accumulated write-downs	(133)	(114)
Carrying amount	**1,585**	**1,367**
Including:		
- not yet due	*1,189*	(*)
- overdue by up to 6 months	*340*	(*)
- overdue by more than 6 months	*56*	(*)
Total	**1,585**	**1,367**

(*) Information not available for 2006.

Analysis of write-downs	31 Dec. 2007	31 Dec. 2006 Restated
At 1 January	**(114)**	**(111)**
Write-downs reversed in the year	11	10
Other movements and translation adjustments	(30)	(13)
At 31 December	**(133)**	**(114)**

Securitisations of trade receivables

Certain subsidiaries of Lagardère Active 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 2007 and 2006 are as follows:

	31 Dec. 2007	31 Dec. 2006 Restated
Assets		
Trade receivables	154	195
Other receivables(*)	(27)	(31)
Liabilities		
Debt	127	164

(*) Guarantee deposits.

Note 20 Other current assets

Other current assets break down as follows:

	31 Dec. 2007	31 Dec. 2006 Restated
Advances paid	25	20
Recoverable taxes and payroll taxes	319	310
Derivative financial instruments(*)	459	454
Receivable from writers	268	274
Receivable from suppliers	107	152
Loans	40	43
Prepaid expenses	103	79
Other	90	96
Total	**1,411**	**1,428**
Accumulated write-downs	**(105)**	**(111)**
Carrying amount	**1,306**	**1,317**

(*) See note 26-2.

Analysis of write-downs

	31 Dec. 2007	31 Dec. 2006 Restated
At 1 January	(111)	(104)
Write-downs recognised in the year	(38)	(38)
Other movements and translation adjustments	44	31
At 31 December	**(105)**	**(111)**

Note 21 Short-term investments

Short-term investments are solely comprised of available-for-sale investments measured at fair value. They break down as follows:

	31 Dec. 2007	31 Dec. 2006 Restated
Shares	43	39
Bonds	93	117
Total	**136**	**156**

Shares are Deutsche Telekom shares received in 2006 in exchange for T-Online shares as part of the merger between the two companies.

Note 22 Cash and cash equivalents

Details of cash and cash equivalents reported in the cash flow statement are as follows:

	31 Dec. 2007	31 Dec. 2006 Restated
Cash and cash equivalents	733	1,477
Short-term bank loans and overdrafts	(261)	(306)
Cash and cash equivalents, net	**472**	**1,171**

Note 23 Equity

23 - 1 Share capital

At 31 December 2007, the share capital of Lagardère SCA amounted to €818,213,044.60, represented by 134,133,286 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:

	2007	2006
Number of shares at 1 January	142,691,231	142,042,120
Shares issued on exercise of subscription options	3,529	649,111
Capital reduction on 25 April 2007 by cancellation of treasury shares	(8,561,474)	–
Number of shares issued and paid up at 31 December	**134,133,286**	**142,691,231**

23 - 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 2007 are presented below.

Plan	Date of AGM	Number of options originally granted	Exercise price (in €)	Number of beneficiaries	Options exercised in 2007	Options forfeited at end of 2007	Options outstanding at end of 2007	Period of exercise
Subscription options:								
18 Dec. 2000	23 May 2000	1,254,500	62.31	458	3,529	229,342	–	18 Dec. 2002 to 17 Dec. 2007
Purchase options:								
19 Dec. 2001	23 May 2000	1,258,000	46.48	421	150,715	113,992	669,139	19 Dec. 2003 to 19 Dec. 2008
19 Dec. 2002	23 May 2000	1,299,000	51.45	416	117,115	94,973	1,032,587	19 Dec. 2004 to 19 Dec. 2009
18 Dec. 2003	23 May 2000	1,437,250	51.45	445	20,026	69,976	1,342,953	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	51.92	481	8,367	81,674	1,496,208	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	56.97	495	–	48,250	1,635,594	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	55.84	451	–	27,300	1,817,400	14 Dec. 2008 to 14 Dec. 2016

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 €)	Exercise period	Number of options granted	Number of beneficiaries	Number of options forfeited	Options outstanding at end 2007	Period of repurchase
18 June1997 18 June 1997	37.44	18 June 1997 to 17 June 2007	1,577[(1)]	11	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	75	732[(4)(5)]	23 July 2004 to 23 July 2009

((1) Each option entitled the holder to subscribe 300 HFM shares.

(2) Each option entitled the holder to subscribe 500 HFM shares.

(3) The remaining 64 options were exercised in 2007.

(4) 136 options were exercised in 2007.

(5) Following the merger on 31 December 2007 of Hachette Holding (formerly Hachette Filipacchi Médias, HFM) into Hachette SA, this company assumed all of the rights and obligations related to the subscription options outstanding, and the exercise prices and number of shares under option were adjusted on the basis of the exchange ratio used for the merger. Consequently, there remains 27 beneficiaries who together hold 732 options. Each option now enables its holder to subscribe 91 Hachette SA shares at a per-share price of €253.85. The 91 Hachette SA shares subscribed will be exchanged for 550 Lagardère SCA shares in accordance with the commitments undertaken in 2000 in the public offerings.

On 28 December 2007, the Managing Partners introduced a plan to award free shares in Lagardère SCA for certain members of management and employees of the Group, covering a total of 594,350 shares. These shares will be remitted to beneficiaries on 29 December 2009, provided the average opening price for the Lagardère SCA share over the twenty trading days preceding 29 December 2009 is equal to or higher than the quoted price at the grant date, which was €51.14.

23 - 3 Treasury shares

Changes in the number of shares held in treasury over the last two years were as follows:

	2007	2006
Number of shares held at 1 January	7,420,165	3,426,123
Purchases of treasury shares	6,091,917	4,969,461
Treasury shares allocated on exercise of stock options	(408,172)	(544,900)
Sales of treasury shares under hedging contrats	(531,643)	(430,519)
Capital reduction on 25 April 2007 by cancellation of treasury shares	(8,561,474)	–
Number of shares held at 31 December	**4,010,793**	**7,420,165**

Between 2001 and 2006, 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 March 2007:

- 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.
- In March 2007, sale of 531,643 treasury shares to Barclays Capital Securities Limited and purchase of call options on 1,844,700 Lagardère SCA shares from Barclays Bank PLC. The sale was concluded for a total price of €30 million and generated a gain of €0.2 million. The price paid for the call options was €31 million.

Following these transactions, Lagardère SCA's obligation to deliver shares under the option plans set up in the period 2001-2006 was fully covered.

In accordance with IAS 32, all amounts involved in these transactions were recognised directly in equity.

Also in 2007, the Group purchased 6,091,917 treasury shares at a total cost of €351 million and sold employees 408,172 treasury shares on exercise of stock options for total proceeds of €22 million, generating a gain of €0.4 million. In 2006, the Group purchased 4,969,461 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.

23 - 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.

23 - 5 Minority interests

Minority interests in the net assets and profits of consolidated companies break down as follows:

	Balance sheet		Income statement	
	31 Dec. 2007	**31 Dec. 2006 Restated**	**2007**	**2006 Restated**
Lagardère Publishing	15	14	2	3
Lagardère Active	40	56	16	13
Lagardère Services	30	30	12	12
Total	**85**	**100**	**30**	**28**

23 - 6 Capital management

Lagardère SCA share capital and shareholders

Lagardère is attentive to its ownership structure and shareholder monitoring. As all Lagardère SCA shares are in registered form, information on shareholders and changes in ownership are available to the Company. The proportion of freely traded shares is high at 90%, the other 10% being held by Lagardère Capital & Management, controlled by Mr. Arnaud Lagardère, the Managing Partner. This guarantees good stock liquidity.

Lagardère has not raised capital on the market for several years (the only capital increases have resulted from Group employees exercising stock subscription options) but applies a regular dividend distribution policy. To reward shareholder stability, the Company has granted double voting rights for shares registered in the name of the same shareholder for at least four years

Consolidated equity

As described in note 26, some of Lagardère SCA's bond borrowings and bank loans contain financial ratio covenants. In particular, these require the Group to comply with a minimum level of consolidated equity, or maximum indebtedness calculated as a proportion of consolidated equity. Failure to meet these ratio requirements entitles the lenders to request immediate reimbursement of their loans. The ratios are monitored throughout the year by the Cash Management and Financing Division and have always been respected.

As part of its long-term development strategy, the Group optimises its debt/equity ratio. Given the currently low level of debt, external growth can be financed by borrowings. The Group also has an active share buyback policy, within limits set by the Annual General Meeting, which authorises cancellation of shares with antidilutive effect for shareholders. In April 2007, 8.6 million shares were cancelled, equivalent to 6% of the share capital at that date.

Note 24 Provisions

24 - 1 Provisions for employee benefit obligations

In application of the principles set out in note 3-18 “Provisions for employee benefit obligations”, provisions are recognised to cover the Group’s obligations under defined-benefit plans.

The tables below give details of the assumptions used in valuation, and the changes in the benefit obligations and the provisions established:

Change in benefit obligation	2007	2006 Restated
Benefit obligation at begining of the year	341	339
Service cost	12	15
Interest cost	13	14
Benefits paid	(17)	(18)
Settlement of obligations	(15)	(6)
Actuarial (gains) losses	(5)	4
Changes in scope of consolidation	(14)	(8)
Translation adjustments and other	(12)	–
Benefit obligation at end of the year	**303**	**340**
Benefit obligation at end of year for funded plans	242	260
Benefit obligation at end of year for unfunded plans	61	80

Change in fair value of plan assets	2007	2006 Restated
Fair value of plan assets at beginning of year	206	181
Actual return on plan assets	12	17
Employer contributions	18	25
Benefits paid	(14)	(12)
Settlement of obligations	(11)	(6)
Changes in scope of consolidation	–	–
Translation adjustments and other	(11)	1
Fair value of plan assets at end of year	**200**	**206**

Asset allocation at 31 December		
	2007	**2006**
Shares	36%	47%
Bonds	50%	36%
Real property	1%	2%
Monetary market instruments	2%	4%
Other	11%	11%

The expected rates of return on assets is the weighted average rate, 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 amount recognised as provision				
	2007	**2006**	**2005**	**2004**
Benefit obligation	303	340	339	306
Fair value of plan assets	(200)	(206)	(181)	(157)
Net amount recognised as provision(*)	**103**	**134**	**158**	**149**

(*) Amounts shown for 2006, 2005 and 2004 have been adjusted retrospectively to reflect changes of method introduced in 2007 (see notes 1 and 5).

Calculation of net expense for the year		
	2007	**2006**
Service cost	12	15
Interest cost	13	13
Expected return on plan assets	(11)	(9)
Recognition of past service cost	6	–
Actuarial (gains) losses recognised	–	(3)
Effect of limit on assets	–	–
Effect of settlements and plan curtailments	(3)	–
Net expense recognised in the income statement	**17**	**16**

Actuarial assumptions used to calculate benefit obligation and expense for the year		
	2007	**2006**
1. Benefit obligation		
Discount rate	4.33%	3.87%
Average expected rate of benefit increase	2.47%	2.48%
Average expected rate of salary increase	2.52%	2.57%
Expected rate of return on plan assets	5.35%	5.31%
Expected rate of healthcare inflation		
- Initial	5%	5%
- Ultimate	2%	2%
- Year in which ultimate rate is expected to be reached	2027	2027
2. Expense for the year		
Discount rate	3.85%	3.51%
Average expected rate of benefit increase	2.50%	2.47%
Average expected rate of salary increase	2.55%	2.80%
Expected rate of return on plan assets	5.31%	4.79%
Expected rate of healthcare inflation		
- Initial	5%	5%
- Ultimate	2%	2%
- Year in which ultimate rate is expected to be reached	2027	2024

Experience gains and losses		
	2007	**2006**
1. Difference between actual and expected returns on plan assets		
Gains (losses)	1	8
Percentage of plan assets	0.40%	4.02%
2. Experience (gains) and losses on plan assets		
Losses (gains)	8	(5)
Percentage of present value of plan liabilities	2.66%	–1.61%

Sensitivity to trend rate assumptions (+/-1%) for post retirement medical plans		
	2007	**2006**
Present value of benefit obligation at 31 December	6	6
Effect of a 1% increase		
on defined benefit obligation	9	10
on expense for the year	1	1
Effect of a 1% decrease		
on defined benefit obligation	(5)	(5)
on expense for the year	–	–

Expected employer contribution	2008	2007
	15	11

Actuarial gains and losses recognised directly in equity		
	2007	**2006 Restated**
At 1 January	15	17
Change for the year	(11)	(2)
At 31 December	4	15
Deferred tax impact	(1)	(5)
Net actuarial gains and losses recognised in equity at 31 December	**3**	**10**

24 - 2 Provisions for contingencies and losses

Non-current and current provisions cover the following main contingencies and losses::

	31 Dec. 2007	31 Dec. 2006 Restated
Losses on long-term contracts and other contracts	19	15
Restructuring and withdrawal costs	117	91
Claims and litigation	172	158
Other provisions	324	298
Total	**632**	**562**
Including:		
Non-current provisions	*200*	*195*
Current provisions	*432*	*367*
	632	*562*

	At 1 January 2007	Translation adjustment	Changes in scope of consolidation	Charges	Utilisations	Releases of surplus provisions	Reclassifications	At 31 December 2007
Losses on long-term contracts and other contracts	15	–	5	5	(6)	–	–	19
Restructuring and withdrawal costs	91	–	(6)	55	(20)	–	(3)	117
Claims and litigation	158	(1)	1	46	(16)	(19)	3	172
Other provisions	298	–	1	113	(58)	(30)	–	324
Total	**562**	**(1)**	**1**	**219**	**(100)**	**(49)**	**0**	**632**

Provisions for claims and litigation cover risks identified at year-end and are based on the estimated amount of potential losses for the Group.

Other provisions mainly concern risks related to financial commitments and subsidiaries.

Note 25 Debt

25 - 1 Breakdown of debt

Debt breaks down as follows:

	31 Dec. 2007	31 Dec. 2006 Restated
Mandatory Exchangeable Bonds	664	1,400
Other bonds	398	535
Bank loans	819	282
Finance lease liabilities	41	55
Debt related to put options granted to minority interests	22	23
Other debt	16	14
Non-current debt	**1,960**	**2,309**
Mandatory Exchangeable Bonds	759	744
Other bonds	102	–
Bank loans	110	63
Finance lease liabilities	14	13
Debt related to put options granted to minority interests	60	31
Other debt	434	518
Current debt	**1,479**	**1,369**
Total debt	**3,439**	**3,678**

25 - 2 Analysis of debt by maturity

Debt breaks down as follows by maturity:

	Under one year(*)	1 to 5 years	Over 5 years	Total
Mandatory Exchangeable Bonds	759	664	–	1,423
Other bonds	102	163	235	500
Bank loans	110	812	7	929
Finance lease liabilities	14	38	3	55
Debt related to put options granted to minority interests	60	22	–	82
Other debt	434	12	4	450
At 31 December 2007	**1,479**	**1,711**	**249**	**3,439**
At 31 December 2006 - restated	**1,369**	**1,584**	**725**	**3,678**

(*) Debt due within one year are reported in the balance sheet under "Current debt".

25 - 3 Mandatory Exchangeable Bonds

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 Daimler (a fellow-shareholder in EADS, with a 30% interest).
- Lagardère retains ownership of the EADS shares, and will collect the 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%.

Because ownership of the underlying shares is not transferred until the maturity dates of the bonds, subject to any adjustments arising from the upside exposure mechanism described above, Lagardère SCA's interest in the capital of EADS remained at approximately 15% until June 2007 when it was reduced to approximately 12.5%; it will subsequently be reduced 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 between the French State and Lagardère within the French investor group, and 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.

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).

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 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 amortized cost method, at an effective interest rate of 4.30%. This represents the rate that exactly discounts total cash payments (principal and interest) under the host debt contract to the initial fair value of that contract.

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 are recognised on the date of delivery of the shares.

On 25 June 2007, Lagardère redeemed the first tranche and remitted 20,370,000 EADS shares (approximately 2.5% of the capital of EADS) to the bondholders. The value of this operation, based on the reference per-share price of EADS shares (€32.60) used at the time of the issue, was €664 million, generating a gain on disposal of €472 million. In the consolidated cash flow statement, the value at which shares were remitted is included in cash from investing activities, under proceeds from sales of investments, with a corresponding reduction in debt in the cash flows from financing activities.

Based on the carrying amount of the investment in EADS recorded in Lagardère's consolidated financial statements at 31 December 2007, and excluding any effects of the upside exposure mechanism, the total gain to be recognised in the years ended 31 December 2008 and 2009 is €927 million. This amount may vary, depending on the carrying amount of the investment in EADS for consolidation purposes as of the Mandatory Exchangeable Bond redemption dates and any possible 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 2007, based on the quoted market price of EADS shares as of that date (€21.83):

- The effective portion of the hedge was measured at a positive value of €424 million (€374 million at 31 December 2006), recognised as an increase in equity. This amount reflects the unrealised gain as of 31 December 2007 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 €927 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 €6 million (€29 million at 31 December 2006), a reduction of €124 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 2007 (€50 million in 2006) and the net carrying amount in its balance sheet at 31 December 2007 is €30 million (€80 million at 31 December 2006).

25 - 4 Characteristics of bonds and main bank loans

The following tables provide details of bonds (excluding Mandatory Exchangeable Bonds) and bank loans:

31 December 2007	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	102	67	**169**	EUR	7.25%	EURIBOR +1.099%
- 10-year notes, for US$225 million	162	91	**253**	EUR	7.49%	EURIBOR +1.288%
24 July 2003 US Private Placement Notes:						
- 10-year notes, for US$38 million	26	8	**34**	EUR	5.18%	6-month EURIBOR+0.87%
- 10-year notes, for €116 million	114	2	**116**	EUR	4.965%	6-month EURIBOR+0.88%
10 July 2003 10-year bond issue underwritten by LCL, for €100 million	96	4	**100**	EUR	4.75%	3-month EURIBOR+1.035%
Bonds	**500**	**172**	**672**			
21 December 2005 6-year structured loan, for €151 million:						
- Tranche A, for €116 million	116	2	**118**	EUR	3-month EURIBOR+0.575% limit 4.375%	3-month EURIBOR+0.40%
- Tranche B, for €35 million	33	–	**33**	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%
22 June 2005 5-year syndicated loan, for €2,200 million:						
- €600 million drawn in 2007	600		**600**	EUR	1-month EURIBOR+0.225%	
Other debt	110	–	**110**			
Bank loans	**929**	**2**	**931**			
Total	**1,429**	**174**	**1,603**			

(*) Fair value of derivative instruments designated as hedges of debt.

31 December 2006	**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**			
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.

25 - 5 Analysis of debt by currency

The following table shows the breakdown of current and non-current debt by currency before and after hedging:

31 December 2007	**Before hedging**		**After hedging**	
Euro	3,249	95%	3,257	90%
US$	81	2%	247	7%
Yen	–	0%	–	0%
Swiss franc	3	0%	3	0%
Pound sterling	48	1%	48	1%
Other	58	2%	58	2%
Total debt	**3,439**	**100%**	**3,613**	**100%**

Note 26 Financial instruments and exposure to market risks

26 - 1 Management of exposure to market 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.

Liquidity risks

Total borrowings exclude the Mandatory Exchangeable Bonds which are redeemable in EADS shares (see note 25-3) but include the value of hedging instruments (see note 25-4).The share of bond borrowings decreased from 40% to 31% of total borrowings.

The liquidity risk is not significant since debt maturing within two years (excluding Mandatory Exchangeable Bonds) amounts to €850 million, whereas cash, cash equivalents and short-term investments total €869 million and unused credit line facilities €1,721 million.

Risks arising from early repayment covenants 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 totalling US$375 million and July 2003 totalling US$38 million and €116 million;
- structured loans obtained in July 2003 for €70 million and December 2005 totalling €151 million.

The ratios are calculated every six months on the basis of the consolidated financial statements.

At 31 December 2007, all of the above ratio covenants were satisfied.

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 note 25-4.

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

Cash and cash equivalents total €733 million. This cash surplus earns interest at variable rates, thus providing natural hedging for the Group's €2,108 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 would essentially concern the variable-rate portion of total borrowings (excluding Mandatory Exchangeable Bonds) that is not offset by surplus cash, i.e. a total of €1,375 million. A one point increase in interest rates would result in an annual additional expense of €14 million.

Exchange rate risks

The Group's exposure to foreign exchange rate risks on commercial transactions is limited owing to the nature of its business activities in France and in foreign countries. At 31 December 2007, foreign currency transactions to hedge this exposure only comprise forward currency sales agreements amounting to €25 million, and forward currency purchase agreements amounting to €49 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 2007, currency swaps were entered into for periods of less than three months, and renewed at the end of each quarter. Based on foreign exchange rates at 31 December 2007, the market value of these swap agreements represented a gain of €5 million.

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 shares held**	**Percentage interest at 31 December 2007**	**Market price on 31 December 2007 (in €)**	**Market value at 31 December 2007 (in €)**
Lagardère SCA	4,010,793	2.99%	51.29	205,713,573
EADS	101,853,852	12.51%	21.83	2,223,469,589
Deutsche Telekom (formerly T-Online)	2,836,835	0.07%	15.03	42,637,630
Viel et Cie	8,917,677	12.45%	4.80	42,804,850

Changes in the value of treasury stock directly or indirectly held by Lagardère 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. Also, as a result of the April 2006 issue of Mandatory Exchangeable Bonds (see note 25-3), the Lagardère Group is guaranteed a price of no less than €32.60 per EADS share for 40% of its total investment.

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 €43 million, i.e. their trading price on 31 December 2007.

The investment in Viel et Cie is included in "Other non-current assets" at the amount of €43 million, corresponding to their trading price on 31 December 2007.

Credit risks

The credit risk represents the risk of financial loss for the Group in the event of default by a customer or debtor on its contractual obligations. This risk mainly relates to trade receivables.

