Lagardère SCA
A French limited partnership with shares
with capital stock of € 858,993,978.50
divided into 140,818,685 shares of € 6.10 par value each.
Head office: 4, rue de Presbourg - 75016 Paris (France)
Telephone: +33 (0) 1.40.69.16.00
Commercial Register: 320 366 446 RCS Paris
Website: http://www.lagardere.com

REFERENCE DOCUMENT

Year 2004

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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 6, 2005 in accordance with articles 211-1 to 211-42 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.

This English version of Lagardère's Reference Document has been prepared for the convenience of English language readers. It is a translation of the original Document de Référence deposited with the Autorité des Marchés Financiers. It is intended for general information only and should not be considered as completely accurate owing to the unavailability of English equivalents for certain French legal terms.

As indicated in the Management Report, this Reference Document is an integral part of that report. The Management Report contains essential information and this Reference Document provides more detailed information that the reader may require.

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

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

1.1 PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

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

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

Mr. Arnaud Lagardère, Chairman and Chief Executive Officer

Mr. Philippe Camus, Deputy Chairman and Chief Operating Officer

Mr. Pierre Leroy, Director and Chief Operating Officer

1.2 CERTIFICATION OF THE MANAGING PARTNERS

"To the best of our knowledge, the information set out in this Reference Document is true and includes all the information needed by investors to base their opinion on Lagardère's assets and liabilities, business, financial position, results and prospects; there are no omissions which could impair its meaning".

Arnaud Lagardère

For ARCO:
Arnaud Lagardère - Philippe Camus - Pierre Leroy

1.3 NAMES AND ADDRESSES OF THE AUDITORS

	First appointed	End of current period of office
Auditors		
Barbier Frinault & Autres represented by Mr. Jean-François Ginies 41, rue Ybry - 92576 Neuilly-sur-Seine Cedex, France	June 29, 1987	2005
Mr. Alain Ghez 37, rue des Acacias - 75017 Paris, France	September 24, 1980	2005
Mazars & Guérard represented by Mr. Jacques Kamienny Le Vinci - 4, allée de l'Arche 92075 La Défense Cedex, France	June 20, 1996	2008
Alternate Auditors		
Mr. Alain Grosmann 41, rue Ybry - 92576 Neuilly-sur-Seine Cedex, France	June 6, 1989	2005
Mr. Charles-Éric Ravisse 19, rue de Milan - 75009 Paris, France	June 29, 1993	2005
Mr. Michel Rosse Le Vinci - 4, allée de l'Arche 92075 La Défense Cedex, France	June 20, 1996	2008

STATUTORY AUDITORS' STATEMENT

(Translated from the original in French)

"In our capacity as Statutory Auditors of Lagardère SCA and in accordance with articles 211-1 to 211-42 of the *Règlement Général* of the *Autorité des Marchés Financiers*, we have verified that the financial information contained in this Reference Document relating to the audited financial statements for the year ended December 31, 2004 ("the financial statements") has been properly derived from these financial statements.

This Reference Document has been prepared under the responsibility of the managing partners. Our responsibility is to report on the fairness of the financial and accounting information included in this Reference Document with respect to the financial position and the financial statements of Lagardère SCA.

Our procedures, which were performed in accordance with French professional standards, consisted in assessing the fairness of the information about the financial position and the financial statements, and verifying that this information agrees with the financial statements audited by us. These procedures also included reading the other data contained in this Reference Document in order to identify any material inconsistencies with the information about the financial position and the financial statements, and reporting any incorrect information that came to our attention, based on our overall knowledge of the Company derived from our assignment.

Provisional data presented correspond to objectives set by management, not to individual prospective data prepared according to a specific process.

We have also audited the annual accounts and the consolidated financial statements prepared by the managing partners of Lagardère SCA for the years 2004, 2003 and 2002. Our audits were performed in accordance with French professional standards, and we have expressed unqualified audit opinions on such annual accounts and consolidated financial statements.

Based on the procedures described above, we have nothing to report concerning the fairness of the information contained in this Reference Document relating to the financial position and the financial statements".

Paris and Neuilly-sur-Seine, April 5, 2005

The Statutory Auditors

Mazars & Guérard	Alain Ghez	Barbier Frinault & Autres
Jacques Kamienny		Jean-François Ginies

Note: Included in Lagardère SCA's Reference Document are:

- The Statutory Auditors' reports on the annual accounts and on the consolidated financial statements at December 31, 2004 (set out in Part 5, sections 5.10 and 5.11 of the *Document de Référence* in French) explaining the basis of their opinion as required by article L. 225-235 of the French Commercial Code;

- The Statutory Auditors' report prepared at the request of Lagardère SCA in compliance with the law (article 621-18-3 of the *Code Monétaire et Financier*) and French securities regulations (article 221-6 of *Livre II* of the *Règlement Général* of the *Autorité des Marchés Financiers*) 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. An English translation of this report of the Statutory Auditors is set out in Part 6, paragraph 6.1.3.5 of this Reference Document.

1.4 INFORMATION POLICY

Laurent Carrozi,
Executive Vice President, Investors Relations

Frédéric Subra,
Executive Vice President, Group's General Secretary Affairs

- Lagardère shareholders and public information department is situated at:
  121, avenue de Malakoff - 75116 Paris, France
  Telephone: +33 (0) 1.40.69.20.73
  E-mail: lalettre@lagardere.fr
- Copies of this Reference Document and of the managing partners' and Supervisory Board reports are sent to shareholders on request.
- Shareholders receive an abridged copy of the annual report, as well as interim reports and financial statements twice a year and a newsletter three times a year.
- Conferences for individual shareholders are held in various cities.
  In 2004, four meetings were organized in Nice, Marseille, Annecy and Nancy.
- In 2004, several trips were made abroad to provide information about Lagardère to approximately 200 financial institutions in North America (Boston, Chicago, Milwaukee, Montreal, New-York and Toronto), in Europe (Amsterdam, Barcelona, Brussels, Copenhagen, Frankfurt, Geneva, Hilversum, Lisbon, London, Madrid, Milan, Munich, Rotterdam, Stockholm and Zurich).
  In France, the Group organized three conferences for analysts and investors, and attended seven other conferences organized by banks in France (Cannes, Paris) and abroad (Barcelona, London).
  Private meetings were also arranged for approximately 200 investors, analysts and fund managers.
- Information on the Group is available on the Internet at www.lagardere.com. The surfer will find the latest "products and services" news from Lagardère Media in the fields of digital technology, books, press publishing and distribution. Institutional headings (key figures, databases, etc.) are also available. This information, intended for all kinds of readers, employees and existing and future shareholders alike, is in French and English. Some of the topics are enhanced with sound and animation. The portal also offers navigation tools for finding information on the Group's companies and entities by business, country or key word.
- Specific information on EADS can be obtained directly from EADS' website www.eads.net
  or by phone at +33 (0) 1.42.24.24.24.

2 ISSUE AND OFFICIAL LISTING OF EQUITY SECURITIES

This chapter is a part of the standard Reference Document, for use only when the Company is making a specific issue.

It is therefore not applicable.

3

DESCRIPTION OF LAGARDĒRE AND ITS CAPITAL STOCK

3.1 DESCRIPTION OF THE COMPANY*

3.1.1 Corporate name and head office

Lagardère SCA

4, rue de Presbourg - 75116 Paris, France.

3.1.2 Legal form

Lagardère is a French limited partnership with shares (*société en commandite par actions*).

Statutory Auditors:

– Barbier Frinault & Autres

– Alain Ghez

– Mazars & Guérard

A French limited partnership with shares 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 *actionnaires*, hereinafter referred to as "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 the Supervisory Board.

A limited partnership with shares is managed by one or more managing partners, 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.

Lagardère SCA is subject to French laws governing *sociétés en commandite par actions*, and, in the framework of such laws, by the special provisions of its by-laws.

3.1.3 Governing law

Lagardère is governed by the laws of France.

3.1.4 Duration of the Company (article 5)

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

* Article numbers indicated in this section refer to the Company's by-laws.

3.1.5 Corporate purpose (article 3)

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.

3.1.6 Commercial Register and registration number

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

3.1.7 Inspection of corporate documents

The legal documents of Lagardère are available for inspection at the following address:
121, avenue de Malakoff - 75116 Paris, France.

3.1.8 Fiscal year

The reporting period of Lagardère is of one year's duration, from January 1 to December 31 each year.

3.1.9 Allocation and distribution of income (article 25)

The Parent Company statement of income, which includes all its revenues and expenses for the year, shows, after depreciation, amortization and provisions, Lagardère's Parent Company net income or loss for the year (hereinafter called "Parent Company net income").

Out of Parent Company net income for the year, less previous accumulated losses if any, a certain amount must, by law, be set aside in priority and to the extent necessary to form the legal reserve.

Income available for distribution is made up of Parent Company net income, less any accumulated losses, less any transfers to reserves required by law or by the by-laws, plus any unappropriated retained earnings.

Out of income available for distribution, a sum equal to 1% of consolidated net income for the year after minority interests is paid to the general partners (*associés commandités*) in their capacity as general partners, whether they are managing partners (*Gérants*) or not, in the proportions they decide.

The balance is distributed among the shareholders in proportion to the number of shares held by each of them.
However, the general meeting may, upon recommendation of the managing partners (*Gérance*), decide to set aside from the balance available for distribution among the shareholders such amounts as it deems fit to be carried forward, or to be allocated to one or more general, extraordinary or special reserves.

Dividends are normally distributed out of Parent Company net income for the year.

The general meeting may, however, in addition, decide to distribute any part of the reserves available to it by expressly indicating those reserves from which such distributions are to be made. To the extent such reserves have been established by transfer of income available for distribution only to the shareholders, the dividends paid out therefrom accrue to the benefit of owners of shares alone, in proportion to the number of shares held by each of them.

The general meeting called to approve the financial statements for the year may, in respect of all or part of the dividends proposed for distribution, offer each shareholder an option to receive payment of his dividend in cash or in shares.

Similarly, the general meeting approving the distribution of an interim dividend under the terms of article 232-12 of the French Commercial Code governing such distributions, may, in respect of all or part of the said interim dividend, offer each shareholder the option to receive payment of his interim dividend in cash or in shares.

The offer, price and conditions under which the shares are issued, the request for payment in shares and the conditions of the resulting capital increase, are governed by law and regulations.

Dividends are payable at the times and in the places determined by the managing partners, within a maximum period of nine months from the end of the fiscal year, save where this period is extended by court order.

3.1.10 General meetings (article 19)

General meetings are called either by the managing partners or by the Supervisory Board (*Conseil de Surveillance*), or by any other person having the right to do so by virtue of law or under 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 (*Gérant*) or one of the managing partners if there are several of them. If the meeting is called by the Supervisory Board, it is chaired by the Chairman or by a member of the Supervisory Board appointed to this effect. Where the meeting has been called by any other person legally empowered to do so, the meeting is chaired by the person who called the meeting. If the person entitled or appointed to chair the meeting fails to do so, the meeting itself elects its chair.

The vote tellers (*scrutateurs*) are the two shareholders having the greatest number of shares, either directly or by way of proxy, and who are present and accept to be tellers.