The Group's exposure to credit risk is not considered significant in view of the types of market in which its various businesses are positioned and the associated customer types.

Customer credit generally amounts to less than 15% of total consolidated assets, and provisions remain stable from one year to the next at below 10% of total credit outstanding.

Credit risk management is decentralised and each Division is responsible for managing its own credit risks as appropriate to the specificities of its market and customer base. Overall, the Group has never experienced a significant rate of default.

Both in and outside France, most receivables concern local customers and no single customer represents a high percentage of the sales concerned. For new customers with the potential for large volumes of business with the Group, analyses are carried out and information (external ratings or bank references) is sought before entering into transactions, and specific guarantees or credit insurance may be arranged as a result. Counterparty-specific credit limits may also be set.

In newly-consolidated activities, steps are taken for progressive introduction of monitoring procedures appropriate for credit risks.

26 - 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 financial instruments		
	31 December 2007	**31 December 2006**
Financial instruments acquired as hedges of debt, with positive fair values (current assets)	459	454
Financial instruments acquired as hedges of debt, with negative fair values (current liabilities)	(174)	(139)
Total	**285**	**315**

At 31 December 2007, the positive fair value of hedging contracts shown above (€459 million) relates to:

- the derivative instrument embedded in Mandatory Exchangeable Bonds (€454 million), comprising:
  - the effective portion of the hedge (€424 million), with a corresponding increase to equity;
  - the net amount of the ineffective portion (€30 million).

  For details of this transaction, see note 25-3.
- the market value of currency swaps (€5 million).

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).

26 - 3 Notional amounts of hedging contracts by maturity

31 December 2007	**2008**	**2009**	**2010**	**2011**	**2012**	**Over 5 years**	**Total**	**Fair value**
Fair value hedges of debt	239			404		250	**893**	(174)

26 - 4 Balance sheet financial instruments

	31 December 2007		Breakdown by type of instrument(*)				
	Carrying amount	Fair value	Loans and receivables	Assets available for sale	Debt at amortized cost	Fair value through profit or loss	Derivative financial instruments
Non-current investments	124	124	–	124	–	–	–
Other non-current assets	81	81	81	–	–	–	–
Trade receivables	1,585	1,585	1,585	–	–	–	–
Derivative financial instruments	459	435	–	–	–	–	459
Other current assets	847	847	847	–	–	–	–
Short-term investments	136	136	–	136	–	–	–
Cash equivalents	105	105	–	–	–	105	–
Cash	628	628	628	–	–	–	–
Assets	**3,965**	**3,941**	**3,141**	**260**	**0**	**105**	**459**
Mandatory Exchangeable Bonds	1,423	1,423	–	–	1,423	–	–
Other bonds and bank loans	1,428	1,428	–	–	1,602	–	(174)
Other debt	588	588	–	–	588	–	
Other non-current liabilities	193	193	–	–	193	–	–
Trade payables	1,849	1,849	–	–	1,849	–	–
Derivative financial instruments	174	174	–	–	–	–	174
Other current liabilities	1,231	1,231	–	–	1,231	–	–
Liabilities	**6,886**	**6,886**	**0**	**0**	**6,886**	**0**	**0**

(*) There were no reclassifications between categories of financial instruments in 2007 or 2006.

	31 December 2006 Restated		Breakdown by type of instrument(*)				
	Carrying amount	Fair value	Loans and receivables	Assets available for sale	Debt at amortized cost	Fair value through profit or loss	Derivative financial instruments
Non-current investments	671	671	–	671	–	–	–
Other non-current assets	78	78	78	–	–	–	–
Trade receivables	1,367	1,367	1,367	–	–	–	–
Derivative financial instruments	454	403	–	–	–	–	454
Other current assets	863	863	863	–	–	–	–
Short-term investments	156	156	–	156	–	–	–
Cash equivalents	819	819	–	–	–	819	–
Cash	658	658	658	–	–	–	–
Assets	**5,066**	**5,015**	**2,966**	**827**	**0**	**819**	**454**
Mandatory Exchangeable Bonds	2,144	2,144	–	–	2,144	–	–
Other bonds and bank loans	880	880	–	–	1,019	–	(139)
Other debt	654	654	–	–	654	–	–
Other non-current liabilities	89	89	–	–	89	–	–
Trade payables	1,766	1,766	–	–	1,766	–	–
Derivative financial instruments	139	139	–	–	–	–	139
Other current liabilities	1,180	1,180	–	–	1,180	–	–
Liabilities	**6,852**	**6,852**	**0**	**0**	**6,852**	**0**	**0**

(*) There were no reclassifications between categories of financial instruments in 2007 or 2006.

Note 27 Other liabilities

Other liabilities break down as follows:

	31 December 2007	31 December 2006 Restated
Due to suppliers of fixed assets	162	44
Repayab1e advances	–	–
Other advances and prepayments	–	–
Derivative financial instruments	–	–
Other liabilities	31	45
Other non-current liabilities	**193**	**89**
Derivative financial instruments	174	139
Accrued taxes and emp1oyee benefit expense	517	548
Advances and prepayments	17	24
Due to writers	190	182
Due to customers	123	124
Other liabilities	194	192
Deferred income	190	110
Other current liabilities	**1,405**	**1,319**
Total	**1,598**	**1,408**

Note 28 Assets held for sale and associated liabilities

Lagardère signed an agreement on 21 December 2007 with Butler Capital Partners for the transfer of a majority investment in the Virgin Stores group. This operation was still awaiting the necessary regulatory and legal authorisations at 31 December 2007. In the balance sheet at 31 December 2007, the Virgin Stores group's assets and liabilities are reported as assets held for sale and associated liabilities.

The sales and recurring operating profit of the Virgin Stores group for 2007 were €397 million and -€2 million respectively.

Note 29 Contractual future payment commitments

29 - 1 Operating leases

Recurring operating profit includes rental expense of €188 million in 2007 (€153 million in 2006).

Minimum future lease payments under non-cancellable operating leases, including minimum rentals provided for in retail shop concession agreements, amount to €789 million at 31 December 2007, and break down as follows by due date:

	31 December 2007
2008	195
2009	151
2010	135
2011	76
2012	61
2013 and beyond	171
Total	**789**

29 - 2 Sports rights contracts

The minimum payments guaranteed by Sportfive under long-term contracts for TV and marketing rights sales totalled €462 million at 31 December 2007, €171 million of which is covered by contracts signed with broadcasters and partners, leaving €291 million to be covered by the entity's future commercial activity.

Note 30 Commitments and contingent assets and liabilities

The information below relates to subsidiaries controlled and fully consolidated by Lagardère.

30 - 1 Off-balance sheet commitments

	31 December 2007	31 December 2006
Commitments given in the normal course of business:		
- Guarantees and performance bonds	44	48
- Guarantees given to third parties and non-consolidated companies	73	15
- Commitments for future capital expenditure	43	32
Commitments on assets	3	2
Commitments to repurchase shares (estimated amount, excluding put options granted to minority shareholders of fully consolidated subsidiaries)	16	16
Commitments received:		
- Counter-guarantees of commitments given	–	1
- Other commitments received	20	19
Confirmed, unused lines of credit	1,721	2,330

Commitments to sell shares

The Group has granted promises to sell valid at 31 December 2007 concerning certain investments, the two largest concerned being:

- the shares held indirectly in EADS (12.51% subject to the gradual reduction of this investment to approximately 7.5% – see note 25-3 on the issue of Mandatory Exchangeable Bonds). Lagardère has undertaken a commitment to sell this investment 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 20% investment held in Canal+ France following of the agreement signed on 4 January 2007 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 - 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 take legal action. 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 arbitration award in a succession of legal proceedings, but its appeal was finally rejected by a ruling of 24 November 2000.

As this made the arbitration award of 6 October 1993 enforceable, Matra Transport began proceedings before the District Court in 2001 for execution of the award. 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 on 22 July 2005, and ruled on 21 March 2007 that contrary to DORTS' claims, Matra Transport was legally able to start proceedings to end the suspension of execution of the 1993 arbitration award, which had been stayed in 2001.

As a result of these two rulings, DORTS paid Matra Transport the full sum it had been ordered to pay by the Taiwanese courts in execution of the arbitration award. As the method for calculation of the sum concerned contained certain errors to the prejudice of Matra Transport, the company applied to the Taiwanese courts for action to remedy the situation, and is currently awaiting a High Court decision.

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. Lagardère SCA has lodged an appeal against the court's decision of 19 June 2007 which partly upheld the claims of ABN AMRO, considering that those claims are inadmissible, primarily under the applicable statute of limitations.

Inquiry by the stock market regulator AMF and legal investigation

In May 2006, the AMF began an investigation 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.

On 3 October 2007, extracts from a preliminary report sent by the AMF to the Paris Prosecutor's office, implicating EADS shareholders and managers in insider trading activities, were made public in Le Figaro newspaper and widely reported in the French and international press. A sudden fall in the stock market price ensued.

The AMF rejected Lagardère SCA's immediate request to see the report. Lagardère claimed that disclosure of the document was prejudicial to the presumption of innocence and an infringement of defence rights.

On 30 October 2007, Lagardère SCA filed an action for breach of the duty of confidentiality by AMF members and officers, and violation of the confidentiality of the legal investigation.

The legal and other enquiries are in progress, and Lagardère SCA is unaware of any action initiated against Lagardère or its managers.

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 and the approval of Wendel Investissement as buyer of the Editis assets has come to an end, and the Court of First Instance is due to set a date for hearing the two cases in 2008.

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.

Appeals against the CSA's decision to enter into an agreement with MCM

Following appeal by TV operators, the decision of 19 July 2005 by the French broadcasting authority (*Conseil Supérieur de l'Audiovisuel* – CSA) authorising MCM to operate the freeview digital musical TV channel Europe 2 TV (now renamed Virgin 17), and the associated agreement, were cancelled by the French Council of State at its session of 26 February 2008, with effect from 1 July 2008.

However, the Council ruled that the observed breach of law insofar as it concerned determination of prime time hours had not by nature influenced the selection of MCM's proposal, and gave the CSA leave to issue a new authorisation for MCM without proceeding to a call for tenders, together with an agreement containing an adequate definition of prime time in view of the channel's theme and programming rules

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.

Note 31 Related party transactions

31-1 Management remuneration

The total gross remuneration attributed to the members of Lagardère SCA's Executive Committee for 2007 (excluding remuneration paid by EADS) amounted to €8.7 million and €14.3 million including related charges; this figure includes a provision established for the additional pension plan. The corresponding figures for 2006 are €8.2 million and €13.3 million respectively.

Attendance fees received by the persons concerned as members of other Group companies' Boards of Directors (excluding EADS) amounted to €78,570 in 2007 (€90,785 in 2006). They were also allocated rights to receive 104,000 free shares of Lagardère SCA under the plan introduced on 28 December 2007 described in note 23-2 above. In 2006, they had been attributed 230,000 options to purchase Lagardère SCA shares.

31-2 Related party transactions

Transactions with Lagardère Capital & Management (LCM)

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. LCM provides an array of management resources and skills to both the Group and each of its component parts.

To accomplish its mission, LCM 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 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. LCM bears the expense of the entire pay package and related working expenses of its managers, and the fees of any outside French or international consultants they employ.

LCM'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.

Since 2004, the remuneration of LCM has been 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 issues an opinion on changes in these expenses. After examination by the Audit Committee, this procedure was approved by the Supervisory Board on 12 March 2004.

As a result, in 2007, LCM invoiced €19.3 million to the Group, compared to €17.0 million in 2006. After deducting expenses (remuneration of Executive Committee members, support costs reimbursed to the Group and outside resource costs), operating profit after tax under the above agreement stood at €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 2007, distribution commission invoiced to the Lagardère Group by NMPP amounted to €106 million (€110 million in 2006).

Lagardère also invoiced NMPP a total of €11 million (€25 million in 2006) for services in 2007, including property rental.

Other transactions

The other transactions with related parties in 2007 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 Doctissimo

On 22 February 2008, Lagardère SCA announced an agreement under which its subsidiary Lagardère Active Digital acquired 53.98% of the capital and 57.92% of the voting rights of Doctissimo, France's leading publisher of web content for women, from its founders. The deal was based on a price of €30.50 per share, giving a total value of €138 million for 100% of Doctissimo. On 8 April 2008, Lagardère filed a standing market offer with the French Financial Market Authority (AMF) for the Doctissimo shares not acquired under the agreement, at the same price as that paid to acquire the controlling interest, i.e. €30.50 per share. Once it owns at least 95% of the voting rights of Doctissimo, Lagardère Active Digital will also make a compulsory buyout offer to the remaining minority shareholders, in application of article 237-14 and following of the AMF regulations. This acquisition furthers Lagardère's strategy of building a position as a leading player on the internet, especially in the women's interests and health segments. With the acquisition of Doctissimo, Lagardère will become the French no.1 in websites for women, with nearly 6.5 million unique visitors per month, and move to 10th position in terms of web audience in France (all segments combined), with 10.9 million unique visitors per month.

Sale of Virgin Stores group

On 28 February 2008, following the agreement signed on 21 December 2007 (see note 28), Lagardère and Butler Capital Partners announced that they had signed the final contracts for the acquisition of a majority interest in Virgin Stores by Butler Capital Partners.

Note 33 List of consolidated companies

Fully consolidated companies at 31 December 2007

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PUBLISHING				
HACHETTE LIVRE	43 quai de Grenelle - 75015 PARIS (FRANCE)	602 060 147	100.00	100.00
AIQUE GRUPO EDITOR SA	BUENOS AIRES (ARGENTINA)		100.00	100.00
ARMAND COLIN SAS	21 rue du Montparnasse - 75006 PARIS (FRANCE)	415 344 162	100.00	100.00
AUDIOLIB	31 rue de Fleurus - 75006 PARIS (FRANCE)	499 165 694	45.00	75.00
BIBLIO PARTICIPATIONS	43 quai de Grenelle - 75015 PARIS (FRANCE)	377 627 583	100.00	100.00
BSSL	place 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
CYBERTERRE	43 quai de Grenelle - 75015 PARIS (FRANCE)	434 661 419	100.00	100.00
DIFFULIVRE	SAINT SULPICE (SWITZERLAND)		100.00	100.00
DILIBEL	ALLEUR (BELGIUM)		100.00	100.00
DUNOD ÉDITEUR SA	5 rue Laromiguière - 75005 PARIS (FRANCE)	316 053 628	100.00	100.00
EDDL	5 rue du Pont de Lodi - 75006 PARIS (FRANCE)	403 202 252	99.88	99.88
ÉDITION No 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	98.63	98.63
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	100.00	100.00
ÉDITIONS STOCK	27 rue Cassette - 75006 PARIS (FRANCE)	612 035 659	100.00	100.00
ÉDUCATION MANAGEMENT SA	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	582 057 816	100.00	100.00
ESCALA EDUCACIONAL	SAO PAULO (BRAZIL)		51.00	51.00
FERNAND HAZAN ÉDITEUR	64 quai Marcel Cachin - 94290 VILLENEUVE LE ROI (FRANCE)	562 030 221	99.94	99.94
GIE NORMA	103 avenue des Champs Élysées - 75008 PARIS (FRANCE)	389 487 562	100.00	100.00
GROUPE HATIER INTERNATIONAL	31 rue de Fleurus - 75006 PARIS (FRANCE)	572 079 093	100.00	100.00
GRUPO PATRIA CULTURAL (MEXICO)	MEXICO CITY (MEXICO)		100.00	100.00
HL 93	43 quai de Grenelle - 75015 PARIS (FRANCE)	390 674 133	100.00	100.00
HL FINANCES	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	384 562 070	100.00	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 JAPAN	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 DEVELOPPEMENT	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
LAROUSSE ÉDITORIAL (formerly SPES EDITORIAL)	BARCELONA (SPAIN)		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 FRANÇAISE (LGF)	43 quai de Grenelle - 75015 PARIS (FRANCE)	542 086 749	59.99	59.99
OCTOPUS PUBLISHING LTD	LONDON (UNITED KINGDOM)		100.00	100.00
PIKA ÉDITION	19 bis rue Pasteur - 92100 BOULOGNE BILLANCOURT (FRANCE)	341 547 024	100.00	100.00
MULTIMÉDIA ÉDUCATION RÉFÉRENCE	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	484 213 954	100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
SAMAS SA	58 rue Jean Bleuzen - 92170 VANVES (FRANCE)	775 663 321	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)		100.00	100.00
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 GROUP SPAIN				
HACHETTE LIVRE ESPANA 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 LATINO AMERICA	MEXICO CITY (MEXICO)		100.00	100.00
PAG SL	BARCELONA (SPAIN)		100.00	100.00
SALVAT EDITORES PORTUGAL	LISBON (PORTUGAL)		100.00	100.00
ANAYA GROUP				
GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
ALGAIDA EDITORES SA	SEVILLE (SPAIN)		100.00	100.00
ALIANZA EDITORIAL SA	MADRID (SPAIN)		99.60	99.60
COMERCIAL GRUPO ANAYA SA	MADRID (SPAIN)		100.00	100.00
DISTRIBUCIONES ALIADAS	BUENOS AIRES (ARGENTINA)		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
ORION GROUP				
ORION PUBLISHING GROUP LTD	LONDON (UNITED KINGDOM)		100.00	100.00
LITTLE HAMPTON BOOK SERVICE LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HL UK EUSTON ROAD LTD GROUP (formerly HODDER HEADLINE)				
HL UK EUSTON ROAD LTD (formerly HODDER HEADLINE LTD)	LONDON (UNITED KINGDOM)		100.00	100.00
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
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 PUBLISHERS LTD	LONDON (UNITED KINGDOM)		100.00	100.00
HACHETTE BOOK GROUP				
HACHETTE BOOK GROUP USA	BOSTON (USA)		100.00	100.00
HBG BOOKS INC (formerly WARNER BOOKS INC.)	BOSTON (USA)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
HBG HOLDINGS INC (Delaware) (formerly TWBG HOLDINGS INC)	BOSTON (USA)		100.00	100.00
LITTLE BROWN & COMPANY INC.	BOSTON (USA)		100.00	100.00
PUBLISHER' S ADVERTISING LLC	BOSTON (USA)		100.00	100.00
LITTLE BROWN BOOK GROUP				
LITTLE BROWN BOOK GROUP	LONDON (UNITED KINGDOM)		100.00	100.00
PIATKUS BOOKS	LONDON (UNITED KINGDOM)		100.00	100.00
LAROUSSE MEXICO GROUP				
ÉDITIONS LAROUSSE MEXIQUE	MEXICO CITY (MEXICO)		100.00	100.00
DIFUSORA LAROUSSE MEXICO (formerly ALIANZA MEXICANA)	MEXICO CITY (MEXICO)		100.00	100.00
LAGARDÈRE ACTIVE				
LAGARDERE ACTIVE BROADCAST				
LAGARDÈRE ACTIVE	121 avenue de Malakoff - 75116 PARIS (FRANCE)	428 705 537	100.00	100.00
LAGARDERE ACTIVE BROADCAST	57 rue Grimaldi - 98000 MONACO	775 751 779	99.18	99.32
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	53.96	88.00
CERT	SAARBRUCK (GERMANY)		98.99	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
DEMD PRODUCTIONS	27 rue Marbeuf - 75008 PARIS (FRANCE)	377 608 377	66.20	100.00
ÉDITIONS MUSICALES FRANCOIS 1er	14 rue Pergolèse - 75016 Paris (FRANCE)	381 649 771	66.27	100.00
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 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
FINANCIÈRE DES TOURNELLES	28 rue François 1er - 75008 PARIS (FRANCE)	443 020 250	52.96	80.00
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 - 75 016 PARIS (FRANCE)	334 027 620	66.20	100.00
IMAGES ET SON CONSEIL	57 rue Grimaldi - 98000 MONACO		99.18	100.00
JEUNESSE INTERACTIVE	12 rue d'Oradour sur Glane - 75015 PARIS (FRANCE)	491 848 222	81.48	100.00
LAGARDÈRE ACTIVE FM	28 rue François 1er - 75008 PARIS (FRANCE)	441 942 760	99.18	100.00
LAGARDÈRE ACTIVE MANAGEMENT	28 rue François 1er - 75008 PARIS (FRANCE)	353 057 854	99.18	100.00
LAGARDÈRE ACTIVE PUBLICITÉ	28 rue François 1er - 75008 PARIS (FRANCE)	383 085 883	99.18	100.00
LAGARDÈRE ACTIVE PUBLICITÉ RÉGIONS	28 rue François 1er - 75008 PARIS (FRANCE)	329 209 993	99.18	100.00
LAGARDÈRE ACTIVE PUBLICITÉ SERVICES	31 rue du Colisée - 75008 PARIS (FRANCE)	443 001 805	99.18	100.00
LAGARDÈRE ACTIVE TV	28 rue François 1er - 75008 PARIS (FRANCE)	334 595 881	64.47	65.00
LAGARDÈRE IMAGES (formerly EUROPE AUDIOVISUEL)	26 bis rue François 1er - 75008 PARIS (FRANCE)	309 001 477	66.20	100.00
LAGARDÈRE IMAGES INTERNATIONAL	1 rond-point Victor Hugo - 92130 ISSY-LES-MOULINEAUX (FRANCE)	612 039 164	66.20	100.00
LAGARDERE THÉMATIQUES	32 rue François 1er - 75008 PARIS (FRANCE)	350 787 594	81.48	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LÉO VISION	27 rue Jean Bleuzen - 92170 VANVES (FRANCE)	383 160 942	66.20	100.00
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
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
MEZZO	28 rue François 1er - 75008 PARIS (FRANCE)	418 141 685	48.89	60.00
PERFORMANCES	28 rue François 1er - 75008 PARIS (FRANCE)	327 655 551	99.18	100.00
PROMOTION ET SPECTACLES D'EUROPE 1	26 bis rue François 1er - 75008 PARIS (FRANCE)	632 042 495	99.08	100.00
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 ENTREPRISES	28 rue François 1er - 75008 PARIS (FRANCE)	405 188 871	99.18	100.00
RMI FM	POZNAN (POLAND)		99.18	100.00
TIMOON ANIMATION	4 place de Brazzavile - 75 015 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
VIRGIN MEGA	52 avenue des Champs-Élysées - 75008 PARIS (FRANCE)	432 573 806	100.00	100.00
LARI INTERNATIONAL GROUP				
LAGARDÈRE ACTIVE RADIO INTERNATIONAL	28 rue François 1er - 75008 PARIS (FRANCE)	388 404 717	99.18	100.00
AD POINT	WARSAW (POLAND)		99.18	100.00
AVA PRESS (MÉLODIA SAINT-PETERSBURG UKV)	SAINT-PETERSBURG (RUSSIA)		99.18	100.00
EDI POLOGNE	28 rue François 1er - 75008 PARIS (FRANCE)	420 304 180	99.18	100.00
EDI ROMANIA	BUCHAREST (ROMANIA)		97.50	98.31
EKBY (MÉLODIA SAINT-PETERSBURG FM)	SAINT-PETERSBURG (RUSSIA)		99.18	100.00
EUROPA MÉDIA GROUPE	MOSCOW (RUSSIA)		99.18	100.00
EUROPA PLUS FRANCE	26 bis rue François 1er - 75008 PARIS (FRANCE)	354 076 176	99.18	100.00
EUROPE 2 PRAGUE	PRAGUE (CZECH REPUBLIC)		99.18	100.00
EUROPE DEVELOPPEMENT CZECH REPUBLIC	PRAGUE (CZECH REPUBLIC)		99.18	100.00
EUROZET	WARSAW (POLAND)		99.18	100.00
FM HOLDING	MOSCOW (RUSSIA)		99.18	100.00
FORWARD-MÉDIA	BRATISLAVA (SLOVAKIA)		99.18	100.00
FRANKFURT BUSINESS RADIO GmbH	FRANKFURT-AM-MAIN (GERMANY)		66.61	67.27
INFINITIV	PRAGUE (CZECH REPUBLIC)		99.18	100.00
KANOKO BV	AMSTERDAM (THE NETHERLANDS)		99.18	100.00
LARI DEUTSCHLAND GmbH	SAARBRUCK (GERMANY)		99.18	100.00
MUZYKA JAZZ RADIO	WARSAW (POLAND)		99.18	100.00
NOVOE PODMOSKOVYE	MOSCOW (RUSSIA)		99.18	100.00
OKEY RADIO	BRATISLAVA (SLOVAKIA)		50.58	51.00
PUH HITT	WARSAW (POLAND)		99.18	100.00
PUH HITT BIELSKO	WARSAW (POLAND)		99.18	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 LAS VEGAS	WARSAW (POLAND)		99.18	100.00
RADIO MERCHANDISING COMPANY	PRAGUE (CZECH REPUBLIC)		99.18	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
RADIO PLUS POLSKA	WARSAW (POLAND)		79.34	80.00
RADIO PLUS POLSKA ZACHOD	WARSAW (POLAND)		63.47	80.00
RADIO POGODA	LODZ (POLAND)		99.18	100.00
RADIO RÉGION (MELODIA MOSCOW)	MOSCOW (RUSSIA)		99.18	100.00
RADIO SBB RODLO	WARSAW (POLAND)		99.18	100.00
RADIO STACJA	WARSAW (POLAND)		99.18	100.00
RADIO WARMIA MAZURY	WARSAW (POLAND)		99.18	100.00
RADIO WARTA	WARSAW (POLAND)		99.18	100.00
RADIOZET	WARSAW (POLAND)		99.18	100.00
RG FREKVENCE 1	PRAGUE (CZECH REPUBLIC)		99.18	100.00
RRM BUCAREST	BUCHAREST (ROMANIA)		99.18	100.00
RRM PRAGUE	PRAGUE (CZECH REPUBLIC)		99.18	100.00
RRM SLOVAKIA	BRATISLAVA (SLOVAKIA)		99.18	100.00
SAC (RADIO 7)	MOSCOW (RUSSIA)		99.18	100.00
SPECTRUM FM	WARSAW (POLAND)		99.18	100.00
SPOLKA PRODUCENCKA PLUS POLSKA	WARSAW (POLAND)		89.06	100.00
STUDIO ZET	WARSAW (POLAND)		99.18	100.00
EUROPA PLUS ZAO GROUP				
EUROPA PLUS ZAO	MOSCOW (RUSSIA)		99.18	100.00
EUROPA PLUS NIJNI NOVGOROD	NIJNI NOVGOROD (RUSSIA)		99.18	100.00
EUROPA PLUS SAINT-PETERSBOURG ZAO	SAINT-PETERSBURG (RUSSIA)		97.20	100.00
EUROPA PLUS VYBORG	VIBORG (RUSSIA)		84.30	85.00
INTEGRATED NETWORKS	MOSCOW (RUSSIA)		50.58	51.00
LAROCCO GROUP	MOSCOW (RUSSIA)		99.18	100.00
MEDIA PLUS REGION	MOSCOW (RUSSIA)		50.58	51.00
MEDIA PLUS ZAO	MOSCOW (RUSSIA)		99.18	100.00
MMT	MOSCOW (RUSSIA)		50.58	51.00
OMEGA	MOSCOW (RUSSIA)		99.18	100.00
RADIO FM	MOSCOW (RUSSIA)		99.18	100.00
RADIO FM SAINT-PÉTERSBOURG	SAINT-PETERSBURG (RUSSIA)		97.19	100.00
RADIO RÉTRO ZAO	MOSCOW (RUSSIA)		99.18	100.00
RADIO VOLNA	EKATERINBURG (RUSSIA)		50.58	51.00
RÉTRO NOVOSIBIRSK	NOVOSIBIRSK (RUSSIA)		50.58	51.00
LAGARDÈRE ACTIVE BROADBAND				
LAGARDÈRE ACTIVE BROADBAND	43 - 45 avenue Victor Hugo - 93534 AUBERVILLIERS (FRANCE)	343 611 208	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
LAGARDÈRE ACTIVE BROADBAND MANAGEMENT	43 - 45 avenue Victor Hugo - 93534 AUBERVILLIERS (FRANCE)	420 442 428	100.00	100.00
LANA	NEW YORK (USA)		100.00	100.00
LEGION UK	LONDON (UNITED KINGDOM)		100.00	100.00
LAGARDÈRE ACTIVE PRESS				
HACHETTE FILIPACCHI MÉDIAS	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	100.00
BEIJING HACHETTE ADVERTISING	HONG KONG (CHINA)		99.97	100.00
COMPAGNIE IMMOBILIÈRE EUROPA	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	407 662 329	99.98	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
COMPAGNIE INTERNATIONALE DE PRESSE ET DE PUBLICITÉ (CIPP)	MONTE-CARLO (MONACO)		50.98	51.00
COMUNICACION Y PUBLICACIONES	BARCELONA (SPAIN)		99.15	100.00
DIVERSIFIED MEDIA COMPANY LTD	NICOSIA (CYPRUS)		50.98	75.00
EBS MEDIA COMPETENCE	AMSTERDAM (THE NETHERLANDS)		72.52	100.00
ECEP	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	300 938 826	99.97	100.00
ÉDITIONS HD	MINA EL HOSN (LEBANON)		50.98	51.00
EDITORAS DE REVISTAS Y SUPLEMENTOS SL	MADRID (SPAIN)		99.97	100.00
FEPUK LTD	LONDON (UNITED KINGDOM)		99.97	100.00
FENGISTONE HOLDING LTD	NICOSIA (CYPRUS)		50.98	100.00
FRANCE-CANADA ÉDITIONS ET PUBLICATIONS	MONTREAL (CANADA)		99.97	100.00
HACHETTE ÉDITION VENTURES	BRUSSELS (BELGIUM)		50.98	51.00
HACHETTE FILIPACCHI SA	MADRID (SPAIN)		99.11	99.14
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 DUTCH TRADEMARK HOLDING BV	AMSTERDAM (THE NETHERLANDS)		99.97	100.00
HACHETTE FILIPACCHI EXPANSION	MEXICO CITY (MEXICO)		51.00	51.00
HACHETTE FILIPACCHI FILMS	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 MAGAZINES	NEW YORK (USA)		99.97	100.00
HACHETTE FILIPACCHI NETHERLANDS (formerly HACHETTE MAGAZINE VDB)	AMSTERDAM (THE NETHERLANDS)		96.70	96.70
HACHETTE FILIPACCHI PRESSE FINANCES	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	410 208 136	99.97	100.00
HACHETTE FILIPACCHI PRESSE POLSKA HOLDING	WARSAW (POLAND)		99.97	100.00
HACHETTE FILIPACCHI PRESSE UKRAINE	KIEV (UKRAINE)		50.98	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 RUSCONI EDITORE	MILAN (ITALY)		100.00	100.00
HACHETTE RUSCONI INREACTIF	MILAN (ITALY)		100.00	100.00
HACHETTE RUSCONI PUBBLICITA	MILAN (ITALY)		100.00	100.00
ID GROUPE	78 rue du Docteur Bauer, 93400 SAINT-OUEN (FRANCE)	425 059 987	99.97	100.00
INFOBEBES (formerly OSIRIS)	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	328 349 519	99.97	100.00
INTERDECO	23 rue Baudin - 92300 LEVALLOIS-PERRET (FRANCE)	345 404 040	99.97	100.00
INTERDECO GLOBAL ADVERTISING SRO	PRAGUE (CZECH REPUBLIC)		50.98	100.00
INTERDECO MARKETING SERVICES	23 rue Baudin - 92300 LEVALLOIS-PERRET (FRANCE)	435 311 097	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
JUMPSTART AUTOMOTIVE MEDIA	SAN FRANCISCO (CALIFORNIA - USA)		99.97	100.00
LAGARDÈRE ACTIVE DIGITAL	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	497 909 051	100.00	100.00
LAGARDÈRE ACTIVE PUBLICITÉ INTERNET	28 rue François 1er - 75008 PARIS (FRANCE)	407 529 320	99.97	100.00
LAGARDÈRE CUSTOM PUBLISHING	23 rue Baudin - 92300 LEVALLOIS-PERRET (FRANCE)	442 210 670	99.97	100.00
LAGARDÈRE DIGITAL France (formerly THOTNET)	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	433 934 312	100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE GLOBAL ADVERTISING (formerly INTERDECO GLOBAL ADVERTISING)	23 rue Baudin - 92300 LEVALLOIS-PERRET (FRANCE)	350 277 059	99.72	99.88
LES AGENCES TV SEAP (formerly SEAP)	7 - 9 rue de la Bourse - 75002 PARIS (FRANCE)	391 817 467	99.97	100.00
LES ÉDITIONS FILIPACCHI	151 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	712 003 516	99.97	100.00
MAISON D'ÉDITION HFS	MOSCOW (RUSSIA)		50.98	100.00
MÉTROPOLE MÉDIA PRESSE	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	424 798 577	99.97	100.00
MONTREUX PUBLICATIONS	MONTREUX (SWITZERLAND)		50.09	51.10
MULTIEDICIONES UNIVERSALES	MADRID (SPAIN)		99.97	100.00
NOUVEAU MAGAZINE SRL	MILAN (ITALY)		100.00	100.00
PRESSINTER	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	407 679 026	99.96	100.00
PUBLICACIONES HACHETTE FILIPACCHI	MADRID (SPAIN)		99.97	100.00
PUBLICATIONS FRANCE MONDE	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	562 113 787	99.94	99.97
PUBLICATIONS GROUPE LOISIRS (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	100.00
REVISTAS HISPANO AMERICANAS	MADRID (SPAIN)		99.11	100.00
SOCIÉTÉ DE CONCEPTION DE PRESSE ET D'ÉDITION (SCPE)	149 - 151 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	431 876 499	87.97	88.00
SOCIÉTÉ DE PRESSE FÉMININE	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	441 174 554	50.00	50.00
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
SOGIDE	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	311 845 226	59.98	60.00
NEXTEDIA GROUP				
NEXTEDIA	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	483 962 361	100.00	100.00
ADDVISEMÉDIA	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	450 040 951	100.00	100.00
ADOC	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	403 028 616	100.00	100.00
BONNIE & CLYDE	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	483 494 498	60.00	60.00
CROSSVALUE	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	431 364 306	100.00	100.00
IMERGENCE	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	484 961 313	100.00	100.00
NEXTEDIA TUNIS	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	3 902 661	100.00	100.00
ONE RÉFÉRENCEMENT	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	448 134 015	100.00	100.00
POP OF THE COM	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	490 472 883	51.00	51.00
UN SOIXANTE DIX SEPT	5 rue Jules Lefebvre - 75009 PARIS (FRANCE)	484 903 182	100.00	100.00
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
IMG GROUP				
INTER MEDIA GROUP	MOSCOW (RUSSIA)		43.35	85.00
ANTENNA-KAZAKSTAN	ALMA-ATI (KAZAKSTAN)		22.10	51.00
ANTENNA-MINSK	MINSK (RUSSIA)		23.83	55.00
ANTENNA-VORONEZH	VORONEZH (RUSSIA)		22.10	51.00
CHOP MIG MOSCOW	MOSCOW (RUSSIA)		43.33	100.00
EDITORIAL OFFICE OF NEWSPAPER ANTENNA	MOSCOW (RUSSIA)		47.16	100.00
EXPRESS-SOCTCHI	SOCTCHI (RUSSIA)		22.10	57.00
GAZETA TELESEM-MAGNITOGORSK	MAGNITOGORSK (RUSSIA)		22.10	51.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
IMG-KICHINEV	KICHINEV (MOLDAVIA)		43.33	100.00
IMG PERM	PERM (RUSSIA)		30.33	70.00
IMG-SIBIR	SIBIR (RUSSIA)		28.60	66.00
IMG URAL (formerly GAZETA TELENEDELYA)-EKATERINBURG	EKATERINBURG (RUSSIA)		43.33	100.00
IMG-VOLGA	VOLGA (RUSSIA)		36.83	85.00
MEDIA RESERVE-CHISINAU	CHISINAU (RUSSIA)		22.10	51.00
MEDIA RESERVE-KURSK	KURSK (RUSSIA)		43.33	100.00
MEDIA RESERVE-RYAZAN	RYAZAN (RUSSIA)		29.90	69.00
MEDIA RESERVE-SOCTCHI	SOCTCHI (RUSSIA)		43.33	100.00
MEDIA RESERVE-VLADIMIR	VLADIMIR (RUSSIA)		43.33	100.00
MEDIA RESERVE-VOLGOGRAD	VOLGOGRAD (RUSSIA)		43.33	100.00
RG PRESS-SERVICE	EKATERINBURG (RUSSIA)		43.33	100.00
EDITORIAL OFFICE TELESEM	ASTRAKHAN (RUSSIA)		22.10	51.00
TELESEM-ASTRAKHANI	ASTRAKHAN (RUSSIA)		43.33	100.00
TELESEM-BARNAUD	BARNAUD (RUSSIA)		28.60	100.00
TELESEM-CHEBOKSARAKH	CHEBOKSARY (RUSSIA)		26.96	90.00
TELESEM-CHELIABINSK	CHELIABINSK (RUSSIA)		35.97	83.00
TELESEM-LIPETSK	LIPETSK (RUSSIA)		22.10	51.00
TELESEM-NOVOKUZNETSK	NOVOKUZNETSK (RUSSIA)		43.33	100.00
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-ROSTOV	ROSTOV (RUSSIA)		43.33	100.00
TELESEM-RYAZAN	RYAZAN (RUSSIA)		22.10	51.00
TELESEM-SAINT-PETERSBURG	SAINT-PETERSBURG (RUSSIA)		26.00	51.00
TELESEM-SAMARA	SAMARA (RUSSIA)		21.67	50.00
TELESEM-SARANSK	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-TULA	TULA (RUSSIA)		43.33	100.00
TELESEM-TVERI	TVERI (RUSSIA)		22.10	51.00
TELESEM-TYUMEN	TYUMEN (RUSSIA)		22.10	51.00
TELESEM-UFE	UFE (RUSSIA)		22.10	51.00
TELESEM-ULIANOVSK	ULIANOVSK (RUSSIA)		28.17	65.00
TELESEM-VLADIVOSTOK	VLADIVOSTOK (RUSSIA)		14.59	51.00
TELESEM-VOLGOGRAD	VOLGOGRAD (RUSSIA)		42.90	99.00
TELESEM-YAROSLAVI	YAROSLAVI (RUSSIA)		43.33	100.00
TELESEM-NOVOSIBIRSK	NOVOSIBIRSK (RUSSIA)		28.60	66.00
TELESEM-VLADIMIR	VLADIMIR (RUSSIA)		32.50	75.00
TELESEM-VORONEZH	VORONEZH (RUSSIA)		43.33	100.00
VA-BANK-KAZAN	KAZAN (RUSSIA)		22.10	51.00
VA-BANK-NOVOSIBIRSK	NOVOSIBIRSK (RUSSIA)		43.33	100.00
VA-BANK-PERM	PERM (RUSSIA)		33.37	77.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE SERVICES				
LAGARDÈRE SERVICES	2 rue Lord Byron - 75008 PARIS (FRANCE)	330 814 732	100.00	100.00
ADL PARTNER SUISSE	CAROUGE (SWITZERLAND)		65.00	100.00
AELIA	114 avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE (FRANCE)	380 253 518	84.49	84.49
AELIA POLSKA	WARSZAW (POLAND)		87.59	100.00
AELIA UK	LONDON (UNITED KINGDOM)		84.49	100.00
AÉROBOUTIQUE FRANCE	114 avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE (FRANCE)	380 193 938	84.49	100.00
AÉROBOUTIQUE INFLIGHT RETAIL	ZAC du Parc 12 rue Saint Exupéry - 77290 COMPANS (FRANCE)	408 053 809	55.56	65.76
AÉROBOUTIQUE INFLIGHT RETAIL ESPANA	MADRID (SPAIN)		55.56	100.00
AÉROBOUTIQUE INFLIGHT RETAIL NEDERLAND	AMSTERDAM (THE NETHERLANDS)		55.56	100.00
AÉROBOUTIQUE INFLIGHT RETAIL UK	LONDON (UNITED KINGDOM)		55.56	100.00
AÉROBOUTIQUE RETAIL GROUP	LONDON (UNITED KINGDOM)		41.67	75.00
AÉROBOUTIQUE SALES GROUP	CASABLANCA (MOROCCO)		44.45	80.00
AMADEO	PRAGUE (CZECH REPUBLIC)		100.00	100.00
AMP	BRUSSELS (BELGIUM)		99.73	99.74
ALVADIS	BRUSSELS (BELGIUM)		100.00	100.00
CHAUSSEM	BRUSSELS (BELGIUM)		100.00	100.00
CURTIS CIRCULATION COMPANY	PENNSAUKEN (USA)		90.00	90.00
DISTRIDIJLE	MALINES (BELGIUM)		100.00	100.00
LPA TRANSPORT (formerly DISTRILIM-LPA)	HASSELT (BELGIUM)		100.00	100.00
DISTRISUD	LIEGE (BELGIUM)		100.00	100.00
DISTRIVESDRE	VERVIERS (BELGIUM)		100.00	100.00
DISTRIWEST NV	REKKEM (BELGIUM)		100.00	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
FERS	WIESBADEN (GERMANY)		99.60	100.00
HACHETTE DISTRIBUTION SERVICES	BRUSSELS (BELGIUM)		100.00	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 INMEDIO ROMANIA	BUCHAREST (ROMANIA)		75.00	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	66.67
HORESA	CAROUGE (SWITZERLAND)		65.00	100.00
IBD	OSTENDE (BELGIUM)		100.00	100.00
LE FURET DU NORD	37 rue Jules Guesde - 59160 LOMME (FRANCE)	459 500 864	99.92	99.99
MEDICOM SANTE	126 rue Jules Guesde - 92300 LEVALLOIS-PERRET (FRANCE)	451 199 947	51.00	51.00
M. TRAFIK	PRAGUE (CZECH REPUBLIC)		100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
MUSIC RAILWAY	52 avenue des Champs-Élysées - 75008 PARIS (FRANCE)	414 434 431	100.00	100.00
NAVILLE	CAROUGE (SWITZERLAND)		64.99	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
PHÉNIX AELIA PARTENAIRE	114 avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE (FRANCE)	447 571 019	52.17	100.00
PRESSE IMPORT SA	CORMINBOEUF (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)		81.74	81.75
RELAIS H	126 rue Jules Guesde - 92300 LEVALLOIS-PERRET (FRANCE)	542 095 336	100.00	100.00
SCSC	126 rue Jules Guesde - 92300 LEVALLOIS-PERRET (FRANCE)	431 960 004	100.00	100.00
SECJ	126 rue Jules Guesde - 92300 LEVALLOIS-PERRET (FRANCE)	447 707 571	60.00	60.00
SIGMA	MADRID (SPAIN)		100.00	100.00
SOCIEDAD GENERAL ESPAÑOLA DE LIBRERIA (SGEL)	MADRID (SPAIN)		100.00	100.00
TIZZIT	BRUSSELS (BELGIUM)		99.73	100.00
VIRGIN CAFÉ	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 BELGIUM	BRUSSELS (BELGIUM)		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
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
LAGARDÈRE SPORTS				
LAGARDÈRE SPORTS	121 avenue de Malakoff - 75116 PARIS (FRANCE)	453 759 078	100.00	100.00
SPORTFIVE GROUP				
SPORTFIVE SA	70 - 72 rue du Gouverneur Général Eboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	873 803 456	100.00	100.00
ACTIVE SPORTS MARKETING	LONDON (UNITED KINGDOM)		100.00	100.00
BATAILLE PRODUCTION	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	350 857 686	100.00	100.00
BERMITZ SPORTS ADVERTISING	LONDON (UNITED KINGDOM)		100.00	100.00
FOOTBALL France PROMOTION	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	324 592 674	100.00	100.00
FOOTBALL IVOIRE PROMOTION	ABIDJAN (COTE D'IVOIRE)		99.00	99.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
FOX SPORTS	LONDON (UNITED KINGDOM)		100.00	100.00
GIE GDL	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	428 857 171	100.00	100.00
INTERNATIONAL SPORTS MEDIA	MELBOURNE (AUSTRALIA)		100.00	100.00
ISPR	HAMBURG (GERMANY)		100.00	100.00
ISPR NORDIC	STOCKHOLM (SWEDEN)		100.00	100.00
JOHO SERVICE	AMSTERDAM (THE NETHERLANDS)		100.00	100.00
MEDIA FOOT BELGIQUE	BRUSSELS (BELGIUM)		99.87	99.87
MULTIMEDIA GLOBAL FINANCE	LUXEMBOURG (LUXEMBOURG)		100.00	100.00
RC&A SPORTS MANAGEMENT	LONDON (UNITED KINGDOM)		100.00	100.00
SOCIETE D'EXPLOITATION DE DROITS SPORTIFS (S.E.D.S.)	70 - 72 rue du Gouverneur Général Eboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	349 658 336	100.00	100.00
SPONSORMATIC	COPENHAGEN (DENMARK)		100.00	100.00
SPORTFIVE GmbH	COLOGNE (GERMANY)		100.00	100.00
SPORTFIVE GmbH & Co. KG	COLOGNE (GERMANY)		100.00	100.00
SPORTFIVE Sp.	WARSAW (POLAND)		100.00	100.00
SPORTFIVE ARGENTINA	BUENOS AIRES (ARGENTINA)		100.00	100.00
SPORTFIVE ASIA Sdn.	KUALA LUMPUR (MALAYSIA)		100.00	100.00
SPORTFIVE IBERIA	BARCELONA (SPAIN)		100.00	100.00
SPORTFIVE INTERMEDIATE GmbH	COLOGNE (GERMANY)		100.00	100.00
SPORTFIVE INTERNATIONAL	GENEVE (SWITZERLAND)		100.00	100.00
SPORTFIVE INTERNATIONAL Ltd	LONDON (UNITED KINGDOM)		100.00	100.00
SPORTFIVE ITALY	TURIN (ITALY)		100.00	100.00
SPORTFIVE FINANCIAL SERVICES GmbH	COLOGNE (GERMANY)		100.00	100.00
SPORTFIVE MALAYSIA Sdn.	KUALA LUMPUR (MALAYSIA)		100.00	100.00
SPORTFIVE MARKETING ESPORTIVO	RIO DE JANEIRO (BRAZIL)		100.00	100.00
SPORTFIVE TENNIS	70 - 72 rue du Gouverneur Général Éboué 92130 ISSY-LES-MOULINEAUX (FRANCE)	321 500 803	100.00	100.00
SPORTFIVE TURKEY	ISTAMBUL (TURKEY)		100.00	100.00
SPORTFIVE USA	LOS ANGELES (USA)		100.00	100.00
SPORTFIVE VERWALTUNGS GmbH	COLOGNE (GERMANY)		100.00	100.00
SPORTS RIGHT ACQUISITIONS BV	AMSTERDAM (THE NETHERLANDS)		100.00	100.00
SPORTS RIGHT ACQUISITIONS UK	LONDON (UNITED KINGDOM)		100.00	100.00
IEC GROUP				
IEC INVESTMENTS AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC HOLDING AB	STOCKHOLM (SWEDEN)		100.00	100.00
IEC IN SPORTS INTERNAL EVENTS AND COMMUNICATION	STOCKHOLM (SWEDEN)		100.00	100.00
IEC LAUSANNE	LAUSANNE (SWITZERLAND)		100.00	100.00
OTHER ACTIVITIES				
LAGARDÈRE SCA	4 rue de Presbourg - 75116 PARIS (FRANCE)	320 366 446	100.00	100.00
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
DÉSIRADE	121 avenue de Malakoff - 75116 PARIS (FRANCE)	402 345 268	100.00	100.00
ÉCRINVEST 4	121 avenue de Malakoff - 75116 PARIS (FRANCE)	434 211 793	100.00	100.00
ÉCRINVEST 7	121 avenue de Malakoff - 75116 PARIS (FRANCE)	451 291 371	100.00	100.00