The vote tellers thus designated constitute the officers of the meeting (*bureau*), and appoint a secretary who need not be a shareholder.

The officers of the meeting verify, certify and sign the attendance sheet, ensure that discussions are properly held, settle any differences which may arise in the course of the meeting, count the votes cast, verify that voting procedures are properly observed and that minutes of the meeting are drawn up.

Minutes recording the deliberations of each meeting are entered in a special register signed by the officers of the meeting. The minutes, drawn up and recorded in this form, are considered to be a true transcript of the meeting. All copies of or extracts from the minutes must be certified by one of the managing partners, by the Chairman of the Supervisory Board, or by the secretary of the meeting.

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 Auditors; it discusses and approves the Parent Company financial statements for the previous year and the proposed allocation of net income, 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 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 3.1.13 Powers of the Supervisory Board, sub-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 sub-paragraph 2 of section 3.1.13 Powers of the Supervisory Board.

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 capital stock;
  . 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.

Attendance and representation at meetings, proxies, double voting rights (article 19)

Any shareholder has the right to attend general meetings and to take part in the discussions, either personally or through a proxy, subject to proof of identity and providing his name has been recorded in a shareholders' account at least five days before the meeting.

Subject to inclusion of the relevant decision by the managing partners in the public notice of a meeting and the notice sent personally to shareholders, shareholders may participate in general meetings by means of video conferencing technology, and vote by telecommunication (e.g. through the Internet). It is the managing partners' responsibility to fix the practicalities of this method of attendance and voting after consulting the Supervisory Board. The technologies used must guarantee vote confidentiality and security and shareholder identity authentication.

A shareholder who does not personally attend the meeting may choose one of the three following options:
– to give a proxy to another shareholder or to his or her spouse; or
– to vote by mail; or
– to send a blank proxy form to the Company without appointing a proxy, in accordance with the applicable laws and regulations.

In this last case, the Chair of the general meeting will cast a vote in favor of all draft resolutions presented or approved by the managing partners and a vote against all other draft resolutions. In order to cast their votes differently, shareholders must choose a proxy holder who agrees to vote as instructed by them.

At each meeting, shareholders have a number of votes equal to the number of shares they own or represent, as evidenced by the share register on the fifth working day prior to the meeting. However, double voting rights – two votes for each share – are attributed to all those shares which are fully paid-up and which have been registered in the name of the same shareholder for at least four years. In addition, shareholders entitled to double voting rights on the date on which the Company was transformed into a limited partnership with shares, retain their double voting rights.

Furthermore, where the Company's capital stock is increased by incorporation of reserves, profits or additional paid-in capital, a double voting right is granted, from the date of issue, in respect of free registered shares distributed to the holder of shares which originally carried double voting rights.

Transfer of title to a share results in the loss of the double voting right. However, transfer as a result of inheritance, liquidation of community property between spouses or inter vivos gift to a spouse or relative automatically entitled to inherit under French law does not cause existing double voting rights to lapse, nor does it interrupt the four-year period referred to above. Similarly, the merger or demerger of the Company has no effect on the double voting rights which may be exercised within the resulting company or companies if the by-laws of the said companies recognize these rights.

Voting rights are exercised by the owner even if the shares are pledged, and by the usufruct owner (*usufruitier*) at ordinary general meetings and by the bare owner (*nu-propriétaire*) at extraordinary general meetings.

3.1.11 Disclosure of holdings exceeding specific thresholds (article 9 bis)

Without prejudice of provisions of article L. 233-7 of the French Commercial Code, any shareholder holding directly or indirectly, as defined in said article L. 233-7, 1% or more of the voting rights, must, within five days following registration to his account of the shares that brought his holding to or above such threshold, disclose to the Company, by registered letter with acknowledgment of receipt, addressed to the head office, the total number of shares and voting rights he holds.

Disclosure must be renewed in the conditions described above every time a threshold of a further 1% is exceeded.

In the absence of disclosure in the conditions described above, all shares in excess of the threshold for which disclosure should have been made may lose their voting rights in respect of any shareholder meeting that may be held within a two-year period following the date on which the declaration is finally made, upon request of one or more shareholders holding together 5% or more of the capital stock, such request being duly recorded in the minutes of the general meeting.

In these same circumstances, voting rights attached to such shares for which proper declaration has not been made cannot be exercised by the shareholder at fault, nor may he delegate such rights to others.

In accordance with legal regulations applicable, the Company has the right to obtain at any time from the clearing agent the name, or corporate name in the case of a corporate shareholder, the nationality and address of holders of securities carrying immediate or deferred voting rights at its own general meetings, together with the number of securities held by each of them and the restrictions, if any, that may apply to those securities.

3.1.12 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 capital stock 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.

Arjil Commanditée - ARCO unconsolidated financial statements for 2004 are as follows (in thousands €):

Balance sheet

Assets	
Accounts receivable	10,195
Total assets	**10,195**
Liabilities and stockholders' equity	
Stockholders' equity	9,590
Accounts payable	605
Total liabilities and stockholders' equity	**10,195**

Statement of income

Operating revenues	0
Operating expenses	22
Operating loss	**(22)**
Financial income	1,872
Financial expenses	0
Net financial income	**1,872**
Non-operating income	**0**
Income tax	635
Net income for the year	**1,215**

2) The appointment of one or more new general partners is decided by the shareholders in an extraordinary general meeting, upon the unanimous recommendation of the existing general partners or partner.

3) The Company is not wound up in the case of the death or incapacity of a person who is a general partner, nor in the event of liquidation of a general partner which is a corporate entity.