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
ÉDIFINANCE PARTICIPATIONS	121 avenue de Malakoff - 75116 PARIS (FRANCE)	440 143 741	100.00	100.00
FINANCIÈRE DE PICHAT	6 rue Laurent Pichat - 75116 PARIS (FRANCE)	315 782 490	100.00	100.00
FINANCIÈRE DE PICHAT ET CIE	6 rue Laurent Pichat - 75116 PARIS (FRANCE)	320 366 453	100.00	100.00
HACHETTE SA	4 rue de Presbourg - 75116 PARIS (FRANCE)	402 345 128	100.00	100.00
HÉLIOS	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 MANAGEMENT, Inc	NEW YORK (USA)		100.00	100.00
LAGARDÈRE NORTH AMERICA, Inc	NEW YORK (USA)		100.00	100.00
LAGARDÈRE PARIS RACING RESSOURCES (formerly NOUVEL ÉLAN CROIX CATELAN)	121 avenue de Malakoff - 75116 PARIS (FRANCE)	433 565 819	100.00	100.00
LAGARDÈRE RESSOURCES	121 avenue de Malakoff - 75116 PARIS (FRANCE)	348 991 167	100.00	100.00
LAGARDÈRE UK	LONDON (UNITED KINGDOM)		100.00	100.00
LONA	121 avenue de Malakoff - 75116 PARIS (FRANCE)	491 036 273	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	100.00
MP 98	121 avenue de Malakoff - 75116 PARIS (FRANCE)	387 941 636	99.41	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
NEWSWEB	34 avenue Berbard Palissy - 92210 SAINT-CLOUD (FRANCE)	424 905 172	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 equity method at 31 December 2007

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
LAGARDÈRE PUBLISHING				
ALLIANCE DISTRIBUTION SERVICES PTY LTD	TUGGERA (AUSTRALIA)		50.00	50.00
ÉDITIONS J'AI LU	87 quai Panhard et Levassor - 75013 PARIS (FRANCE)	582 039 673	35.33	35.33
HARLEQUIN SA	83 - 85 boulevard Vincent Auriol - 75013 PARIS (FRANCE)	318 671 591	50.00	50.00
LAGARDÈRE ACTIVE				
LAGARDERE ACTIVE BROADCAST				
CAPITAL IMAGE	64 rue du Château - 92100 BOULOGNE BILLANCOURT (FRANCE)	453 909 848	33.10	50.00
EUROPE RÉGIES OUEST	16 avenue Henry Fréville - 35200 RENNES (FRANCE)	410 666 150	48.60	49.00
GULLI	12 rue d'Oradour sur Glane - 75015 PARIS (FRANCE)	480 937 184	42.55	50.00
NOUVELLES TÉLÉVISONS NUMÉRIQUES	28 rue François 1er - 75008 PARIS (FRANCE)	449 779 487	25.79	40.00
PHARE OUEST PRODUCTIONS	14 rue Pergolèse - 75116 PARIS (FRANCE)	449 491 166	33.10	50.00
LARI INTERNATIONAL GROUP				
107.8 ANTENNE AC GmbH	WURSELEN (GERMANY)		50.72	49.00
107.8 ANTENNE AC GmbH & Co. KG	WURSELEN (GERMANY)		50.72	49.00
EURO RADIO SAAR	SAARBRUCK (GERMANY)		50.72	49.00
JACARANDA	CENTURION (SOUTH AFRICA)		19.84	20.00
MAX LOYD	PRAGUE (CZECH REPUBLIC)		33.99	34.00
RADIO XXI	BUCHAREST (ROMANIA)		19.84	20.00
RADIO 3000	EUPEN (BELGIUM)		24.85	49.00
RADMARK	RIVOGNA (SOUTH AFRICA)		29.75	50.03
LAGARDERE ACTIVE BROADBAND				
CANAL+ FRANCE	1 place du Spectacle - 92130 ISSY LES MOULINEAUX (FRANCE)	421 345 695	20.00	20.00
CELLFISH MEDIA LLC	NEW YORK (USA)		56.18	25.00
OEE Ltd	LONDON (UNITED KINGDOM)		25.37	25.37
LE MONDE INTERACTIF	16 - 18 quai de la Loire - 75019 PARIS (FRANCE)	419 388 673	34.00	34.00
LAGARDÈRE ACTIVE PRESS				
BAYARD HACHETTE ROUTAGE (BHR)	Parc de Pontillat - 77340 PONTAULT-COMBAULT (FRANCE)	326 966 660	49.97	49.99
DECOREVISTAS	MADRID (SPAIN)		49.99	50.00
DISNEY HACHETTE PRESSE	10 rue Thierry Le Luron - 92300 LEVALLOIS-PERRET (FRANCE)	380254763	49.99	50.00
ÉDITIONS PHILIPPE AMAURY	25 avenue Michelet - 93400 SAINT-OUEN (FRANCE)	552 102 121	24.99	25.00
ELLE VERLAG	MUNICH (GERMANY)		49.99	50.00
GRIMOCO	CYPRUS		25.00	50.00
GUTS	99 - 103 rue de Sèvres - 75008 PARIS (FRANCE)	399 391 879	50.00	50.00
HACHETTE EIN'S MEDIAS (formerly HACHETTE NEXT MEDIA)	SOUTH (SOUTH KOREA)		49.99	50.00
HACHETTE FILIPACCHI AUSTRALIA (1)	SIDNEY (AUSTRALIA)		99.97	100.00
HACHETTE FILIPACCHI MAGAZINE SP	WARSAW (POLAND)		49.00	49.00
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 MAGAZINE	GERAKAS - ATTICA (GREECE)		24.99	50.00
HAFIBA	11 rue de Rouvray - 92200 NEUILLY-SUR-SEINE (FRANCE)	410 476 592	49.98	49.99

(1) In liquidation

COMPANY	HEAD OFFICE	REGISTRATION NUMBER	% HOLDING	% CONTROL
HMC ITALIA (formerly HACHETTE MARIE CLAIRE ITALIA)	MILAN (ITALY)		49.00	49.00
HOLDING E PROUVOST	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)		41.99	42.00
HS 24	MILAN (ITALY)		49.99	50.00
INTERQUOT	23 rue Baudin - 92300 LEVALLOIS-PERRET (FRANCE)	439 758 509	50.00	50.00
LES PUBLICATIONS TRANSCONTINENTALES HACHETTE	MONTREAL (CANADA)		49.99	50.00
S.E.T.C.	48 - 50 boulevard Senard - 92210 SAINT-CLOUD (FRANCE)	378 558 779	39.29	39.31
SELMA	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	483 068 441	73.98	49.00
SOCIÉTÉ FRANÇAISE D'ÉDITIONS DE JOURNAUX ET D'IMPRIMÉS COMMERCIAUX (SFEJIC)	25 avenue du Président Kennedy - 68000 MULHOUSE	945 750 735	20.01	20.01
ZAO HMCR (formerly HACHETTE MARIE CLAIRE RUSSIE)	MOSCOW (RUSSIA)		24.99	49.00
PSYCHOLOGIE MAGAZINE GROUP				
FINEV	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	326 929 528	49.00	49.00
INTERPSYCHO	149 rue Anatole France - 92300 LEVALLOIS-PERRET (FRANCE)	448 976 530	48.99	49.00
LAGARDÈRE SERVICES				
HUNGARO PRESSE	BUDAPEST (HUNGARY)		50.00	50.00
LOGAIR	4 place de Londres - 95726 ROISSY (FRANCE)	443 014 527	27.78	50.00
SOCIETE DE DISTRIBUTION AÉROPORTUAIRE	114 avenue Charles De Gaulle - 92200 NEUILLY-SUR-SEINE (FRANCE)	552 016 628	42.20	50.00
LAGARDÈRE SPORTS				
SPORTFIVE GROUP				
HSV-UFA STADIONMANAGEMENT & VERWALTUNGS	HAMBURG (GERMANY)		25.50	25.50
JUNIPER GROUP GmbH	BERLIN (GERMANY)		25.50	25.50
STADION FRANKFURT MANAGEMENT GmbH	FRANCFURT (GERMANY)		50.00	50.00
OTHER ACTIVITIES				
EADS GROUP (EADS and its subsidiaries)	AMSTERDAM (THE NETHERLANDS)		12.51	(1)
GLOBAL CAR SERVICES (formerly CVT)	121 avenue de Malakoff - 75016 PARIS (FRANCE)	304 233 406	50.00	50.00
SOGEADE	121 avenue de Malakoff - 75216 PARIS (FRANCE)	401 959 994	45.45	50.00

(1) Control as defined in the shareholders' agreement between Lagardère, Daimler and the French State.

Note 34 Consolidated financial statements for 2006 and 2005

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 160 to 291 of the French Reference Document for 2006, filed with the Autorité des Marchés Financiers (AMF) on 3 April 2007 under registration number D.07-0268.
- 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 2006 under registration number D.06-0207.

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 at 31 December 2007

6-4-1 Income statement

The simplified income statement is as follows:

(in millions of euros)	2007	2006
Operating revenues	13	13
Operating loss	(33)	(26)
Financial income (loss)	684	(13)
Earnings before tax and exceptional items	651	(39)
Exceptional profit	93	178
Income tax gain	89	80
Net profit	833	219

- The operating loss of €33 million for 2007 essentially resulted from operating costs incurred by the holding company. Operating revenues in 2007 and 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)	2007	2006
Interest income on marketable securities and other	28	14
Interest income on receivables and loans to subsidiaries	125	62
Interest on borrowings and other financing	(162)	(151)
Interest on perpetual subordinated notes 1992, less premium	(9)	(6)
Interest income (expenses)	**(18)**	**(81)**
Dividends received or to be received	711	72
Changes in provisions	–	26
Other	(9)	(30)
Financial income (loss)	**684**	**(13)**

Financial income for 2007 was a net gain of €684 million compared with a net loss of €13 million in 2006.

This is explained by the following factors:
- dividends received of €711 million, including €691 million from Désirade (the holding company for Lagardère's investment in EADS) and €15 million from Matra Manufacturing & Services; in 2006, dividends totalled €72 million, including €61 million from Désirade;
- a significant reduction in interest expenses (by €63 million), reflecting the differential between the net cost of loans contracted by Lagardère SCA and income consisting of amounts invoiced on financing to subsidiaries;
- in 2006, financial income included €20 million of expenses recorded in connection with the issue of Mandatory Exchangeable Bonds redeemable in EADS shares.

- Exceptional items generated a profit of €93 million for 2007, including a profit of €88 million related to cancellation of the 1992 perpetual subordinated notes and the corresponding premiums after their transfer to Lagardère SCA at 31 December 2007, in accordance with the issue contract.
- The €89 million income tax gain for 2007 was generated primarily by tax consolidation as in previous years, and corresponds to taxes paid by tax consolidated subsidiaries in excess of the tax due by the whole tax consolidated group. At 31 December 2007, the Lagardère tax group still had a tax loss carryforward.

6-4-2 Balance sheet and cash flows

Assets		
(in millions of euros)	**31 Dec. 2007**	**31 Dec. 2006**
Fixed assets	6,802	6,299
Trade receivables and other	224	203
Group financing	5	–
Cash and cash equivalents	37	716
Total assets	**7,068**	**7,218**

Liabilities and shareholders' equity		
(in millions of euros)	**31 Dec. 2007**	**31 Dec. 2006**
Shareholders' equity	3,059	2,879
Other permanent funds	–	–
Provisions for risks and liabilities	134	111
Borrowings	3,802	4,158
Short-term bank loans	1	1
Other liabilities	72	69
Total liabilities and shareholders' equity	**7,068**	**7,218**

Cash provided by operating activities amounted to €738 million for 2007, including €711 million of dividends received.

Net cash of €1,214 million was used in investing activities, including a €908 million increase in loans to Group subsidiaries and €306 million for purchases of treasury shares (net of resales).

Cash used in financing activities amounted to €203 million in 2007, resulting from the following:

- dividends paid (–€163 million);
- redemption of the first tranche of Mandatory Exchangeable Bonds (–€664 million);
- a €600 million drawing on the 2005 syndicated loan;
- a €24 million increase in Group financing.

Cash and cash equivalents amounted to €36 million at 31 December 2007, €679 million less than the previous year.

On 25 April 2007, Lagardère SCA cancelled treasury shares, resulting in a €52 million reduction in the share capital and a €438 million reduction in share premiums.

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 up to 2006), were as follows:

(in millions of euros)	**31 Dec. 2007**	**31 Dec. 2006**
Net cash (indebtedness)	(3,761)	(3,443)

Net indebtedness increased by €318 million in 2007, mostly as a result of cash used in operating and investing activities (€476 million), dividends paid (€163 million), offset by the cancellation of the 1992 perpetual subordinated notes (–€287 million) and lower interest accrued on Mandatory Exchangeable Bonds (–€27 million).

6 - 5 Parent Company financial statements at 31 December 2007

Parent Company Balance Sheet at 31 December 2007

Assets				
(in millions of euros)	**31 Dec.2007 Gross**	**31 Dec.2007 Depreciation, amortization and provisions**	**31 Dec.2007 Net**	**31 Dec.2006 Net**
Tangible assets	–	–	–	–
Financial assets:				
- Investments in subsidiaries and affiliates	3,328	164	3,164	3,153
- Loans and advances to subsidiaries and affiliates	3,484	24	3,460	2,581
- Other long-term investments	184	6	178	373
- Loans	–	–	–	–
- Other financial items	–	–	–	192
Fixed assets	**6,996**	**194**	**6,802**	**6,299**
Trade receivables	–	–	–	–
Other receivables	180	2	178	181
Marketable securities	27	–	27	713
Cash and cash equivalents	10	–	10	3
Prepaid expenses	–	–	–	–
Current assets	**217**	**2**	**215**	**897**
Deferred charges	–	–	–	–
Translation adjustment	51	–	51	22
Total assets	**7,264**	**196**	**7,068**	**7,218**

Liabilities and shareholders' equity		
(in millions of euros)	**31 Dec.2007 Net**	**31 Dec.2006 Net**
Share capital	818	870
Share and other premiums	1,198	1,636
Reserves:		
- Legal reserve	87	87
- Tax regulated reserves	–	–
- Other reserves	31	31
Retained earnings	92	36
Net profit for the year	833	219
Shareholders' equity	**3,059**	**2,879**
Provisions for risks and liabilities	134	111
Special borrowings	–	287
Borrowings:		
- Bonds	2,069	2,757
- Bank loans	822	222
- Loans from subsidiaries and affiliates	911	893
Trade payables	15	23
Other payables	10	8
Deferred income	–	–
Translation adjustment	48	38
Total liabilities and shareholders' equity	**7,068**	**7,218**

Parent Company Income Statement for the year ended 31 December 2007

Income statement		
(in millions of euros)	**2007**	**2006**
Operating revenues	13	13
Operating expenses	(46)	(39)
Operating loss	**(33)**	**(26)**
Financial income	938	206
Financial expenses	(229)	(224)
Changes in provisions	(25)	5
Net financial income (loss)	**684**	**(13)**
Earnings before tax and exceptional items	**651**	**(39)**
Exceptional profit	**93**	**178**
Income tax gain	89	80
Net profit	**833**	**219**

Parent Company Statement of Cash Flows for the year ended 31 December 2007

(in millions of euros)	2007	2006
Net profit	833	219
Depreciation, amortization and provision expense (reversal)	16	(56)
Gain on disposals of fixed assets	(1)	(4)
Gain on redemption and cancellation of 1988 perpetual subordinated notes	–	(132)
Gain on cancellation of 1992 perpetual subordinated notes	(88)	–
Changes in working capital	(22)	86
Cash provided by operating activities	**738**	**113**
Acquisitions of long-term investments	(1,478)	(728)
Proceeds from disposals of long-term investments	45	37
Decrease in loans and receivables	219	74
Cash used in investing activities	**(1,214)**	**(617)**
Cash used in operating and investing activities	**(476)**	**(504)**
Dividends paid	(163)	(160)
Decrease in borrowings and financial liabilities	(664)	(391)
Capital increase	–	29
Increase in borrowings	600	1,992
Change in Group financing	24	(225)
Cash provided by (used in) financing activities	**(203)**	**1,245**
Change in net cash and cash equivalents	(679)	741
Cash and cash equivalents at beginning of the year	715	(26)
Cash and cash equivalents at end of the year	**36**	**715**

Notes to Parent Company financial statements at 31 December 2007

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 and loss.

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)

1 Fixed assets

Changes in the gross value of fixed assets were as follows:

	1 January 2007	Increase	Decrease	31 Dec. 2007
Tangible assets	–	–	–	–
Financial assets				
Investments in subsidiaries and affiliates and other long-term investments	3,694	358	540	3,512
Loans and advances to subsidiaries and affiliates	2,607	1,098	221	3,484
Other financial assets	192	7	199	–
Total fixed assets	**6,493**	**1,463**	**960**	**6,996**

Changes in depreciation, amortization and provisions for write-downs can be analysed as follows:

	1 January 2007	Increase	Decrease	31 Dec. 2007
Financial assets				
Investments in subsidiaries and affiliates and other long-term investments	168	6	4	170
Loans and advances to subsidiaries and affiliates	26	–	2	24
Total	**194**	**6**	**6**	**194**

2 Receivables

At 31 December 2007, the maturity of receivables was as follows:

	Gross	Due withing one year	Due after one year
Long-term receivables	3,484	204	3,280
Short-term receivables	180	56	124
Total	**3,664**	**260**	**3,404**

3 Marketable securities

	31 Dec. 2007	31 Dec. 2006
At cost	27	713
Provision for write-down	–	–
Net book value	27	713
Market value	27	725
Unrealised gains	**0**	**12**

4 Changes in shareholders' equity

Changes in shareholders' equity are analysed below:

	Share capital	Share premium and other reserves	Retained earnings	Profit for the year	Total
Shareholders' equity at 31 December 2006	870	1,754	36	219	2,879
Capital reduction(*)	(52)	(438)	–	–	(490)
Dividends paid	–	–	(163)	–	(163)
Allocation of net profit for 2006	–	–	219	(219)	0
Net profit for the year	–	–	–	833	833
Shareholders' equity at 31 December 2007	**818**	**1,316**	**92**	**833**	**3,059**

(*) On 25 April 2007, Lagardère cancelled 8,561,474 shares with total value of €490 million, and during the year 3,529 share subscription options were exercised by employees. Following these operations, the share capital comprised 134,133,286 shares with par value of €6.10.