4) A person who is a general partner who is also a managing partner loses his status as general partner, automatically and effective immediately, if the person is dismissed as managing partner for just cause under the terms of article 10-6 of the by-laws.

5) Any corporate entity which is a general partner automatically loses such status effective immediately, in the event that it effects a sale or subscription of shares which is likely to change its control, in the absence of consent to such a transaction by the Supervisory Board, as provided in article 14-4 of the by-laws.
In both cases the by-laws are automatically amended to reflect this change. The amendment is recorded and published by a managing partner, or in the absence of a managing partner, by a general partner or by the Supervisory Board.

Rights of the general partners (article 18 bis)

General partners who are not also managing partners (*commandités non Gérants*) do not participate directly in the management of the Company, except as described in article 10-6 of the by-laws (absence of managing partner).

They exercise all the prerogatives attributed to their status by law and the by-laws.

By reason of the unlimited joint and several liability they assume, general partners who are not also managing partners have right of access to all books and documents of the Company and to ask the managing partners any questions concerning the management of the Company, in writing. The managing partners must answer such questions in writing as promptly as possible. In addition, in consideration for their unlimited joint and several liability, general partners are entitled to specific remuneration calculated in accordance with the provisions of article 25 of the by-laws.

Decisions of the general partners (article 18 ter)

1) The general partner(s) take decisions either in meetings or by written consultation (ordinary letter, telex, telegram, fax, etc.).

2) In the event of a written consultation, each general partner has a period of fifteen days to inform the managing partners of his decision on each of the draft resolutions. A general partner who does not reply within this period is considered to have voted against the resolution.

3) Decisions taken by the general partner(s) are recorded in minutes stating, inter alia, the date and method of consultation, the report or reports made available to the general partner(s), the text of the resolutions and the result of the voting.
The minutes are drawn up by the managing partners or by one of the general partners, and signed by the general partner(s) and/or the managing partner(s), as the case may be.
Copies or extracts of the minutes are validly certified as true copies either by the managing partner, or by one of them if there are more than one, and by the general partners.

3.1.13 Supervisory Board

Establishment of the Supervisory Board (article 12)

1) The Company has a Supervisory Board composed of fifteen members, selected exclusively among shareholders who are neither general nor managing partners.

2) The Board members are appointed or dismissed by the shareholders in an ordinary general meeting. Shareholders who are also general partners are not entitled to vote on such resolutions.

3) The term of office of members of the Supervisory Board cannot exceed six years. It terminates at the close of the annual general meeting called to approve the financial statements for the preceding year and which is held during the year in which the term of the member expires. Members of the Supervisory Board may be reelected.
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.

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 capital stock.
The Supervisory Board may, if it deems it necessary, after having informed the managing partner(s) in writing, call an ordinary or extraordinary general meeting of the shareholders, in compliance with the legal provisions relating to notices of meetings.
The Supervisory Board has, by law, the right to receive from the managing partners the same documents as are made available to the Auditors.

2) Save for the appointment of the first managing partner, which is governed by article 10 of the by-laws, the appointment or reappointment of any managing partner must be approved by the Supervisory Board. Should Arjil Commanditée - ARCO be appointed as managing partner, the Supervisory Board's approval will have to be obtained, not in respect of ARCO itself, but in respect of its chairman and general managers.

The Supervisory Board must grant or refuse its approval within twenty days of receiving notice from the general partners of the proposed appointment.

If the Supervisory Board twice refuses to approve an appointment within a period of two months, in respect of two different candidates, while the Company is left without a managing partner and it is managed on an interim by the general partners under article 10-6 of the by-laws, approval may be given by a majority vote of the shareholders in an ordinary general meeting called by the general partner(s) and at which only one of the two candidates is put forward.

In the absence of approval from either the Supervisory Board or the general meeting in accordance with the above, the general partner(s) designate a third person. If the Supervisory Board fails to approve the appointment of the said third candidate, the appointment is submitted to the shareholders in an ordinary general meeting which may only refuse the candidate by a vote of a two-third majority of the shareholders present or represented.

3) Should ARCO become a managing partner of the Company, and as from its appointment to such office, no person may become a shareholder in ARCO either by acquiring shares in ARCO or by subscribing to an increase in its capital stock, exercising share warrants or through the conversion or redemption of bonds, without the prior agreement of the Supervisory Board, which must approve or refuse this proposal within twenty days of receiving notice, either from ARCO or from those shareholders who intend to transfer their shares.

   If such a transaction takes place without the approval of the Supervisory Board, ARCO, by virtue of the third paragraph of article 10-6 of the by-laws, is automatically deemed to have resigned from its office as managing partner, effective immediately.

4) Any transaction for the transfer of ARCO shares or the issue of securities by ARCO, which might alter its control immediately or in the future, must obtain the prior approval of the Supervisory Board, which must make a decision within twenty days of receiving notice, either from ARCO or from those shareholders who intend to transfer their shares.

   If such a transaction takes place without the approval of the Supervisory Board, ARCO, by virtue of article 18-5 of the by-laws, automatically forfeits its status of general partner, effective immediately.

5) The approval of the Supervisory Board required in sub-paragraphs 3 and 4 above is automatically deemed to have been given, if the acquiring or subscribing candidate makes a valid public tender offer for all of the Company's shares. Such approval is not required in the event of a transfer of ARCO shares by way of inheritance.

Members of the Supervisory Board since May 11, 2004		First appointed	End of current period of office
Chairman of the Board Chairman of the Audit Committee	**Raymond H. Lévy** Honorary Chairman, Renault SA	May 11, 2004	AGM 2010*
Member of the Board	**Bernard Arnault** Chairman and Chief Executive, LVMH	May 11, 2004	AGM 2010*
Member of the Board	**Manfred Bischoff** Member of the Board of Management, DaimlerChrysler A.G.	May 11, 2004	AGM 2006*
Member of the Board	**Hubert Burda** Chairman of the Board, Hubert Burda Media	May 11, 2004	AGM 2010*
Member of the Board	**René Carron** Chairman, Crédit Agricole S.A.	May 11, 2004	AGM 2010*
Member of the Board	**Georges Chodron de Courcel** Chief Executive Officer, BNP Paribas	May 11, 2004	AGM 2006*
Member of the Board	**Groupama S.A.** Represented by Mr. Helman le Pas de Sécheval (Chief Financial Officer, Groupama) Member of the Audit Committee	May 11, 2004	AGM 2008*
Member of the Board Member of the Audit Committee	**Pehr G. Gyllenhammar** Chairman, Aviva plc (London)	May 11, 2004	AGM 2008*
Member of the Board	**Pierre Lescure** Chairman, AnnaRose Productions	May 11, 2004	AGM 2008*
Member of the Board Member of the Audit Committee	**Christian Marbach** Chairman, Agence des PME	May 11, 2004	AGM 2006*
Member of the Board Member of the Audit Committee	**Bernard Mirat** Former Deputy Chairman and Chief Operating Officer, Société des Bourses Françaises	May 11, 2004	AGM 2006*
Member of the Board Member of the Audit Committee	**Didier Pineau-Valencienne** Honorary Chairman, Schneider Electric Vice Chairman, Crédit Suisse First Boston	May 11, 2004	AGM 2008*
Member of the Board	**Henri Proglio** Chairman of the Management Board, Véolia Environnement	May 11, 2004	AGM 2010*
Member of the Board	**Felix G. Rohatyn** Former US Ambassador to France	May 11, 2004	AGM 2008*
Member of the Board	**François Roussely** Chairman, Crédit Suisse First Boston in France	May 11, 2004	AGM 2010*
Censor	**Bernard Esambert**	May 11, 2004	AGM 2010*
Corporate Secretary	**Laure Rivière**		

* Annual General Meeting to be held in the year indicated to approve the financial statements for the previous year.

Messrs. Raymond H. Lévy, Manfred Bischoff, Georges Chodron de Courcel, Pehr G. Gyllenhammar, Pierre Lescure, Christian Marbach, Bernard Mirat, Didier Pineau-Valencienne, Felix G. Rohatyn and corporate director Groupama SA were already members of the Supervisory Board on May 11, 2004, and their terms of office were renewed on that date.
Corporate director Lagardère Capital & Management represented by Mr. Bernard Esambert, Mr. Jean Peyrelevade and Mr. Michel Rouger were also members of the Supervisory Board until May 11, 2004.

3.1.14 Managing partners (*Gérance*) (article 10)

1) The Company is managed by one or more managing partners (*Gérants*).
Following the death of Mr. Jean-Luc Lagardère on March 14, 2003, the Supervisory Board, at its meeting of March 26, 2003, approved ARCO's proposal to appoint Mr. Arnaud Lagardère as managing partner for a six-year term.
On March 12, 2004, the Supervisory Board approved the general partners' proposal to renew Arjil Commanditée - ARCO's appointment as managing partner for a 6-year term, and agreed to the following persons' appointments as representatives of this company:
– Arnaud Lagardère, Chairman and Chief Executive Officer;
– Philippe Camus, Deputy Chairman and Chief Operating Officer;
– Pierre Leroy, Director and Chief Operating Officer.

2) Throughout the life of the Company, any new managing partner is appointed unanimously by the general partners, with the approval of the Supervisory Board or of the general meeting according to the provisions of article 14 of the by-laws.

3) Each managing partner has the broadest possible authority to act in any circumstances in the name of the Company, within the scope of the corporate purpose and subject to the powers expressly attributed by law or the by-laws to the general meeting of shareholders and to the Supervisory Board.
In accordance with law, each managing partner may authorize and grant, in the name of the Company, any sureties, warranties and undertakings which he deems reasonable.
Each managing partner may delegate part of his powers to one or more persons, whether or not they are employees of the Company and whether or not such persons have a contractual relationship with the Company. Such delegation in no way affects the duties and liability of the managing partner in relation to the exercise of such powers.

4) The managing partner(s) must take all necessary care in handling the business of the Company.

5) The age limit for a person who is a managing partner is 80 years.

6) The term of office of a managing partner cannot exceed six years and is renewable.
A managing partner who wishes to resign must inform the other managing partners, the general partners and the Chairman of the Supervisory Board, by registered letters with acknowledgment of receipt, at least three months before the date on which the said resignation is to take effect.
In the event that a corporate general partner which is also a managing partner of the Company, changes its managing partner(s), the chairman of its board of directors and/or its general manager(s), it is automatically deemed to have resigned as managing partner of the Company, effective immediately.

This is also the case on expiry of the approval of such persons given by the Supervisory Board as described in section 3.1.13 above, or in the event of sale or subscription of shares which the Supervisory Board has not approved as described in section 3.1.13 above. When a managing partner's office terminates, the management of the Company is carried out by the managing partner(s) who remain in office, without prejudice to the right of the general partners to appoint a new managing partner as a replacement, or to renew the appointment of the outgoing managing partner, as described in sub-paragraph 2 above.

Where a sole managing partner's office terminates, one or more new managing partner(s) are appointed, or the outgoing sole managing partner is reappointed, as described in sub-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 3.1.13 above. A managing partner may also be dismissed for just cause, by decision of the courts.