5 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", and are adjusted annually.

The revaluation difference resulting from this adjustment in 2007 amounted to €7 million, included in financial income.

This loan matured on 31 December 2007, generating a profit of €88 million (the difference between the revalued premium as stated in the balance sheet assets and the value of the notes as stated in the liabilities). This profit is included in exceptional profit.

6 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 2007 amounted to €23 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 2007 amounted to €5 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 2007 amounted to €8 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 NV 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 2007 amounted to €94 million.

7 Maturities of liabilities

	31 December 2007	Due within one year	Due between one and five years	Due after five years
Bonds	2,069	901	1,168	–
Bank loans	822	72	750	–
Other debt	911	655	–	256
Trade and other payables	25	25	–	–
Total	**3,827**	**1,653**	**1,918**	**256**

8 Provisions

Type of provisions	1 January 2007	Increases	Reversals	31 Dec. 2007
Provisions for risks and charges	111	26	3	134
Sub-total	111	26	3	134
Provisions for write-downs				
- Investments	194	6	6	194
- Other	2	–	–	2
Sub-total	196	6	6	196
Total	**307**	**32**	**9**	**330**
Including increases and reversals				
- Relating to financial items		*31*	*6*	
- Relating to exceptional items		*1*	*3*	

9 Transactions with subsidiaries and affiliates (net values) – Balance sheet

	Assets		Liabilities
Financial assets	6,624	Borrowings	911
Short-term receivables	33	Trade and other payables	23
Other	51	Other	48

10 Transactions with subsidiaries and affiliates – Income statement

	Expenses		Revenues
Interest on loans	42	Income from subsidiaries and affiliates	878
Losses related to subsidiaries	29	Profits related to subsidiaries	6

11 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	69
Short-term receivables	–	Trade and other payables	1
Cash and cash equivalents	–		
Total	**1**	**Total**	**70**

12 Deferred charges

This item includes the issuance expenses for the perpetual subordinated notes issued in 1992, which were amortized over a 15-year period ending in 2007.

13 Net financial income

	2007	2006
Financial income		
Financial income on long-term investments	878	167
Income on other investments and long-term receivables	7	7
Other interest and similar income	12	–
Net income on marketable securities	15	14
Reversals of provisions	6	45
Foreign exchange gains	26	18
Financial expenses		
Interest and similar expenses	(225)	(221)
Increases in provisions	(31)	(40)
Foreign exchange losses	(4)	(3)
Net financial income (loss)	**684**	**(13)**

14 Exceptional profit

	2007	2006
Net gain on disposals of assets	1	4
Increases and reversals of provisions	2	43
Other exceptional income and expenses	90	131
Exceptional profit	**93**	**178**

15 Income tax

The €89 million tax gain for 2007 corresponds primarily to taxes paid by subsidiaries included in the tax consolidation group. At 31 December 2007, the tax group comprising Lagardère SCA and its subsidiaries had a tax loss carryforward of some €228 million.

16 Off-balance sheet commitments

Commitments given	Amount	*Commitments received*	Amount
Guarantees given on behalf of subsidiaries to cover contract-related financial commitments	44	Waivers of debt to be reinstated if the beneficiary becomes profitable	1
Rent guarantees given to subsidiaries	3	Unused lines of credit	1,600
Guarantees given in favour of unrelated parties	53		
Commitments to deliver shares under employee stock option plans	426		
Bank interest on long-term loans	275		

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 2006. These operations have no significant impact on Lagardère's equity or net indebtedness.

At 31 December 2007, positions were as follows:

• *Call options:*
- 53,101 options at €46.48 for Lagardère Plan 2001 stocks .... €2 million
- 1,353,068 options at €51.45 for Lagardère Plan 2003 stocks .... €70 million
- 1,515,831 options at €51.92 for Lagardère Plan 2004 stocks .... €79 million
- 1,651,194 options at €56.97 for Lagardère Plan 2005 stocks .... €94 million
- 1,821,900 options at €55.84 for Lagardère Plan 2006 stocks .... €102 million

• *Sales with a repurchase option:*
- 613,860 options at €46.48 for Lagardère Plan 2001 stocks .... €29 million
- 1,029,048 options at €51.45 for Lagardère Plan 2002 stocks .... €53 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 listed on organised markets or arranged by private contracts.

The following operations are concerned at 31 December 2007:
- Forward sales of currencies .... €327 million
- Currency swaps .... €784 million

Commitments arising from interest rate hedging transactions (contractual amounts):
- Interest rate swaps .... €436 million
- Other interest rate swaps .... €457 million(*)

Free share allocation plan of 28 December 2007 (594,350 shares)

The main characteristics of the plan are as follows:
- Grant date: 28 December 2007
- Vesting date: 29 December 2009
- End of holding period: 29 December 2011
- Quoted opening price at grant date: €51.14
- Performance condition: The average of the twenty opening prices prior to 29 December 2009 must be equal to or higher than €51.14.

(*) Financial hedges covering the US$375 million and US$38 million bond borrowings by a single currency and interest rate swap agreement.

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Subsidiaries and affiliates at 31 December 2007

at 31 December 2007

(in thousands 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	(353,043)	100.00
HACHETTE SA (4, Rue de Presbourg - 75116 Paris, France)	832,570	434,877	100.00
HOLPA (121, Avenue de Malakoff - 75116 Paris, France)	536	2,886	98.54
MATRA MANUFACTURING & SERVICES (4, Rue de Presbourg - 75116 Paris, France)	13,528	32,788	100.00
LAGARDERE RESSOURCES (121, Avenue de Malakoff - 75116 Paris, France)	11,666	(36,819)	100.00
MATRA PARTICIPATIONS (4, Rue de Presbourg - 75116 Paris, France)	15,250	(3,392)	100.00
MATRAVISION Inc. (1633 Broadway - 45th Floor New York, NY 10019) (USA)	$30	$137,380	99.99
M N C (121, Avenue de Malakoff - 75116 Paris, France)	89,865	23,916	100.00
SOFIMATRANS (4, Rue de Presbourg - 75116 Paris, France)	29,884	16,160	100.00
SYMAH (121, Avenue de Malakoff - 75116 Paris, France)	37	(24)	100.00
B. Affiliates (Lagardère SCA's holding: 10-50%)			
FINANCIERE DE PICHAT & Compagnie (6, Rue Laurent Pichat - 75116 Paris, France)	99,169	22,977	47.95
C. Other significant investments (Lagardère SCA's holding: less than 10%)			
Information concerning other subsidiaries and affiliates:			
A. Subsidiaries not included under paragraph A above			
- Other subsidiaries			
B. Affiliates not included under paragraph B above			
- Other subsidiaries			
C. Other significant investments not included under paragraph C above			
- Other subsidiaries			

	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				550,847	690,621
	2,163,311	2,163,311	1,323,018			788,205	4,418
	16,886	3,489				118	
	94,035	61,590			50,705	13,631	15,219
	26,332		21,949		79,855	1,816	
	25,444	25,444	60,194			(3,063)	
	85,168	85,168				$3,587	
	112,732	112,732				4,099	
	36,789	36,789				205	
	75,511	7				(6)	
	78,587	62,638				8,485	710
	502	502					

Investment portfolio at 31 December 2007

at 31 December 2007		
I. Investments in subsidiaries and affiliates (in thousands of euros)		
A. Investments in French companies		
Book value above €15,000		3,078,355
Number of shares held		
122,233,852	Désirade	612,312
54,594,744	Hachette	2,163,311
105,716	Holpa	3,489
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	62,638
1,953,210	Sofimatrans	36,789
5,000	Sogeade Gérance	50
Book value below €15,000		8
Total investments in French companies		**3,078,363**
B. Investments in non-French companies		
Number of shares held		
325,100	Lagardère UK	452
30,112	Matravision Inc.	85,168
Book value below €15,000		0
Total investments in non-French companies		**85,620**
Total investments in subsidiaries and affiliates		**3,163,983**
II. Other long-term investments (in thousands of euros)		
C. Investment funds		293
Total investment funds		**293**
D. Treasury shares		177,331
Total treasury shares		**177,331**
Total other investments		**177,624**

at 31 December 2007		
III. Short-term investments (in thousands of euros)		
A. French securities		
1. Mutual funds		**1,239**
Number of shares or units held		
9,472	BNP Insticash EUR	1,239
2. Collective investment funds		**26,037**
Number of shares or units held		
129	CAAM Trésorerie Eonia	26,037
Total short-term investments (net book value)		**27,276**

Five-year financial summary	2003	2004	2005	2006	2007
I Financial position at year-end *(in euros)*					
a) Share capital	851,664,914	858,993,979	866,456,932	870,416,509	818,213,044
b) Number of ordinary shares outstanding	139,617,199	140,818,685	142,042,120	142,691,231	134,133,286
c) Maximum number of shares to be issued upon exercise of stock options	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	2,357	1,072	258	13,245	12,711
b) Earnings before tax, depreciation, amortization and provisions	15,421	(9,021)	76,291	91,035	767,000
c) Income tax	50,774[2]	65,396[2]	87,008[2]	79,708[2]	89,271[2]
d) Earnings after tax, depreciation, amortization and provisions	91,572	131,631	196,553	218,565	832,655
e) Total dividends	122,815	410,518	153,613	160,423	[3]
III Earnings per share *(in euros)*					
a) Earnings per share after tax but before depreciation, amortization and provisions	0.47	0.40	1.15	1,20	6.38
b) Earnings per share after tax, depreciation, amortization and provisions	0.66	0.93	1.38	1.53	6.21
c) Dividend per share	0.90	1.00 + 2.00[4]	1.10	1.20	[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 €1.30 per share.
(4) Exceptional dividend of €2 per share.

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6 - 6 General Report of the Statutory Auditors

Dear Partners,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the year ending December 31, 2007, on:

- the audit of the accompanying financial statements of Lagardère S.C.A., as appended,
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Management. 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, 2007 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 unqualified opinion expressed in the first part of this report.

III - Specific verifications and information

We have also performed specific verifications required by law, in accordance with professional standards applicable in France.

We have no observation to report regarding:

- the fair presentation and the coherence with the financial statements of the information given in the Management's report and in the documents addressed to the partner's 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 favor when they take up, leave or change their function or subsequently.

In accordance with the law, we ensured that the various information related to interests and acquisitions and to the shareholders' identity was provided to you in the management report.

Neuilly-sur-Seine and Courbevoie, 28 March 2008

The Statutory Auditors

Ernst & Young et Autres	Mazars & Guérard
Jean-François Ginies	Jacques Kamienny

6 - 7 Statutory Auditors’ Report on the consolidated financial statements

To the Shareholders of Lagardère SCA,

In compliance with the assignment entrusted to us by your General Meetings, we have audited the accompanying consolidated financial statements of Lagardère SCA for the year ended December 31, 2007.

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 the 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, liabilities and financial position of the consolidated Group as at December 31, 2007 and the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying the opinion, we wish to draw attention to the matter discussed in Note 1 to the consolidated financial statements, which describes the methodological changes applied from January 1, 2007:

- As permitted by the IAS 31 standard, Interests in Joint Ventures, the Lagardère group has chosen, as an alternative to proportional consolidation, to consolidate interest in jointly-controlled units using the equity method;
- As permitted by the IAS 19 standard (revised), the Lagardère group has chosen to recognize actuarial differences related to post-employements benefits and directly as equity capital.

II. Justification of assessments

In accordance with the requirements of article L.823-9 of the French Company law relating to the justification of our assessments, we bring to your attention the following matters:

- As disclosed in note 3.10 to the consolidated financial statements, Lagardère reviews all intangible assets and goodwill 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 25.3 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 amortize 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 were thus made in the context of the performance 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 matters to report regarding its fair presentation and its conformity with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, March 28, 2008

The Statutory Auditors

Mazars & Guérard	Ernst & Young et Autres
Jacques Kamienny	Jean-François Ginies

6 - 8 Statutory Auditors' Special Report on regulated agreements and commitments

Dear Partners,

In our capacity as Statutory Auditors of your Company, report on the regulated agreements and commitments disclosed to us.

Our role does not include identifying 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. It is up to you, in accordance with the terms and conditions of article R.225-31 referring to article R.226-2 of the French Commercial Code, to evaluate the interest there may be in signing these agreements and commitments, with a view to their approval.

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 authorized during the year

We have not been informed of any agreement or commitment subject to articles L.225-38 and L.225-42-1, referring to article L.226-10 of the French Commercial Code.

Agreements and commitments authorized in previous years and which continued to apply during the year

In application of the provisions of article R.225-30, referring to article R.226-2 of the French Commercial Code, 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 reorganizations 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.

Seven employees of Lagardère Capital & Management who are members of the 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 2007, the amount billed by Lagardère Capital & Management amounted to 19,343,135 euros including an expense of 3,591,000 euros for the additional pension plan, compared to 17,019,078 euros (including an expense of 3,270,000 euros for the additional pension plan) in 2006.

Neuilly-sur-Seine and Courbevoie, 28 March 2008,

The Statutory Auditors

Ernst & Young et Autres	Mazars & Guérard
Jean-François Ginies	Jacques Kamienny

6 - 9 Fees paid to the Statutory Auditors and members of their networks

Fees paid to the Statutory Auditors and members of their networks				
	2007			
(in thousands of euros)	Mazars & Guérard	%	Ernst & Young	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	3,270	79.9	3,874	78.4
Lagardère SCA	*145*	*3.6*	*164*	*3.3*
Fully-consolidated subsidiaries	*3,125*	*76.3*	*3,710*	*75.1*
Other procedures and services directly related to the statutory audit	519	12.7	728	14.8
Lagardère SCA	–		–	
Fully-consolidated subsidiaries	*519*	*12.7*	*728*	*14.8*
Sub-total	**3,789**	**92.6**	**4,602**	**93.2**
Non-audit services rendered by network members to fully-consolidated subsidiaries				
- Legal, tax, human resources	305	7.4	321	6.5
- Other	–		16	0.3
Sub-total	**305**	**7.4**	**337**	**6.8**
Total	**4,094**	**100**	**4,939**	**100**

	2006			
(in thousands of euros)	Mazars & Guérard	%	Ernst & Young	%
Audit				
Statutory audit, certification, examination of individual and consolidated financial statements	2,825	67.2	3,703	68.5
Lagardère SCA	*120*	*2.8*	*194*	*3.6*
Fully-consolidated subsidiaries	*2,705*	*64.4*	*3,509*	*64.9*
Other procedures and services directly related to the statutory audit	1,201	28.6	1,225	22.7
Lagardère SCA	*100*	*2.4*	–	–
Fully-consolidated subsidiaries	*1,101*	*26.2*	*1,225*	*22.7*
Sub-total	**4,026**	**95.8**	**4,928**	**91.2**
Non-audit services rendered by network members to fully-consolidated subsidiaries				
- Legal, tax, human resources	176	4.2	455	8.4
- Other	–	–	22	0.4
Sub-total	**176**	**4.2**	**477**	**8.8**
Total	**4,202**	**100**	**5,405**	**100**

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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 the demands of corporate governance, as it effectively applies the two basic principles of establishing a clear distinction between management and control while closely involving shareholders in control of the Company.

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 8-2-6). 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 that requires approval from the shareholders.

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

7-2-2-1 Arnaud Lagardère

4 rue de Presbourg – 75116 Paris, France
Born 18 March 1961

Number of Lagardère SCA shares held personally: 4,937

In addition, Mr. Arnaud Lagardère is the Chairman of Lagardère (SAS) and Lagardère Capital & Management and also holds the share capital of these companies, which held 10.07% of Lagardère SCA's share capital on 31 December 2007.

Mr. Arnaud Lagardère holds a DEA higher degree in economics from the University of Paris Dauphine. He was appointed Director and Chief Executive Officer of the company MMB (which became Lagardère SCA) in 1987. He was Chairman of the US company Grolier Inc. from 1994 to 1998.

a. Principal position

Managing Partner

b. Other positions and appointments held in the Group (at 15 March 2008)

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, Lagardère Services (SA) (formerly Hachette Distribution Services)
2 rue Lord Byron – 75008 Paris

Chairman of the Supervisory Board, Lagardère Active (SAS)
149-151 rue Anatole France – 92300 Levallois-Perret

Chairman of the Supervisory Board, Lagardère Sports (SAS)
4 rue de Presbourg – 75116 Paris

Permanent representative of Lagardère Active Publicité
to the Board of Directors, Lagardère Active Radio International (SA)
28 rue François 1er – 75008 Paris

Chairman, Lagardère Active Broadband (SAS)
121 avenue de Malakoff – 75216 Paris

Director, Lagardère Ressources (SAS)
121 avenue de Malakoff – 75216 Paris

Director and Chairman of Sogeade Gérance (SAS)
121 avenue de Malakoff – 75216 Paris

Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV
Le Carré, Beechavenue 130-132, 1119 PR, Schiphol-Rijk – The Netherlands

Member of the Board of Directors, EADS Participations BV
Teleportboulevard 140, 1043 EJ Amsterdam
PO BOX 2838, 1000 CV – The Netherlands

President, Fondation Jean-Luc Lagardère
4 rue de Presbourg – 75116 Paris

President, Lagardère Paris Racing Ressources sports association
121 avenue de Malakoff – 75216 Paris

President, Lagardère Paris Racing sports association
121 avenue de Malakoff – 75216 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

c. Other positions and appointments held outside the Group

Member of the Supervisory Board, Daimler AG
Epplestrasse 225 – D 70546 Stuttgart – Möhringen, Germany

Director, LVMH Moët Henessy-Louis Vuitton (SA)
22 avenue Montaigne – 75008 Paris

President, Association des Amis de Paris Jean-Bouin C.A.S.G.

d. Other positions and appointments held during the last five years

Co-Manager, I.S.-9 (SARL)
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)
57 rue Grimaldi – 98000 Monaco *(until March 2007)*

Member of the Supervisory Board, Lagardère Sports (SAS)
4 rue de Presbourg – 75116 Paris, France *(until April 2007)*

Director , Lagardere Management, Inc.
1633 Broadway, 45th Floor – New York, NY 10019 – USA *(until October 2007)*

Chairman of the Board of Directors, Lagardere Active North America, Inc.
1633 Broadway, 20th Floor – New York, NY 10019 – USA *(until October 2007)*

Chairman of the Supervisory Board, Hachette Holding (SAS)
(formerly Hachette Filipacchi Médias)
149-151 avenue Anatole France – 92534 Levallois-Perret *(until December 2007)*

Director, France Telecom (SA)
6 place d'Alleray – 75015 Paris *(until January 2008)*

Member of the Supervisory Board, Virgin Stores (SA)
16 boulevard du Général Leclerc – 92115 Clichy *(until February 2008)*

Member of the Supervisory Board, Le Monde (SA) *(until February 2008)*

7-2-2-2 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 on 17 March 1998. This appointment was renewed by the Supervisory Board on proposal of the general partners on 12 March 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 (at 15 March 2008)

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.

a. Principal positions

Co-Managing Partner, Groupe Lagardère

b. Other positions and appointments held in the Group (at 15 March 2008)

Permanent representative of Lagardère SCA to the Board of Directors, Hachette SA

Member of the Supervisory Board, Lagardère Active (SAS)

Director, Editions P. Amaury (SA)

Permanent representative of Hachette SA to the Board of Directors, Lagardère Services SA (formerly Hachette Distribution Services)

Chairman, President and CEO, Lagardere North America, Inc.

Director, Cellfish Media, LLC

c. Other positions and appointments held outside the Group

Director, Crédit Agricole SA

Director, Accor

Director, Schlumberger

Senior Managing Director, Evercore Partners Inc.

Honorary Chairman, Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS)

d. Other positions and appointments held during the last five years

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)*

Director, Hachette Filipacchi Médias, transformed into a simplified corporation (SAS) on 25 October 2006.

Member of the Supervisory Board of Hachette Holding (SAS) (formerly Hachette Filipacchi Médias) *(until December 2007)*

Permanent representative of Lagardère Active to the Board of Directors, Lagardère Active Broadcast (Monaco) *(until December 2007)*

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.

a. Principal positions

Co-Managing Partner, Groupe Lagardère

Secretary General

b. Other positions and appointments held in the Group (at 15 March 2008)

Chairman, Lagardère Ressources (SAS)

Director, Hachette SA

Director, Hachette Livre (SA)

Director, Lagardère Services (SA) (formerly Hachette Distribution Services)

Member of the Supervisory Board, Lagardère Active (SAS)

Director, Hachette Filipacchi Presse (SA)

Director, Lagardere Active Broadcast (a Monaco company)

Member of the Supervisory Board, Lagardère Sports

Chairman, Desirade (SAS)

Director, Sogeade Gérance (SAS)

Member of the Supervisory Board, Arlis (SA)

Manager, Financière de Pichat & Compagnie (SCA) (formerly Arjil & Cie)

Chairman of the Supervisory Board, Financière de Pichat (SAS) (formerly Arjil & Associés)

Member of the Supervisory Board, Matra Manufacturing & Services

Director, Le Monde SA

Chairman and Chief Executive Officer, Matra Participations (SA)

Director, Ecrinvest 4 (SA)

Chairman, Sofrimo (SAS)

Chairman, Holpa (SAS)

Chairman, Lagardère Expression (SAS)

Permanent representative of Matra Participations to the Board of Directors, Galice (SA)

Administrator, Fondation Jean-Luc Lagardère

Director, Lagardère (SAS)

Director, Lagardère Capital & Management (SAS)

Director, Chief Operating Officer, Arjl Commmanitée-Arco (SA)

c. Other positions and appointments held outside the Group

Director, IMEC (Institut Mémoire de l'Édition Contemporaine)

Member of the Consultative Committee, Sotheby's

Member of the Medicis Prize jury

d. Other positions and appointments held during the last five years

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 Filippacchi Médias, transformed into a simplified corporation (SAS) on 25 October 2006.