3.2 GENERAL DESCRIPTION OF THE CAPITAL STOCK

3.2.1 Amount of the capital stock

On December 31, 2004, the capital stock of the Company amounted to € 858,993,978.50 and was divided into 140,818,685 shares of par value € 6.10 each, all ranking pari passu and fully paid.

Changes in the capital stock over the last four years are described in section 3.2.5 below.

3.2.2 Authorized unissued capital

The combined general meeting of May 11, 2004 authorized the managing partners, for a period of 26 months, to issue securities granting access to the Company's capital, immediately or at a later date, within the following limits:

– maximum nominal amount of capital increases which may result from authorized issues .... € 300 million

– maximum authorized for bond issues .... € 2,500 million

The unused portions of authorizations granted by the above general meeting by type of security are as follows:

Limits (in millions €)	Maximum amount for bond issues	Maximum (nominal) amount of capital increase which may result from unused authorizations
1. By type of security		
Common stock	-	300
Shares with share subscription warrants attached	-	300
Bonds with share subscription warrants attached	2,500	300
Convertible bonds	2,500	300
Share subscription warrants	-	300
Other composite securities	2,500	300
2. Total	**2,500**	**300**

Although this decision did not involve securities granting access to the Company's capital, it should be noted that the meeting of May 11, 2004 authorized 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 € 3 billion.

The general meeting of May 11, 2004 gave the managing partners for a period of thirty eight months the authorization to increase the capital stock of the Company, on one or more occasions, up to a maximum of 2% of the total number of shares making up the capital stock, through the issue of shares to be subscribed under the Group Savings Plan in accordance with articles L. 443-1 and following of the French Labor Code and article L. 225-138 of the French Commercial Code, by employees of the Company and its affiliated companies or groupings.

3.2.3 Securities granting access to the Company's capital

Except for stock options granted but not yet exercised (see Part 6, section 6.3.2), there are no other securities granting access to the Company's capital. At December 31, 2004, there were 3,454,549 stock options outstanding which if exercised would result in the issue of an equivalent number of new shares.

3.2.4 Pledges

3.2.4.1 PLEDGES OF REGISTERED SHARES OF THE COMPANY

– Number of shareholders: 347

– Number of shares: 4,875,762, or 3.46% of the capital stock.

3.2.4.2 PLEDGES OF COMPANY SHARES REGISTERED IN THE NAMES OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF THE CAPITAL STOCK

4,695,846 shares held by Lagardère Capital & Management, or 3.33% of the capital stock.

3.2.4.3 PLEDGES OF COMPANY ASSETS

Pledges of the Company's assets are not material (less than € 1 million).

3.2.5 Changes in the capital stock since December 31, 2000

Year	Description of the operation	Changes [1]			Total capital stock (€)	Total number of shares
		Number of shares	Nominal amount (€)	Additional paid-in capital (€)		
Dec. 31, 2000					838,916,807	137,573,338
2001	Exercise of 336,430 share options	336,430	2,051,537	4,195,271	840,968,344	137,909,768
	Translation of capital stock into euros, by translating the par value of each share [2]			281,241	841,249,585	137,909,768
	Capital increase reserved for employees	666,224	4,063,966	12,922,090	845,313,551	138,575,992
	Exercise of 92,680 share options	92,680	565,348	1,420,619	845,878,899	138,668,672
2002	Exercise of 549,332 share options	549,332	3,350,925	8,061,960	849,229,824	139,218,004
2003	Exercise of 399,195 share options	399,195	2,435,090	7,829,563	851,664,914	139,617,199
2004	Exercise of 1,201,486 share options	1,201,486	7,329,065	24,273,251	858,993,978	140,818,685

[1] Most of the figures indicated below are the French franc original amounts translated into euros.
[2] Par value of FRF 40 translated into € 6.10 (rounded up to the nearest cent of a euro).

3.3 SHAREHOLDERS AND VOTING RIGHTS

3.3.1 Concert with other groups

On completion of the Group's restructuring carried out at the end of 1992, Lagardère Capital & Management announced that it was in concert with Marconi Corporation Plc (formerly GEC) and DaimlerChrysler. The French Stock Exchange gave notice of this action to the public in a notice dated February 23, 1993, and disclosed the contents of the agreements concerned on April 21, 1993.

Since 1993, these agreements have been terminated; Marconi Corporation plc sold all of its holding in October 2001, and DaimlerChrysler no longer holds any share in the Company.

The Company is not aware of any shareholders' agreements, or of any shareholder holding alone or in concert with other parties, directly or indirectly, 5% or more of its existing capital stock or voting rights.

3.3.2 Changes in share ownership and voting rights since December 31, 2002

Shareholders	At March 31, 2005			At December 31, 2004			At December 31, 2003			At December 31, 2002		
	Number of shares	% of capital stock	% of voting rights	Number of shares	% of capital stock	% of voting rights	Number of shares	% of capital stock	% of voting rights	Number of shares	% of capital stock	% of voting rights
Lagardère Capital & Management	10,108,383	7.16	8.60	7,691,383	5.46	6.96	7,691,383	5.51	6.79	7,691,383	5.52	6.98
DaimlerChrysler				3,289,116	2.34	3.78	3,289,116	2.36	3.61	3,289,116	2.36	3.71
French institutional investors	37,791,985	26.76	27.21	36,971,761	26.25	26.75	3 9,587,023	28.35	27.22	35,796,906	25.71	25.99
Non-French institutional investors	67,840,724	48.06	44.11	67,365,641	47.84	42.40	62,160,440	44.52	43.27	63,721,971	45.77	43.10
General public	15,441,725	10.96	15.33	16,265,341	11.55	15.45	17,765,017	12.72	14.50	19,307,402	13.88	15.78
Employees and Group Savings Plan investment funds	4,432,668	3.14	4.75	4,502,340	3.20	4.66	4,723,726	3.38	4.61	5, 010,732	3.60	4.44
Treasury stock	5,533,899	3.92		4, 733,103	3.36		4,400,494	3.15		4,400,494	3.16	
Total	**141,149,384**	**100**	**100**	**140,818,685**	**100**	**100**	**139,617,199**	**100**	**100**	**139,218,004**	**100**	**100**

2,579,123 options were exercised between January 1, 2001 and December 31, 2004, giving rise to the issue of an equivalent number of new shares (see table 3.2.5).