Director, Lagardère Télévision Holdings SA *(until January 2007)*

Chairman of the Supervisory Board, Matra Manufacturing & Services (SAS) (formerly Matra Automobile) *(until December 2007)*

Member of the Supervisory Board, Hachette Holding (SAS) (formerly Hachette Filipacchi Médias) *(until December 2007)*

7-2-3 Members of the Supervisory Board

List of members of the Supervisory Board during 2007			
		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	**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	**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(*)
Corporate Secretary	**Laure Rivière-Doumenc**		

(*) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.
(**) Mr. Rohatyn has announced that he will not stand for re-election to the Board at the Annual General Meeting of 29 April 2008.

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(1)

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, Chairman of the Board and director of Cockerill-Sambre, Chairman of Régie Nationale des Usines Renault and Consortium de Réalisation.

Positions and appointments held in other companies

Member 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

Chairman of the Supervisory Board, Sogeade

Director, Renault Finance (Switzerland)

Director, Louis Dreyfus Citrus

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

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(1)

Number of Lagardère SCA shares held: 150

Mr. Bernard Arnault is a former student of the École Polytechnique. He has been Chairman and Chief Executive Officer 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

Director, 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

Other positions and appointments held during the last five years

Chairman and Chief Executive Officer, Montaigne Participations et Gestion SA, France

Director, Vivendi Universal SA, France

Director, Moët Hennessy Inc., USA

Legal representative of Montaigne Participations et Gestion, Chairman of Gasa Développement SAS and of Société Financière Saint-Nivard SAS, 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(1)

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

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

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, Gecam

Director, Crédit Agricole Solidarité et Développement

Administrator, Fondation du Crédit Agricole Pays de France

Permanent representative of Crédit Agricole SA, Administrator of Fondation de France

Director, Sacam

Director, Sacam Participations

Director, Suez

Director, Scicam

President, Fondation pour l'Agriculture et la Ruralité dans le Monde (FARM)

Director, Fiat Spa

Other positions and appointments held during the last five years

Director and Deputy Chairman, Banca Intesa Spa (Italy)

Chairman, Caisse Locale de Crédit Agricole de Yenne

Chairman, Gecam

Conseiller Général of Savoie

Member of the Supervisory Board, Eurazeo

Director, Rue Impériale

Director, Sapacam

Director, Sofinco

Director, Fonds Coopération Crédit Agricole Mutuel

Mayor of the town of Yenne, France

Advisor, Banque de France in Savoie

Director, Crédit Agricole Indosuez

Director, Crédit Lyonnais

Chairman, Rue La Boétie SAS

Georges Chodron de Courcel

23 avenue Mac Mahon – 75017 Paris, France
Born 20 May 1950

Date of appointment: 2 May 2006

End of current period of office: AGM 2012[1]

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 SE

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Director, Nexans

Director, Alstom

Director, FFP (Société Foncière, Financière et de Participations)

Censor, Safran

Chairman, Compagnie d'Investissement de Paris SAS

Chairman, Financière BNP Paribas SAS

Director, Verner Investissements SAS

Censor, Exane

Outside France:

Chairman BNP Paribas (Switzerland)

Director, BNPP ZAO (Russia)

Director, Erbé SA (Belgium)

Director, Banca Nazionale del Lavoro (Italy)

Director, Scor Holding (Switzerland) AG (Switzerland)

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)

Chairman, BNP Paribas Emergis SAS

Chairman and Director, BNP Paribas UK Holdings Ltd (United Kingdom)

Director, BNP Paribas 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 Suisse SA (Switzerland)

Director, Capstar Partners SAS

Director, Scor SA

Censor, Scor Global Life (formerly Scor Vie)

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[2]

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

Censor, Supervisory Board, Gimar Finance & Compagnie

Director, Groupama International

Chief Financial Officer, Groupama

Permanent representative of Groupama SA to the Board of Directors, SCA d'Agassac

Outside France:

Director, Groupama Vita Spa (Italy)

Director, Groupama Assicurazioni Spa (Italy)

Director, Nuova Tirrena

(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.
(2) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Pierre Lescure

38 rue Guynemer – 75006 Paris, France
Born 2 July 1945

Date of appointment: 11 May 2004

End of current period of office: AGM 2008(1)

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(1)

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

Director, Compagnie Générale de Géophysique-Veritas (C.G.G.)

Censor, Sofinnova

Other positions and appointments held during the last five years

Director, Erap

Chairman, Oseo-Services

(1) Annual General Meeting to be held in the year indicated 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(1)

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. He holds degrees in both literature and law and is a 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, G.T. 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(1)

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

Director, Swiss Helvetia Fund (USA)

Member of the Advisory Board, Booz Allen & Hamilton (USA)

Member of the Board of Overseers, Tuck School of Business Administration, Dartmouth College (USA)

Member of the Trustees, American University of Paris

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

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(1)

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, Casino, Guichard-Perrachon

Director, EDF

Director, CNP Assurances

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, Veolia ES Australia

Director, Veolia Transport Australia

Director, Veolia Environmental Services, Plc

Director, Siram

Director, Veolia Transport Northern Europe

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Director, Veolia ES North America Corp.

Director, Veolia UK Ltd (United Kingdom)

Other positions and appointments held during the last five years

Director, Thales

Member of the Supervisory Board, Elior

Member of the Supervisory Board, CNP Assurances

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

Director, Connex Leasing (United Kingdom)

Director, Connex Transport AB (Sweden)

Director, Connex Transport UK (United Kingdom)

Member of the Supervisory Board, Société des Eaux de Melun

Director, Esterra

Director, B 1998 SL and FCC (Spain)

Director, Grucycsa (Spain)

Director, Onyx UK Holdings (United Kingdom)

Director, Safise

Director, Wasco (formerly USFilter) (USA)

Director, Sarp

Director, Veolia ES Asia

Felix G. Rohatyn

745, 7th Avenue, 31st Floor – New York, NY 10019, USA
Born 29 May 1928

Date of appointment: 11 May 2004

End of current period of office: AGM 2008(1)

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 Vice Chairman of Lehman Brothers.

Mr. Rohatyn has requested that his term of office as a member of the Supervisory Board should not be presented for renewal at the Annual General Meeting of 29 April 2008 called to approve the financial statements for 2007.

Positions and appointments held in other companies

In France:

Member of the Supervisory Board, Publicis Groupe S.A.

Director, LVMH Moët Hennessy-Louis Vuitton SA

(1) Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Outside France:

Vice Chairman, Lehman Brothers (USA)

Chairman, Rohatyn Associates LLC (USA)

Administrator, French American Foundation (USA)

Trustee, Centre for Strategic and International Studies (CSIS) (USA)

Honorary Trustee, Carnegie Hall (USA)

Trustee, Middlebury College (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[1]

Number of Lagardère SCA shares held: 150

Mr. François Roussely is a graduate of the Institut d'Études Politiques de Paris and the Paris Law and Economics University, and a 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.

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

(1) Annual General Meeting to be held in the year indicated 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 signed a contract with SCPE for the provision of advisory services, which terminated on 30 June 2007.

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";
  - the holding period set the Supervisory Board on 14 march 2008 for free shares allocated on 28 December 2007 (see section 7-3-5);
- in application of article L.125-197-1 of the French Commercial Code, the Supervisory Board decided that 25% of the free shares of the Company which were allocated on 28 December 2007 to Messrs Philippe Camus and Pierre Leroy, employees of lagardère Capital & Management, in their capacity as legal representatives of Arjil Commanditée-Arco, must be kept until their beneficiary ceases to occupy his position as legal representative in the management of Lagardère SCA.

7 - 3 Remuneration and benefits

7-3-1 Managing Partners and members of the Executive Committee

At 31 December 2007, the Executive Committee included:

Messrs	Arnaud Lagardère	General and Managing Partner	Managing Partners
	Philippe Camus	Co-Managing Partner	Managing Partners
	Pierre Leroy	Co-Managing Partner, Secretary General	Managing Partners
	Dominique D'Hinnin	Chief Financial Officer	
	Thierry Funck-Brentano	Chief Human Relations and Communications Officer	
	Jean-Paul Gut	Chief International Affairs Officer	
	Arnaud Molinié	Chief Strategy and Development Officer	

Members of the Executive Committee:

- receive immediate and deferred remuneration (retirement benefits) under their work contracts,
- may be granted share subscription or purchase options and rights to the allocation of free shares.

Remuneration paid to the members of the Executive Committee for their positions in the Lagardère Group excluding EADS is entirely borne by their employer, Lagardère Capital & Management (LCM) and accounts for most of the management fees charged by LCM to Lagardère Ressources (see section 7-5-1).

7-3-1-1 Components of remuneration

a) *Salaries*

Salaries consist of a fixed portion and a variable portion.

The fixed portion is paid in twelve equal monthly instalments over the year.

The variable portion is determined on the basis of rules defined in 2003 and unchanged to date. Each year, it comprises the following, assessed in the light of individual targets:

- a qualitative component determined by Mr. Arnaud Lagardère, taking into account each person's contribution to the development of the Group, changes in valued added, the quality of management, relevance of its organisation and motivation of its teams.
- a corporate performance-related component based on two parameters of equal importance in relation to the individual targets:
  - the difference between the recurring operating profit before associates of companies in the Media segment for the year in question, considered in relation to net sales, and the level of recurring operating profit before associates corresponding to the midpoint of the forecast range announced to the market at the start of the year,
  - the difference between net cash from operating activities as stated in the Group's consolidated cash flow statement for the year in question, and net cash from operating activities forecast in the budget for that year.

Since the variable portion of salaries can only be calculated after the year-end, it is paid to employees during the following year.

b) *Pensions*

The members of the Executive Committee who are also salaried employees of LCM benefit from an additional pension plan set up by LCM 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.

c) *Termination indemnities*

Neither LCM nor any other Group company has undertaken any commitment or given any promise to grant termination indemnities to the Managing Partners or other members of the Executive Committee.

d) *Other components*

- Travel and entertainment expenses incurred by the Managing Partners or members of the Executive Committee in the course of their duties are borne by the Group.
- Benefits in kind generally take the form of use of a company car.
- Attendance fees may be paid for Board of Directors' meetings at companies in which the Lagardère Group has interests.

7-3-1-2 Remuneration and benefits of the members of the Executive Committee

a) *Gross remuneration paid*

Year of payment *(amounts in euros)*	**2006** (*)	**2007** (**)
Fixed salary and benefits in kind	4,989,419	5,153,795
Variable portion of salary paid in respect of the previous year	3,379,701	3,794,600
Attendance fees	90,785	78,570
Total	**8,459,905**	**9,026,965**

(*) Messrs Lagardère, Camus, Leroy, D'Hinnin, Gut (part-time), Funck-Brentano, de Roquemaurel.
(**) Messrs Lagardère, Camus, Leroy, D'Hinnin, Gut (full-time from 17 September 2007), Funck-Brentano, Moliníé (from 1 July 2007).

The variable portion of salary to be paid in 2008 in respect of 2007 amounts to €3,499,052.

b) *Share subscription and purchase options*

Date of Plan / Date of AGM	Number of options originally granted	Exercise price (in €)	Number of beneficiaries	Options exercised in 2007	Options forfeited at end 2007	Options outstanding at end 2007	Exercise period
Subscription options							
18 Dec. 2000 23 May 2000	205,000	62.31(*)	8	0	0	0	18 Dec. 2002 to 17 Dec. 2007
Purchase options							
19 Dec. 2001 23 May 2000	195,000	46.48(*)	7	0	0	151,680	19 Dec. 2003 to 19 Dec. 2008
19 Dec. 2002 23 May 2000	195,000	51.45(*)	7	0	0	181,997	19 Dec. 2004 to 19 Dec. 2009
18 Dec. 2003 23 May 2000	185,000	51.45(*)	6	0	0	171,887	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004 11 May 2004	185,000	51.92(*)	6	0	0	171,901	20 Nov. 2006 to 20 Nov. 2014
20 Nov. 2005 11 May 2004	230,000	56.97(*)	5	0	0	230,000	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006 11 May 2004	230,000	55.84(*)	5	0	0	230,000	14 Dec. 2008 to 14 Dec. 2016

(*) After adjustment of 6 July 2005.

c) *Free share allocation rights*

Date of Plan / Date of AGM	Number of allocation rights granted	Number of beneficiaries	Number of shares vested in 2007	Number of rights cancelled in 2007	Number of rights outstanding at end 2007	Vesting date
Allocation of free shares						
28 Dec. 2007 27 April 2007	104,000	6	0	0	104,000	29 Dec. 2009

7-3-1-3 Remuneration and benefits of the Managing Partners

Mr. Arnaud Lagardère

Mr. Arnaud Lagardère received total gross salary of €1,772,661.00 including benefits in kind, i.e. a net amount of €1,583,559.59 after deducting social security charges (respectively €1,909,020.00 and €1,709,413.27 in 2006), from Lagardère Capital & Management in 2007. He also received remuneration from the EADS group for part of the year in his capacity as non-executive Co-Chairman.

Gross amount paid in : *(in euros)*	**2006**	**2007**
Lagardère		
Fixed salary and benefits in kind	917,580	917,820
Variable portion of salary paid in respect of the previous year	991,440	854,841
Total gross salary	1,909,020	1,772,661
Attendance fees	8,750	8,300
	1,917,770	**1,780,961**
EADS		
Salary	244,250	103,750
Attendance fees	100,000	60,000
	344,250	**163,750**
Total	**2,262,020**	**1,944,711**

The variable portion of salary to be paid to Mr. Lagardère in 2008 in respect of 2007 amounts to €976,506.

This variable portion includes no individually-assessed component, and depends totally on Group performance as described in section 7-3-1-1-a.

Since his appointment as Managing Partner in 2003, Mr. Arnaud Lagardère has not received any options on Lagardère SCA shares nor any rights to the allocation of free shares.

Mr. Lagardère holds 50,580 stock purchase options on Lagardère shares. These options were granted in 2001 and the exercise price is €46.48.

Mr. Philippe Camus

In 2007, Mr. Philippe Camus received total gross salary of €1,346,426 principally in the United Sates, corresponding to a pre-tax amount of €1,296,994 after deducting social security charges (respectively €1,285,564 and €1,237,182 in 2006).

Gross amount paid in : *(in euros)*	**2006**	**2007**
Fixed salary and benefits in kind	1,042,723	998,923
Variable portion of salary paid in respect of the previous year	242,841	347,503
Total gross salary	1,285,564	1,346,426
Attendance fees	6,227	6,450
Total	**1,291,791**	**1,352,876**

The variable portion of salary to be paid to Mr. Philippe Camus in 2008 in respect of 2007 amounts to €364,652.

On 28 December 2007, Mr. Philippe Camus was allocated 20,000 free shares of Lagardère SCA, subject to the conditions described in section 7-3-6.

Mr. Camus holds the folowing stock purchase options on Lagardère SCA shares:

Year of grant	**Number of options held**	**Exercise price (€)**
2001	20,224	46.48
2002	20,222	51.45
2003	30,333	51.45
2004	30,336	51.92
2005	50,000	56.97
2006	50,000	55.84

Mr. Pierre Leroy

Mr. Pierre Leroy received total gross salary of €1,618,632, corresponding to a net amount of €1,442,792.46 after deducting social security charges (respectively €1,476,180 and €1,313,841 in 2006).

Gross amount paid in : *(in euros)*	**2006**	**2007**
Fixed salary and benefits in kind	722,880	867,120
Variable portion of salary paid in respect of the previous year	753,300	751,512
Total gross salary	1,476,180	1 618,632
Attendance fees	16,590	20,220
Total	**1,492,770**	**1,638,852**

The variable portion of salary to be paid to Mr. Pierre Leroy in 2008 in respect of 2007 amounts to €782,977.

On 28 December 2007, Mr. Pierre Leroy was allocated 20,000 free shares of Lagardère SCA, subject to the conditions described in section 7-3-6.

Mr. Leroy holds the folowing stock purchase options on Lagardère SCA shares:

Year of grant	Number of options held	Exercise price (€)
2002	30,333	51.45
2003	40,444	51.45
2004	40,447	51.92
2005	50,000	56.97
2006	50,000	55.84

7-3-2 Supervisory Board

7-3-2-1 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 euros):

	2006	2007
Raymond H. Lévy	100,000	100,000
Bernard Arnault	20,000	20,000
Manfred Bischoff (Germany)	6,667 (*)	-
Hubert Burda (Germany)	20,000 (*)	20,000 (*)
René Carron	20,000	20,000
Georges Chodron de Courcel	20,000	20,000
Bernard Esambert	20,000	5,000
Pehr G. Gyllenhammar (United Kingdom)	60,000 (*)	15,000 (*)
Pierre Lescure	20,000	20,000
Christian Marbach	60,000	60,000
Bernard Mirat	60,000	60,000
Groupama SA	60,000	60,000
Didier Pineau-Valencienne	60,000	60,000
Henri Proglio	20,000	20,000
Felix G. Rohatyn (USA)	20,000 (*)	20,000 (*)
François Roussely	20,000	20,000
Total attendance fees paid	**586,667**	**520,000**

(*) Less withholding tax.

Mr. Raymond H. Lévy also received from the Group a gross amount of €216,840 in 2007 in consideration for his advisory services (€212,172 in 2006). In his capacity as director or member of the Supervisory Boards of several other Group companies, Mr. Raymond H. Lévy also received attendance fees in the amount of €15,200 (€14,440 in 2006).

7-3-2-2 Share subscription and purchase options granted to the members of the Supervisory Board

None.

7-3-2-3 Free share allocation rights granted to the members of the Supervisory Board

None.

7-3-3 Transactions in Lagardère SCA shares by the Managing Partners and members of the Supervisory Board during 2007

7-3-3-1 Managing Partners

Arnaud Lagardère

15 May 2007: operations entered into by Lagardère Capital & Management

– Closing out the put purchase position: early settlement of two hedging positions consisting of:

- 322,917 puts purchased in May 2005 (exercise price: €40.645; maturity: 31 May 2007), and
- 322,917 puts purchased in May 2005 (exercise price: €40.645; maturity: 30 November 2007), total premium received by LCM: €16,000.

– Rolling forward the put purchase position: signature of two tunnels:

- purchase of 322,917 puts (exercise price: €40.645; maturity: 1 September 2009), financed by the sale of 322,917 calls (exercise price: €75; maturity: 1 September 2009), and
- purchase of 322,917 puts (exercise price: €40.645; maturity: 1 March 2010), financed by the sale of 322,917 calls (exercise price: €78; maturity: 1 March 2010).

May, June, July 2007: operations entered into by Lagardère Capital & Management

– Between 29 May and 12 July 2007, purchase on the market and over the counter of 3,279,017 Lagardère SCA shares at an average per-share price of €60.994 giving a total price of €199,999,947.95.

– Between 30 May and 30 July 2007, over the counter exchanges of puts for calls: signature of ten tunnels, each involving the purchase of approximately 327,900 puts against the sale of approximately 327,900 calls and payment by LCM of a net premium of €104,000 per tunnel:

1) 30 May 2007: purchase of 329,305 puts (exercise price: €45.55; maturity: 28 May 2010) against the sale of 329,105 calls (exercise price: €78.95; maturity: 28 May 2010).
2) 30 May 2007: purchase of 329,142 puts (exercise price: €45.57; maturity: 4 June 2010) against the sale of 329,142 calls (exercise price: €78.79; maturity: 4 June 2010).
3) 31 May 2007: purchase of 322,846 puts (exercise price: €46.46; maturity: 11 June 2010) against the sale of 329,846 calls (exercise price: €80.53; maturity: 11 June 2010).
4) 5 June 2007: purchase of 324,095 puts (exercise price: €46.28; maturity: 18 June 2010) against the sale of 324,095 calls (exercise price: €80.22; maturity: 18 June 2010).
5) 5 June 2007:purchase of 327,530 puts (exercise price: €45.80; maturity: 25 June 2010) against the sale of 327,530 calls (exercise price: €79.38; maturity: 25 June 2010).
6) 6 June 2007: purchase of 328,332 puts (exercise price: €45.69; maturity: 2 July 2010) against the sale of 328,332 calls (exercise price: €79.195; maturity: 2 July 2010).
7) 7 June 2007: purchase of 330,705 puts (exercise price: €45.36; maturity: 9 July 2010) against the sale of 330,705 calls (exercise price: €78.62; maturity: 9 July 2010).
8) 8 June 2007: purchase of 331,988 puts (exercise price: €45.18; maturity: 16 July 2010) against the sale of 331,988 calls (exercise price: €78.32; maturity: 16 July 2010).
9) 11 June 2007: purchase of 332,081 puts (exercise price: €45.17; maturity: 23 July 2010) against the sale of 332,081 calls (exercise price: €78.29; maturity: 23 July 2010).
10) 30 July 2007: purchase of 332,975 puts (exercise price: €46.4431; maturity: 30 July 2010) against the sale of 332,975 calls (exercise price: €80.5013; maturity: 30 July 2010).

– Between 30 May and 30 July 2007, 3-year over the counter forward sales of 328,228 Lagardère SCA shares at an average per-share price of €60.994 for a total price of €20,020,000, to part-finance the above operations.

All of these over the counter transactions were arranged outside the market with a top-ranking French bank.

21 December 2007: transfer by Mr. Arnaud Lagardère to Lagardère SAS, a company wholly-owned by Mr. Arnaud Lagardère, of 120,885 Lagardère SCA shares at a per-share price of €54.54 giving a total price of €6,593,067.90.

Philippe Camus

None.

Pierre Leroy

None.

7-3-3-2 Members of the Supervisory Board

None.

To the best of the Company's knowledge, no other transactions in company shares were undertaken in 2007 by Managing Partners or Supervisory Board members or their relatives.

7-3-4 Stock options granted to employees on shares of Lagardère SCA or its subsidiaries

Special report of the Managing Partners on share subscription and purchase options

Ladies and Gentlemen, Dear Shareholders,

In application of article L.225-184 of the French Commercial Code, you will find below the information required by the said article on changes in stock options during 2007.

General

1) In the course of 2007, no new options to subscribe or purchase Lagardère SCA shares were granted. Instead, the Managing Partners decided to allocate free shares.

The main characteristics of the plans in force today or which expired in 2007 are summarised in the table below.

Plan	Date of AGM	Number of options originally granted	Exercise price (in €)	Number of beneficiaries	Options exercised in 2007	Options forfeited at end 2007	Options outstanding at end 2007	Exercise period
Subscription options								
18 Dec. 2000	23 May 2000	1,254,500	62.31	458	3,529	229,342	–	18 Dec. 2002 to 17 Dec. 2007
Purchase options								
19 Dec. 2001	23 May 2000	1,258,000	46.48	421	150,715	113,992	669,139	19 Dec. 2003 to 19 Dec. 2008
19 Dec. 2002	23 May 2000	1,299,000	51.45	416	117,115	94,973	1,032,587	19 Dec. 2004 to 19 Dec. 2009
18 Dec. 2003	23 May 2000	1,437,250	51.45	445	20,026	69,976	1,342,953	18 Dec. 2005 to 18 Dec. 2013
20 Nov. 2004	11 May 2004	1,568,750	51.92	481	8,637	81,674	1,496,208	20 Nov. 2006 to 20 Nov. 2014
21 Nov. 2005	11 May 2004	1,683,844	56.97	495	-	48,250	1,635,594	21 Nov. 2007 to 21 Nov. 2015
14 Dec. 2006	11 May 2004	1,844,700	55.84	451	-	27,300	1,817,400	14 Dec. 2008 to 14 Dec. 2016

The last share subscription plan outstanding expired on 17 December 2007. Of the 1,254,500 options initially granted in 2000, only 3,529 were exercised during 2007, and 997,404 options representing nearly 80% of the total number of options granted were not exercised or could not be exercised because of market price levels.

2) In the course of 2007, no new options to subscribe or purchase shares were granted by companies under the majority control of Lagardère SCA.

The main characteristics of the plans in force today or which expired in 2007 are summarised in the table below.(*)

Date of AGM Grant date	Exercise price (in €)	Exercise period	Number of options granted	Number of beneficiaries	Numberof options forfeited	Number of options remaining	Repurchase period(1) (2)
Hachette Holding							
18 June 1997 18 June 1997	37.44	18 June 1997 to 17 June 2007	1,577 (3)	11	64	0 (5)	19 June 2002 to 19 June 2007
18 June 1997 22 July 1999	46.20 (7)	22 July 1999 to 21 July 2009	1,525 (4) (7)	63 (7)	75	732 (6) (7)	23 July 2004 to 23 July 2009
Virgin Stores							
25 Sept. 2002 5 July 2004	99.40	5 July 2008 to 5 July 2014	10,000	6	2,000	8,000 (8)	5 July 2008 to 5 July 2014

(1) Beneficiaries have the right to redeem their shares or exchange them for Lagardère shares.

(2) In the case of Hachette Holding, this is the period allowed for exchange for Lagardère shares.

(3) Each option entitled the holder to subscribe 300 shares.

(4) Each option entitled the holder to subscribe 500 shares.

(5) The remaining 64 options were exercised in 2007.

(6) 136 options were exercised in 2007.

(7) Following the merger on 31 December 2007 of Hachette Holding (formerly Hachette Filipacchi Médias) into Hachette SA, this company assumed all of the rights and obligations related to the subscription options outstanding, and the exercise prices and number of shares under option were adjusted on the basis of the exchange ratio used for the merger. Consequently, there remains 27 beneficiaries who together hold 732 options. Each option now enables its holder to subscribe 91 Hachette SA shares at a per-share price of €253.85. The 91 Hachette SA shares subscribed will be exchanged for 550 Lagardère SCA shares in accordance with commitments undertaken in 2000 in the public offerings.

(8) Following agreements for the sale of Virgin Stores, in February 2008 the beneficiaries abandoned their rights to shares still under option.

Information on the Company's officers and Lagardère Group employees

In 2007, members of the managing bodies of Lagardère SCA and their legal representatives did not subscribe or purchase any Lagardère SCA shares under the share subscription or purchase options granted to them in the years 2000 to 2006.

Also in 2007, the total number and unit price of shares subscribed or purchased through the exercise of one or more options on the shares of Lagardère SCA or one of its subsidiaries as stated above, by any of the ten main beneficiaries (employees of the Group other than members of Lagardère SCA's managing bodies), were as follows:

Total number of shares subscribed or purchased	Subscription or purchase price (in €)	Companies	Grant date
19,200	34.44	HFM	18 June 1997
44,500	46.20	HFM	22 July 1999
34,382	46.48	Lagardère SCA	19 December 2001
14,662	51.45	Lagardère SCA	19 December 2002
3,539	51.45	Lagardère SCA	19 December 2003
3,034	51.92	Lagardère SCA	20 November 2004

The Managing Partners

(*) For details of options granted by EADS, see EADS' Registration Document.

7-3-5 Free share allocation rights granted to employees on shares of Lagardère SCA or its subsidiaries

Special report of the Managing Partners on allocations of free shares

Ladies and Gentlemen, Dear Shareholders,

In application of article L.225-197-4 of the French Commercial Code, you will find below the information required by the said article on free shares allocated to employees during 2007.

Under the authorisation granted by the Annual General Meeting of 27 April 2007 (14th resolution), on 28 December 2007 Mr. Arnaud Lagardère, in his capacity as Managing Partner of your Company, allocated free shares of Lagardère SCA to certain employees of the Company and its related companies within the meaning of current legislation.

The aim of the policy implemented is primarily to encourage the personal involvement of Group executives throughout the world in the development of the Lagardère Group and the resulting value created.

It is also used to reward those executives who make a particular contribution to the Group's results through their positive action.

Lastly, it is used to develop loyalty in employees the Company hopes to keep for the long term, especially young high-potential executives, who can help the Group achieve continuity of growth within the framework of its long-term strategy.

The characteristics of this operation are as follows:

– Number of beneficiaries: 387.

– Number of shares allocated: 594,350 shares, or 0.44% of the number of shares making up the share capital.

– Vesting period: 2 years; the shares will vest on 29 December 2009, providing that on that date:
  - the average of the last twenty opening market prices of Lagardère SCA shares is no less than €51.14;
  - the beneficiary has not resigned or been dismissed for serious misconduct.

– Holding period: 2 years; once vested, the shares must be kept and will remain registered in the name of the beneficiary until 29 December 2011 inclusive, after which date they may be freely transferred or traded as allowed by current legislation.

Messrs Philippe Camus and Pierre Leroy, employees of Lagardère Capital & Management, were each allocated rights to 20,000 free shares. In application of article L.125-197-1 of the French Commercial Code, the Supervisory Board decided in view of their capacity as legal representatives of Arjil Commanditée-Arco, a corporate Managing Partner of Lagardère SCA, that 25% of these shares, once vested, must be kept until their beneficiary ceases to occupy his position in the management of Lagardère SCA.

The number of free shares allocated in 2007 to the ten main beneficiaries other than members of Lagardère SCA's managing bodies totalled 141,000 shares, i.e. an average of 14,100 shares per individual.

At the close of the Paris Bourse on 28 December 2007, the market price of each Lagardère SCA share thus allocated was €50.66.

In addition, we inform you that on 22 June 2007 Newsweb's Management Board allocated to one of its members 10,000 free Newsweb shares with €0.15 par value each, representing 0.35% of the company's capital.

These shares will only be remitted after a two-year period from the allocation date, provided the beneficiary has not been dismissed for serious misconduct during the period. A minimum holding period of two years then applies.

The Managing Partners

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 some 550 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, Press, Radio/Television, Audiovisual Production, New Media and Sports divisions, respectively via the following companies Hachette Livre, Lagardère Services, Lagardère Active and Lagardère Sports.

– The 12.51% 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 the responsibility of the Managing Partners who are appointed by the Supervisory Board on the unanimous proposal of 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

Three members of the Executive Committee have been given the task of organising and leading the Group's major central structures. The responsibilities necessary for implementation of the decisions taken, as well as follow-up and monitoring, are allocated between their three posts: the Group Secretary General, the Group Chief Financial Officer and the Chief Human Relations and Communications Officer.

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 gross 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: Lagardère Publishing, Lagardère Services, Lagardère Active (which now covers all the Group's activities in the media, audiovisual and digital sectors), and Lagardère Sports.

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 Lagardère Publishing division, Lagardère Services for the Press Distribution 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 and monitor 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.

At 31 December 2007, the Board comprised 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 currently 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 members 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 2008.

During 2007, the Supervisory Board met four times, in March, June, September and November, with an attendance rate of 67% at the March meeting, 92% at the June meeting and 75% at the other two 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 and November meetings were held specifically to examine the general position and strategic outlook for Lagardère Active (with a presentation by management teams from that business segment) and for the Sports division (with a presentation by Lagardère Sports' teams).

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 2007 were preceded by meetings of the Audit Committee, in February and September 2007. The Audit Committee also met in June and November 2007.

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 September meeting). In addition to the annual and half-yearly financial statements, the Committee reviewed the activities of the Internal Audit Division, and heard a presentation by one of the Managing Partners on the accounts of Lagardère Capital & Management (LCM), and discussed the IT risk audit, risk mapping and organisation of risk management in the Group.

These meetings took place in the presence of the Chief Financial Officer, the Central Accountancy Director (at the meetings reviewing the annual and half-yearly financial statements), 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 of powers 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 Lagardère's specificities, in terms of French law and its own by-laws, 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. Since 2006, given the increasing complexity of the work required, the number of Board meetings has been 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 following description of internal control procedures in force at Lagardère is based on the published internal control guidelines recommended by the Financial Markets Authority (AMF). This description has been prepared by a working party set up within the Group to establish its methods and monitor application.

A) Objectives of the internal control system

Lagardère SCA has defined and is responsible for implementing a certain number of internal control procedures designed to ensure:

- compliance with applicable laws and regulations;
- application of the instructions and orientations set by the Managing Partners;
- proper operation of the Group's internal processes, particularly regarding protection of its assets;
- reliability in information systems;

and in general contribute to control of its business, effectiveness of operations and efficient use of resources.

Naturally, given the limitations inherent to any organised system, internal control cannot provide an absolute guarantee that the Group's objectives will be achieved.

B) Scope of the internal control system

The procedures described below apply to subsidiaries that are fully consolidated in the Lagardère Group financial statements.

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. EADS NV, as a listed company, describes its internal control system in its own Registration Document for 2007.

Companies that have recently entered the scope of the Lagardère SCA internal control system are progressively adapting their own internal control procedures for harmonisation with the Group's system.

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;
- specific instructions issued when there are changes in accounting standards or their application.

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 Finance Division. Under the supervision of the Finance Division, the reporting system 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.

C-1-5 *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.

Chapter 6 contains a description of the principles and methods used in establishing the consolidated financial statements. For certain types of information, such as breakdowns of intercompany transactions, off-balance sheet commitments and derivatives, procedures are described in a memo applicable to all Group companies.

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 plurimedia concentration thresholds.

The Financial Committee assesses the strategic value of the proposed transaction and issues an opinion by any appropriate means 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, based on the methodology and tables defined by the Group's Finance Division.

This procedure does not apply to cash management 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 require advance authorisation and 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 and changes in the single management system

C-3-1 *The single management system includes blocking signals which help prevent incidents and problems, and improve reliability of data entry*

C-3-2 ***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-3-3 ***The single management system and its settings are upgraded to the latest versions as often as necessary, with specific resources (as described in C-3-2) dedicated to data integrity, availability and confidentiality.***

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 to the Audit Committee the annual audit plan, a summary of the work carried out, the resulting conclusions issued and details of their application.

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 C-2-1 above. The Legal Division is represented at all financial committee meetings in order to keep abreast of such transactions.
- 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 concerning internal control procedures used for the preparation and processing of accounting and financial information

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 2007 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 2007. 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 concerning internal control procedures prepared by the Chairman of the Supervisory Board of your company for the year ended 31 December 2007.

In his report, the Chairman of the Supervisory Board describes in particular the preparation and organisation of the work of the Supervisory Board and the internal control procedures used by the Company, in accordance with the requirements of article L. 621-18-3 of the French Monetary and Financial Code.

This report presents 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. Those 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 used in the preparation and processing of accounting and financial information. These procedures primarily consist of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of accounting and financial information underlying the information set out in the report of the Chairman of the Supervisory Board, and the existing documentation;
- obtaining an understanding of the work performed to prepare the information and existing documentation;
- determining whether the report of the Chairman of the Supervisory Board contains adequate information on any major shortcomings identified in the course of our examination in the internal control procedures relating to the preparation and processing of accounting and financial information.

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, 28 March 2008.

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 €8.6 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 these 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 issued under article L. 226-10 of the French Commercial Code and 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 2007, Lagardère Capital & Management invoiced €19.3 million to the Group, compared to €17.0 million in 2006.

Payroll costs recorded by Lagardère Capital & Management amounted to €15.8 million. This figure corresponds to €9.8 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 €0.67 million.

7-5-2 Transactions concluded with members of the Supervisory Board

See sections 7-2-4-2 to 7-2-4-4.

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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 2007, the share capital of the Company amounted to €818,213,044.60 and was divided into 134,133,286 shares of par value €6.10 each, all ranking pari passu and fully paid.

8-1-1-2 Changes in the share capital over the last five years

Years	Description of the operations	Number of shares	Nominal amount (in euros)	Premium (in euros)	Total share capital (in euros)	Total number of shares
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
2007	Reduction of share capital	(8,561,474)	(52,224,991)	(437,478,371)	818,191,517	134,129,757
	Exercise of options	3,529	21,526	198,368	818,213,044	134,133,286

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) and the share capital reduction by cancellation of treasury shares in April 2007.

8-1-2 Treasury stock

8-1-2-1 Amounts

At 31 December 2007, the Company directly held 3,303,166 of its own shares (par value: €6.10), representing 2.46% of the total share capital at that date. The total cost of these shares was €182,822,451.15.

Based on the average weighted market price of Lagardère SCA's shares in December 2007 a provision of €5,490,993.50 was recorded, reducing the total carrying value of treasury shares directly held by the Company to €177,331,457.65.

At the same date, via its wholly-owned subsidiary MP 55, the Company indirectly held 707,627 of its own shares, representing 0.53% of total share capital at that date for a total cost of €13,811,776.04, corresponding to an average per-share price of €19.52.

Consequently, the Company directly and indirectly held 4,010,793 of its own shares at 31 December 2007, representing 2.99% of total share capital at that date for a total cost of €191,143,233.69, or an average per-share price of €47.66.

Based on the average weighted market price of Lagardère SCA's shares at 31 December 2007 (€53.6852632 per share), the total market value of treasury shares held by the Company was €215,320,477.85.

8-1-2-2 Share buyback programmes: shares acquired, sold, transferred or cancelled

Special report of the Managing Partners on purchases of Company shares

Ladies and Gentlemen, Dear Shareholders,

In application of article L.225-209 of the French Commercial Code, you will find below the information required by the said article on the operations carried out under share buyback programmes during 2007 and the use made of repurchased shares.

Operations carried out in 2007

Under the authorisations granted to the Company by the General Meetings of 2 May 2006 and 27 April 2007, in 2007, your Company carried out several buyback operations with the following three major objectives: allocation of shares to employees (remittal to beneficiaries of purchase option plans or free share allocation plans), reduction of the share capital, and acquisition of shares for retention in view of future transfers or exchanges in consideration for acquisitions. Consequently, your Company undertook the following operations:

- on 25 April 2007, cancellation of 8,561,474 shares, representing 6% of the share capital;
- as part of its programme to cover all of its obligations under stock purchase options granted to Group employees:
  - on 20 March 2007, acquisition of 1,844,700 call options over the counter from Barclays Bank Plc at a price of €16.729 each or a total of €30,859,986.30, to cover its obligations under the 2006 stock option plan, exercisable at a per-share price of €55.84 until 14 December 2012;
  - on 20 March 2007, sale of 531,643 shares over the counter to Barclays Capital Securities Ltd at a per-share price of €56 or a total of €29,772,008 in order to finance the cost of purchasing the calls;
- acquisition of 467,124 shares over the counter from Barclays Bank Plc for a total of €24,022,935.46, or an average per-share price of €51.427, for remittal to employees, 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 purchase option plans;
- sale of 296,493 shares (0.22% of the share capital) to Group employees as a result of the exercise of stock purchase options for a total of €14,509,570.69 or an average per share price of €48.94;
- exchange of 111,679 Lagardère SCA shares (0.08% of the share capital) for 101,525 Hachette Filipacchi Médias shares under the share exchange agreement concluded in 2000 with employees of the Press division;
- acquisition of 5,624,793 shares (4.19% of the share capital) – including 2,892,000 shares at the beginning of 2007 which were subsequently cancelled and 2,732,793 shares during the second half of 2007 – on the market for retention in view of future transfers or exchanges in consideration for acquisitions, for a total of €326,995,895.09 or an average per-share price of €58.13. These shares were acquired through investment companies authorised to act independently on Lagardère's behalf.

Position at end December 2007

At the end of December 2007, 3,303,166 shares directly held by the Company and representing 2.46% of the share capital were allocated as follows:

- 570,373 shares for future allocation to employees (stock purchase option plans, share exchanges with Press division employees, free share allocation plans, etc.), representing 0.43% of the share capital;
- 2,732,793 shares for retention in view of future transfers or exchanges in consideration for acquisitions, representing 2.04% of the share capital.

The 707,627 Lagardère shares held by the subsidiary MP 55 (0.53% of the share capital) were held for retention in view of future transfers or exchanges in consideration for acquisitions

Lagardère also held rights to purchase 8,038,002 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 2006.

Date of Plan	Number of shares to be acquired	Exercise price	Expiry date for call options and optional repos
2001	666,961	46.48	19 December 2008
2002	1,029,048	51.45	19 December 2009
2003	1,353,068	51.45	18 December 2013
2004	1,515,831	51.92	20 November 2014
2005	1,651,194	56.97	21 November 2015
2006	1,821,900	55.84	14 December 2016

Partial reallocation for other uses

At the end of February 2007, for the purpose of reducing its share capital, your Company:

- reallocated all of the 7,619,365 shares it had acquired in 2006 (4,727,365) and early 2007 (2,892,000) for retention in view of future transfers or exchanges in consideration for acquisitions to the objective of share capital reductions;
- transferred 942,109 shares from shares that were allocated for attribution to employees.

This enabled it to reduce the share capital on 25 April 2007 by 6% by cancelling 8,561,474 shares.

At the end of February 2008, after comparing existing allocations and commitments to Group employees, 400,000 of the shares acquired on the market in the second half of 2007 for retention for future use were reallocated for attribution to employees, thereby covering all of the Company's obligations under the free share allocation plan of 28 December 2007.

Operations carried out under the authorisation granted by the General Meeting of 27 April 2007

The General Meeting of 27 April 2007 renewed the authorisation granted to the Managing Partners by the General Meeting of 2 May 2006 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 future transfers or exchanges in consideration for acquisitions;
– 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 some of the shares purchased;
– completion of any other transactions in accordance with current regulations, particularly the Market Practices accepted by the AMF.

The corresponding share buyback programme was described in a press release issued on 7 August 2007.

This authorisation was granted for an 18-month period starting on 27 April 2007.

In execution of this authorisation, between 27 April 2007 and 29 February 2008, the date of finalisation of this report, your Company carried out the following transactions:

– acquisition, through exercise of 340,725 call options and optional repos with Barclays Bank Plc, of 340,725 shares representing 0.25% of the share capital, for a total price of €17,506,781.38 (average per-share price of €51.38), for transfer to Group employees under stock purchase option plans;
– acquisition on the market through independent investment services firms of 2,732,793 shares making up 2.04% of the share capital, for a total price of €152,007,338.09 (€55.62 per share), for retention in view of future transfers or exchanges in consideration for acquisitions;

– sale to employees who exercised their stock purchase rights under stock option plans of 182,498 shares representing 0.13% of the share capital;
– exchange with Press division employees of 36,659 Lagardère SCA shares representing 0.03% of the share capital for 33,325 shares in Hachette Filipacchi Médias.

You will be asked to renew this authorisation at the Annual General Meeting of 29 April 2008.

The Managing Partners

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 2007, there were no subscription options outstanding which if exercised would result in the issue of an equivalent number of new shares, the last share subscription plan having expired in December 2007.

8-1-4 Authorised, unissued share capital

The Combined General Meeting of 27 April 2007 authorised the Managing Partners, for a period of 26 months:

– to issue, with or without preferential subscription rights, securities granting immediate or future access to the Company's capital, within the following limits:
  • maximum nominal amount of capital increases which may result from authorised issues, representing 36.67% of the existing share capital .... €300 million
  • maximum authorised for bond issues .... €2,500 million

– to increase the share capital by incorporating reserves or share premiums and issue bonus shares to shareholders (or raise the par value of existing shares), ... €300 million

– to issue new shares, allocate free shares or grant stock subscription or purchase options to Group employees, within the limit of 5% of the number of shares making the share capital, i.e. a maximum nominal amount of capital increase of .... €40.9 million

It being understood that:

– the number of shares issued to the benefit of employees under the Group Savings Plan cannot exceed 3% of the total number of shares making up the share capital;

– the number of free shares allocated to employees and senior managers of the Group cannot exceed 1% of the total number of shares making up the share capital;

– the number of shares allocated under stock subscription or purchase options cannot exceed 3% of the total number of shares making up the share capital.