At December 31, 2004, Highfields Capital Management LP held 5.11% of the capital stock and 4.13% of the voting rights through four investment funds.

The Company is not aware of any other stockholder holding 5% or more of its capital stock or voting rights.

3.3.3 Voting rights

For more information on the conditions for granting double voting rights, see section 3.1.10.

At December 31, 2004:
– Total number of voting rights: 174,075,447
– Total number of shareholders: 152,586
– Percentage of capital held by Supervisory Board members: 0.05%
– Percentage of voting rights held by Supervisory Board members: 0.07%

3.3.4 Authorization granted to the managing partners to deal in the Company's shares on the Stock Exchange

In accordance with the provisions of article L-225-209 of the French Commercial Code, the general meeting of May 11, 2004 renewed the authorization granted to the Company by the general meeting of May 13, 2003 to proceed with purchases and sales of its own shares in order to regulate the market. (see Information Notice approved by the French Financial Market Authority on April 14, 2004 under reference number 04-279).
The maximum per-share purchase price is fixed at € 70, and the minimum per-share sale price at € 30.
This authorization cannot lead to the number of its own shares held directly or indirectly by the Company exceeding 10% of the total number of shares making up the capital stock.

Under the authorizations granted at the meeting, the Company undertook the following transactions during 2004:
– in August 2004, it purchased 562,609 of its own shares on the market for a total value of € 27,120,151, i.e. an average per-share price of € 48.2;
– it sold 10,000 shares as a result of 10,000 share purchase options being exercised;
– it exchanged 220,000 Lagardère SCA shares for 200,000 Hachette Filipacchi Médias shares in execution of commitments made to this group's employees at the time of the share exchange offers of 2000.

Following these transactions, at December 31, 2004, the Company owned 4,025,476 of its own shares or 2.86% of its capital, at a value of € 211,315,536.44 giving an average per-share price of € 52.49.

Including the 707,627 treasury shares held by its subsidiary MP 55, the Company directly and indirectly held 4,733,103 of its own shares at December 31, 2004, i.e. 3.36% of the shares making up the capital stock.

The combined general meeting of shareholders which will be called in May 2005 to approve the financial statements for the year 2004 will be asked to renew an updated version of this authorization.

3.3.5 Corporate entities exercising control over Lagardère

Lagardère Capital & Management (L.C.&M.), with 7.16% of the capital and 8.55% of the voting rights (see Part 7, section 7.1.1), is the largest permanent shareholder in Lagardère SCA. Its capital stock is held by its Chairman, Mr. Arnaud Lagardère, who is also a managing partner of Lagardère SCA, as is ARCO, a subsidiary of Lagardère Capital & Management. The appointment of Mr. Arnaud Lagardère as general partner of Lagardère SCA was approved by the meeting of May 13, 2003.

3.3.6 Group to which the Company belongs

Lagardère SCA is the ultimate holding company of the Lagardère Group. See Group organization at December 31, 2004, Part 4, paragraph 4.1.1.2.

3.4 STOCK EXCHANGE INFORMATION

3.4.1 General

– Number of shares making up the capital stock at December 31, 2004: 140,818,685

– Number of shares listed on December 31, 2004: 140,818,685

– Listed: Paris Stock Exchange - Premier Marché - Deferred settlement system (*Système du Règlement Différé – SRD*).

3.4.2 Dividends, trading volumes and share prices

Dividends

Year of payment	Number of shares entitled to dividends	Net dividend (€ per share)	Tax credit (€ per share)	Gross dividend (€ per share)	Total dividends (€ million)
2000	121,713,270	0.78	0.39	1.17	94.9
2001	137,164,803	0.78	0.39	1.17	107.0
2002	135,169,410	0.82	0.41	1.23	110.8
2003	135,642,097	0.82	0.41	1.23	111.2
2004	136,461,217	0.90	0.45	1.35	122.8

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 share price – January 2001 – February 2005