As of 29 February 2007, only one of these authorisations had been used by the Managing Partners, on 28 December 2007, to grant Group employees 594,350 shares representing 0.44% of the number of shares making up the share capital at the date of the Meeting. Title to these shares will only be vested on 29 December 2009, providing that on that date:

– the beneficiary has not resigned or been dismissed for serious misconduct;

– the average of the last twenty opening market prices of Lagardère SCA shares is no less than €51.14, i.e. the opening price on the grant date.

Also, the shares must be registered in the name of the beneficiary at least until 29 December 2011.

Although this decision did not concern securities granting access to the Company's capital, it should be noted that the meeting of 27 April 2007 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.

8-1-5 Pledges of Company shares

8-1-5-1 Pledges of registered shares of the Company at 31 December 2007

- Number of shareholders: 176
- Number of shares: 13,161,806, or 9.81% 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 2007

These pledges concern 13,081,459 shares held by Lagardère Capital & Management, or 9.75% 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 2007: 134,133,286
- Number of shares listed on 31 December 2007: 134,133,286
- 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)**
2003	135,642,097	0.82	0.41	1.23	111.20
2004	136,461,217	0.90	0.45	1.35	122.80
2005	136,720,742	1.00	None	1.00	136.72
(Exceptional dividend)	136,898,627	2.00	None	2.00	273.79
2006	139,648,467	1.10	None	1.10	153.61
2007	133,685,820	1.20	None	1.20	160.42

(*) 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 (in €)	High for month (in €)	Low for month (in €)
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
	March	21,818,528	991,751	1,258,599.80	57,209.10	57.91	61.98	55.28
	April	12,618,669	664,140	732,315.20	38,542.90	57.27	59.45	57.11
	May	17,864,818	812,037	1,068,992.40	48,587.40	61.20	62.20	56.81
	June	18,718,946	891,378	1,176,368.70	56,017.60	64.09	65.29	59.50
	July	16,175,072	735,231	993,341.30	45,151.90	58.39	64.38	57.70
	August	18,223,501	792,326	1,061,010.90	46,130.90	59.44	60.07	56.00
	September	12,708,022	635,401	750,614.80	37,530.70	59.26	60.90	56.79
	October	17,627,123	766,397	1,035,778.30	45,033.30	58.45	62.90	56.92
	November	13,338,149	606,280	730,370.80	33,198.70	54.90	58.76	51.62
	December	10,335,395	543,968	559,239.80	29,433.70	50.45	56.16	50.15
2008	January	20,061,923	911,906	984,475.50	44,748.90	48.78	54.68	42.63
	February	16,425,586	782,171	828,661.75	39,460.10	51.63	54.02	46.77

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 over the last three years

	At 31 December 2007			At 31 December 2006			At 31 December 2005		
Shareholders	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Lagardère Capital & Management(*)	13,513,222	10.07	12.96	10,108,383	7.09	10.55	10,108,383	7.12	8.54
French institutional investors	21,388,629	15.95	18.92	30,905,050	21.66	22.82	39,932,873	28.11	28.27
Non-French institutional investors	83,603,848	62.33	55.31	79,964,246	56.04	51.56	70,118,509	49.36	45.05
General public	9,142,390	6.82	10.09	11,104,753	7.78	11.74	15,039,304	10.59	14.60
Employees and Group Savings Plan investment fund	2,474,404	1.84	2.72	3,188,634	2.23	3.33	3,416,928	2.41	3.54
Treasury stock	4,010,793	2.99	-	7,420,165	5.20	-	3,426,123	2.41	-
Total	**134,133,286**	**100**	**100**	**142,691,231**	**100**	**100**	**142,042,120**	**100**	**100**

(*) Mr. Arnaud Lagardère, Lagardère SAS and its subsidiary Lagardère Capital & Management.

Of the 1.84% of capital held by Group employees, 0.72% is held via the Group Savings Plan investment funds or directly under employee profit-sharing and savings schemes required by law.

At 31 December 2007, 6.46% of the share capital and 5.00% of the rights to vote at meetings were held by QIA – Qatar Investment Authority.

At 31 December 2007, the share capital was held by 86,361 shareholders.

8-1-8-2 Shareholding thresholds crossed in 2007

Date of AMF notification	**Company**	**Threshold**
21 May	Lagardère Capital & Management	Above 10% of voting rights
25 May	Morgan Stanley & Co International Plc	Above 5% of share capital, 17 May Below 5% of share capital, 21 May
25 May	Société Générale group	Above 5% of share capital
31 May	Société Générale group	Below 5% of share capital
18 July	Lagardère Capital & Management	Above 10% of share capital

(1) Significant investments represent a shareholding above €150 million.

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 rights to vote at meetings at 31 December 2007 was 163,587,207.

However, in application of AMF regulations, the number of voting rights to be taken into consideration for assessing whether regulatory thresholds have been crossed is the gross number, which at 31 December 2007 amounted to 173,200,830.

The total number of voting rights (gross and net) is now published every month at the same time as the amount of the share capital.

The percentage of voting rights held by Supervisory Board members was 0.03%.

Under the by-laws, the number of voting rights to be taken into consideration for assessing whether thresholds have been crossed is the total number of rights to vote at meetings, ie. 163,587,207 at 31 December 2007.

8-1-8-5 Principal shareholders

Mr. Arnaud Lagardère, personally and via his two companies, Lagardère SAS and Lagardère Capital Management (LCM), with 10.07% of the capital and 12.96% of the rights to vote at meetings is the largest permanent shareholder in the Lagardère Group. In accordance with the Company's by-laws (see section 8-2-6-4, all shares which have been registered in the name of LCM for at least four years carry double voting rights. LCM'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 LCM. 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 which represents the shareholders 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 1 March 2008 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, with immediate effect. 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(s) 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 term of 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 from 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 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 Chair has the casting vote in the event of a tied vote.

In calculating the quorum and majority, members attending the meeting via video conferencing or telecommunication 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 informing 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 the right by law to receive the same documents from the Managing Partners as those 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-thirds majority of the shareholders present or represented.

3) Should Arco become a Managing Partner of the Company, 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 approval of the Supervisory Board, which must approve or refuse the proposed transaction 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, with immediate effect.

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, will automatically forfeit its status as general partner, with immediate effect.

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 through 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 event 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 with immediate effect, 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 with immediate effect in the event that it effects a sale or subscription of shares which is likely to change its control, when no approval for such a transaction has been given 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 2007 are as follows (in thousands of euros):

Balance sheet	
Assets	
Accounts receivable	14,796.0
Cash and cash equivalents	4.4
Total	**14,800.4**
Liabilities and shareholders' equity	
Shareholders' equity	14,773.5
Accounts payable	26.9
Total	**14,800.4**

Statement of income	
Operating revenues	0
Operating expenses	25.7
Operating loss	*(25.7)*
Financial income	2,005.2
Financial expenses	0
Net financial profit	*2,005.2*
Non-operating profit	*0*
Income tax expense	659.8
Net profit for the year	***1,319.7***

Rights of the general partners (article 18 B)

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 the 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 C)

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. 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 are willing 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 presenting proof of identity and providing that the shares have been registered in his name in the Company's shareholder accounts since at least the third business day (00.00, Paris local time) prior to 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 electronic means of communication. It is the Managing Partners' responsibility to define the practicalities of this method of attendance and voting after consulting the Supervisory Board. The technologies used must be capable of continuous, simultaneous transmission of the discussions and shareholder and proxy identity authentication, and guarantee vote confidentiality and security.

A shareholder who does not personally attend the meeting may choose one of the three following possibilities:
- 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 naming 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.

If a shareholder decides, after a decision by the Managing Partners in accordance with the provisions of the second paragraph of this section, to vote by mail, give a proxy to another shareholder, or send a blank proxy form to the Company without naming a proxy, by sending the relevant form by an electronic means of communication, his electronic signature must:
- be in the form of a secure electronic signature as defined in the applicable provisions of law;
- or result from use of a reliable identification process guaranteeing the association with the document to which it is attached, or any other identification and/or authentication process considered acceptable by the applicable provisions of law.

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 business 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, if 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 for 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 an 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 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, it is impossible to appoint any new Managing Partners or modify the by-laws without the consent of the general partners.

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.

8-2-8 Disclosure of shareholdings 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 the total number of shares and voting rights he holds by registered letter with acknowledgment of receipt addressed to the head office.

This procedure must be repeated as described above every time a threshold of a further 1% is crossed.

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 for any general meeting that may be held within a two-year period following the date on which the declaration is finally made, at the request of one or more shareholders together holding 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, particularly article 228-II of the French Commercial Code, the Company has the right to obtain at any time from the central securities depositary in charge of the Company's share issue account the name, or corporate name in the case of a corporate shareholder, nationality, date of birth or formation 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):

Agreements entered into for the investment in Canal+ Group

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).

(1) See section 8-2-3 – Powers of the Supervisory Board, paragraph 2) dealing with the appointment or reappointment of a Managing Partner.

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.

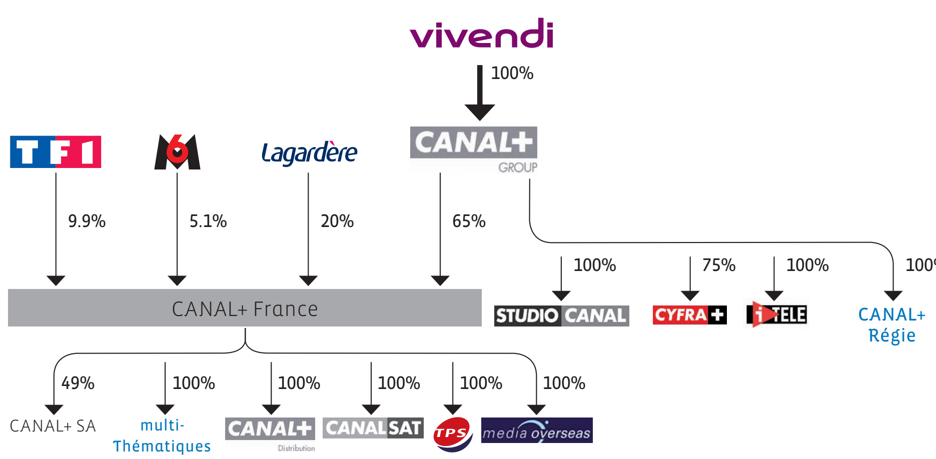
The operation was completed on 4 January 2007 after the following preliminary transactions:

- 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.

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. Once all the conditions were fulfilled, the sale was completed on 31 March 2006.

The acquisition price stated in the agreement was based on the enterprise value (excluding debts and cash) and was adjusted according to certain balance sheet items, giving a final acquisition price of US$501 million.

Agreements entered into with outside investors in Cellfish Media

To accelerate development of its activities, in October 2006 Cellfish Media LLC opened its capital to a group of institutional North American investors who provided funding of US$50 million in exchange for a holding of approximately 30% of the capital.

In early 2007, Cellfish Media raised capital from a third investor.

Under the agreements signed on 11 January 2007, the investment fund Fonds FTQ Delaware / (12348) Corp., an affiliate of Fonds de Solidarité des Travailleurs du Québec, acquired a 6.01% holding in Cellfish Media for a contribution of US$10 million. As a result, Lagardere North America, Inc.'s holding decreased to 60.10% of the capital of Cellfish Media.

Agreements entered into for the 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 to acquire Sportfive. Approval of the relevant European competition authorities was received on 18 January 2007, and on 24 January 2007 Lagardère, through its subsidiary Hachette SA, became the owner of 100% of the shares and voting rights of S5 Group SAS, which heads the Sportfive group, for an enterprise value of €865 million.

Agreements entered into for the acquisition of Newsweb

On 12 December 2006, the Group signed agreements with certain Newsweb shareholders under which Hachette SA acquired a block shareholding amounting to approximately 75.20% of the capital and voting rights of Newsweb, in exchange for a total payment of €53.05 million (representing the price of €24.70 per share).

In early 2007, Lagardère pursued its takeover of Newsweb, initially through further acquisitions in the form of transactions on the Alternext market, and subsequently by filing a standing market offer with the French Financial Market Authority (AMF) on 1 February 2007, in accordance with stock market regulations, for the remaining Newsweb shares (12.02% of the capital) at the same price of €24.70 per share.

The Group held 98.20% of the shares of Newsweb when the standing offer closed, and made an offer in accordance with Alternext regulations to buy up the remaining shares, also at €24.70 per share. It then requested the delisting of Newsweb, which took effect on 29 March 2007. At that date, Hachette SA owned 99.91% of the capital of Newsweb.

Agreements entered into for the acquisition of Jumpstart Automotive Media

Through its American subsidiary Hachette Filipacchi Media US, Inc. Lagardère Active signed an agreement on 18 April 2007 for the acquisition of 100% of the shares and voting rights of Jumpstart Automotive Media ("Jumpstart"), for an initial contribution of US$84 million (€62 million). Two further earn-out payments may have to be made in 2008 and 2010, depending on the profit levels reached, but these additional payments may under no circumstances exceed a total of US$26 million (€20 million).

Once all the conditions included in the agreements were fulfilled, these operations were finalised on 16 May 2007.

Agreements entered into for the acquisition of IEC

On 8 June 2007, Lagardère Sports signed an agreement to acquire 100% of the shares and voting rights of IEC Investment AB, a Swedish holding company belonging to the IEC (International Events and Communication in Sports) group, for an initial payment of €43 million plus potential subsequent payments spread over the next three years, depending on various criteria. These subsequent payments may under no circumstances exceed the limit of €37 million.

Among other conditions, this acquisition required the approval of the German competition authorities. Once all the conditions were fulfilled, the operation was completed on 31 August 2007.

Agreements entered into for the sale of Regional Daily Press activities

Lagardère Active signed a contract on 13 August 2007 for the sale of its regional daily press interests in Southern France (principal titles: *La Provence*, *Nice Matin*, *Var Matin*, *Corse Matin* and *Marseille Plus*) to the Hersant Média group. The transaction was subject to approval by the French anti-trust authorities, and was finalised on 21 December 2007 after the French Finance Ministry issued its approval of the Hersant Média group as buyer on 7 December 2007.

Lagardère's interest in the capital of the companies that publish these titles was sold for a price of €160 million.

Agreements entered into for the acquisition of ID Régie

On 28 August 2007, Lagardère Active announced that it had entered into an agreement for acquisition of ID Régie, which was formed in 1999 and employs 11 people in advertising space sales for more than thirty websites.

Agreements entered into for the acquisition of Nextedia

On 29 August 2007, Lagardère Active announced that it had entered into an agreement for acquisition by its subsidiary Hachette Filipacchi Médias of 100% of the shares and voting rights in Nextedia, for an initial payment of €50 million, plus potential earn-out payments in 2011 and 2013 if certain profit levels are achieved. The total earn-out payments will be subject to a €50 million limit.

Agreements entered into for the partial sale of Virgin Stores

On 21 December 2007, Lagardère Services signed an agreement for the sale of 80% of the capital of Virgin Stores SA to Butler Capital Partners. The remaining 20% will continue to be held by Lagardère Services. Under the terms of the agreement, the sale price based on the enterprise value of €76.4 million will be subject to adjustment depending on certain balance sheet items.

Once all the conditions were fulfilled, the sale was completed on 27 February 2008.

Before this sale, Lagardère Services' 51% share in VirginMega was transferred to Virgin Stores SA, while the remaining 49% were retained by Lagardère Active..

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 note 26 to the consolidated financial statements for 2007, 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's market price). A first tranche was redeemed on 25 June 2007 (for 20,370,000 EADS shares), and the other two tranches will be redeemed on 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 replaced 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 2007, the amount drawn was €600 million.
- On 21 January 2001, Lagardère SCA signed a financing contract with a group of private US investors for an amount of US$500 million in three tranches, converted into euros. On 24 July 2003, a further tranche of €150 million was subscribed. These loans are similar to bond issues and are classified as such for accounting purposes. They are redeemable over periods of 5 to 10 years, and the original fixed rates were immediately swapped to variable rates. A first tranche of US$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 €1,463 million.

This includes the cost of land (€146 million) and buildings (€455 million). The net book value of land and buildings is €373 million, i.e. less than 3% of the balance sheet total, and includes a real estate property with net book value of €75 million at 31 December 2007, rented under an operating lease to the NMPP group.

In view of the nature of the Group's business activities, the value represented by real estate property is not significant.

Chapter 9

Recent developments and outlook

9 - 1 Recent developments (since 1 January 2008)

9-1-1 Significant events

Formation of Lagardère Entertainment

It has been decided to consolidate and develop Lagardère Active's audiovisual production and distribution activities within a new entity named Lagardère Entertainment, which will also develop activities related to live entertainment, management of artists and audiovisual rights management. The creation of Lagardère Entertainment, a new driver for growth, reinforces the strategy designed to make Lagardère a world leader in audiovisual content and rights for all types of media, including digital media.

Acquisition of Doctissimo

On 22 February 2008, Lagardère SCA announced an agreement under which its subsidiary Lagardère Active Digital acquired 53.98% of the capital and 57.92% of the voting rights of Doctissimo, France's leading publisher of web content for women, from its founders. The deal was based on a price of €30.50 per share, giving a total value of €138 million for 100% of Doctissimo. On 8 April 2008, Lagardère Active Digital will file a standing market offer with the French Financial Market Authority (AMF) for the Doctissimo shares not acquired under the agreement, at the same price as that paid to acquire the controlling interest, i.e. €30.50 per share. Once it owns at least 95% of the voting rights of Doctissimo, Lagardère Active Digital will also make a compulsory buyout offer to the remaining minority shareholders, in application of article 237-14 and following of the AMF regulations. This acquisition furthers Lagardère's strategy of building a position as a leading player on the internet, especially in the women's interests and health segments. With the acquisition of Doctissimo, Lagardère becomes the French no.1 in websites for women, with nearly 6.5 million unique visitors per month, and move to 10th position in terms of web audience in France, with 10.9 million unique visitors per month.

Sale of Virgin Stores group

On 28 February 2008, following the agreement signed on 21 December 2007 (see Chapter 8, section 8-3-1, final paragraph), Lagardère and Butler Capital Partners announced that they had signed the final contracts for the acquisition of a majority interest in Virgin Stores by Butler Capital Partners.

AMF announcement issued on 1 April 2008

On 1 April 2008, the French Financial Market Authority (AMF) published the following announcement, which should be read with reference to note 30-2 (paragraph 3) to the consolidated financial statements:

"The Board of the AMF met on 31 March 2008 to examine the findings of the Investigation and Market Surveillance Division inquiry into securities trading and financial information issued by EADS since 1 May 2005.

The Board has considered it necessary to serve a statement of complaint for non-compliance with the obligation incumbent upon all issuers of listed securities on a regulated market to provide good information to the market, and non-compliance with the obligation incumbent upon persons in possession of insider information to abstain from trading on the market.

Letters of notification accompanied by the inquiry report will be sent out to the persons concerned in the next few days. Copies of these letters will also be sent to the Chairman of the Disciplinary Committee, marking the start of the adversarial phase of the procedure set forth in the regulations organising sanctions of possible failures to respect the regulations the AMF is charged by law to enforce.

The persons concerned and their advisors will have access in the days to come to all documents that formed the basis for the investigators' analysis and the Board's decision to initiate proceedings, and will be invited to present observations in their defence to the *Rapporteur* who will be appointed by the Chairman of the Disciplinary Committee.

The entire file will be sent without delay to the Paris Public Prosecutor's Office.

Naturally, the persons concerned will have the full benefit of the presumption of innocence."

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

Lagardère Publishing

The early part of 2008 has been satisfactory for Lagardère Publishing, continuing the trends observed in the fourth quarter of 2007. Business is still good in the UK and the US.

Lagardère Active

Press

The beginning of the year has been marked by a slowdown in advertising revenues in certain countries (US, Japan, Spain), whereas business has been healthy in emerging countries (Russia and China). General distribution is maintaining its levels, particularly thanks to women's magazines. Significant growth in digital sales in France and the US has continued, largely due to Jumpstart which saw excellent results at the start of the year.
Early 2008 results are still affected by the impact of titles discontinued during 2007, and the deconsolidation of the Regional Daily Newspaper businesses sold to the Hersant Média Group in 2007.

Audiovisual

Over January and February 2008, radio advertising was mediocre in France, but there was further high growth in the radio business in Eastern Europe and Russia, which is becoming increasingly important in Lagardère Active and is expected to contribute almost 50% of the Radio results for 2008.

Television results are in line with Group forecasts and are expected to be better in 2008 than 2007.

Lagardère Active is continuing its new strategy, with the emphasis on:
- refocusing on the countries and businesses closest to its core activity,
- development in emerging countries,
- growth in digital sales.

This pro-active strategy will be supported by a cost-cutting plan, which will bring benefits throughout 2008.

Lagardère Services

2008 got off to a satisfactory start for Lagardère Services, boosted by retail sales, particularly in Eastern Europe and Asia.

Lagardère Sports

Initial results for 2008 are satisfactory and in line with Group expectations.

9-1-3-2 EADS

Information on current trends for EADS was published in the EADS press release of 11 March 2008 (www.eads.net).

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 2008 target for growth in the Media segment's recurring operating profit before associates has been set at "between +3% and +7%" assuming a euro/dollar exchange rate of 1.50.

9-2-2 EADS

Information on current trends for EADS was published in the EADS press release of 11 March 2008 (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 its validity, the following documents will be freely accessible on the Company's website (www.lagardere.com) in the following sections :

• "Investor Relations/ Regulated Information" :

– Annual financial reports/ Reference Documents for the last five fiscal years;

– Interim reports for the last five fiscal years;

– Monthly informations on the capital and voting rights;

– Informations on repurchase' share;

– Descriptive of the programs of repurchase' share;

• "Private Shareholder Relations/Corporate Governance" :

– Updated by laws of the Company.

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.

(*) Refers to chapter and section numbers of the Reference Document.

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