Source: EURONEXT Paris

Year	Month	Total shares traded	Average daily volumes	Total amount (€ thousand)	Average daily amount (€ thousand)	Opening price on last day of month (€)	High for month (€)	Low for month (€)
2001	January	9,281,337	421,879	611,723.20	27,805.60	68.00	72.00	57.20
	February	9,635,001	481,750	607,994.00	30,399.70	62.00	69.20	60.30
	March	12,341,807	560,991	724,893.40	32,949.70	58.20	65.50	51.25
	April	10,840,794	570,568	655,589.30	34,504.70	63.75	65.50	55.05
	May	11,585,763	526,626	746,985.80	33,953.90	61.80	67.50	60.70
	June	10,659,621	532,981	621,846.00	31,092.30	53.10	64.60	51.30
	July	8,149,940	370,452	459,773.60	20,898.80	60.80	60.80	52.40
	August	10,193,104	443,178	566,407.20	24,626.40	52.70	61.30	50.30
	September	21,838,748	1,091,937	820,104.00	41,005.20	34.27	51.90	29.40
	October	17,694,036	769,306	652,696.30	28,378.10	37.00	42.89	32.50
	November	13,772,965	626,044	621,130.40	28,233.20	46.50	50.80	38.50
	December	9,460,705	525,595	438,867.00	24,381.50	46.00	49.70	44.20
2002	January	10,995,320	499,787	499,347.20	22,697.20	44.90	49.75	43.26
	February	9,328,559	466,428	417,192.00	20,859.60	46.95	48.20	41.92
	March	10,829,870	541,494	559,174.00	27,958.70	53.65	54.40	46.61
	April	11,459,323	545,682	594,377.70	28,303.70	50.00	54.85	48.12
	May	20,731,800	942,355	1,013,130.80	46,051.40	47.27	51.50	45.10
	June	13,546,472	677,324	608,406.00	30,420.30	44.10	49.18	41.70
	July	15,759,519	685,196	653,657.70	28,419.90	41.77	45.29	37.02
	August	11,202,190	509,190	447,504.20	20,341.10	38.71	43.75	37.00
	September	10,228,122	487,053	387,731.40	18,463.40	38.95	40.74	35.50
	October	14,430,062	627,394	576,817.00	25,079.00	44.16	45.50	35.50
	November	11,391,038	542,430	501,658.50	23,888.50	45.85	46.71	40.85
	December	11,226,658	561,333	455,750.00	22,787.50	38.11	47.40	37.19
2003	January	12,070,912	548,678	454,082.20	20,640.10	36.80	41.67	34.80
	February	12,150,766	607,538	423,788.00	21,189.40	33.97	37.88	32.62
	March	13,278,422	632,306	444,903.90	21,185.90	31.51	38.07	29.52
	April	18,604,824	930,241	613,724.00	30,686.20	34.15	35.75	30.32
	May	34,011,065	1,619,575	1,170,852.90	55,754.90	34.26	35.90	32.59
	June	22,372,349	1,065,350	813,647.10	38,745.10	37.37	38.77	33.88
	July	15,252,850	663,167	593,312.60	25,796.20	40.20	40.49	36.36
	August	12,982,942	618,235	521,763.90	24,845.90	41.71	42.24	37.65
	September	15,187,209	690,328	638,041.80	29,001.90	39.71	45.00	38.72
	October	14,380,412	625,235	593,602.40	25,808.80	43.36	43.90	38.70
	November	14,944,642	747,232	664,760.00	33,238.00	46.40	46.89	42.72
	December	11,833,762	563,512	546,004.20	26,000.20	45.82	47.37	44.99
2004	January	15,879,657	756,174	761,369.70	36,255.70	47.69	49.89	45.55
	February	12,149,273	607,464	582,228.00	29,111.40	48.68	49.50	46.57
	March	15,684,343	681,928	723,221.20	31,444.40	45.70	49.09	43.60
	April	15,687,049	784,352	782,832.00	39,141.60	51.25	53.20	45.58
	May	20,380,917	970,520	1,009,012.20	48,048.20	49.88	51.25	48.10
	June	15,584,416	708,383	789,406.20	35,882.10	51.70	52.35	49.32
	July	10,331,200	469,600	518,133.00	23,551.50	49.12	52.10	48.69
	August	10,975,872	498,903	532,943.40	24,224.70	49.56	50.50	46.51
	September	9,759,045	443,593	496,720.40	22,578.20	50.90	52.75	49.17
	October	8,153,728	388,273	413,597.10	19,695.10	50.40	52.10	49.62
	November	8,871,452	403,252	471,667.30	21,439.40	54.20	54.70	50.25
	December	8,902,592	387,069	473,987.50	20,608.20	53.20	54.30	52.10
2005	January	9,019,494	429,500	501,106.90	23,862.20	56.90	57.90	53.00
	February	14,674,426	733,721	866,981.40	43,349.10	60.05	62.75	55.65

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4

INFORMATION ON LAGARDÈRE'S OPERATIONS

4.1 DESCRIPTION OF THE COMPANY AND THE GROUP

4.1.1 Group structure

4.1.1.1 HISTORY

Lagardère (known as MMB up to the end of 1992, then Lagardère Groupe until June 1996) was originally intended to unite, through asset contributions, all assets held by the Matra group in the media sector, prior to the French State's acquisition of an interest in Matra's capital in 1982. All the shares created in consideration for these contributions were immediately allocated to the then shareholders of Matra.

From this starting point, and following various transactions (contributions and acquisitions), Lagardère increased its interest in Marlis to 42.1%. Up to December 29, 1992, Marlis controlled over 50% of Hachette's capital stock.

As part of the privatization of Matra in 1988, Lagardère obtained 6% of Matra's capital stock. Thanks to additional share purchases, Lagardère owned 25% of Matra's capital stock at December 29, 1992.

The Group was substantially modified by the numerous significant restructuring transactions which took place at the end of December 1992.

These transactions may be summarized briefly as follows:

– Lagardère absorbed its parent company Arjil, which also controlled Banque Arjil set up in 1987;
– Lagardère received by direct and indirect contributions shares in Matra (from Floirat, Daimler Benz and GEC) and Marlis (from Floirat, Crédit Lyonnais and Aberly, a subsidiary of Hachette);
– Matra and Hachette were merged to form a new company called Matra Hachette;
– Lagardère adopted a new legal form, changing from a corporation (*société anonyme*) to a limited partnership with shares (*société en commandite par actions*), and the by-laws were changed.

Following these operations, Lagardère held 37.6% of Matra Hachette's capital stock.

Lagardère, in a public exchange offer launched in February/March 1994, offered the shareholders of Matra Hachette an exchange of their shares for new Lagardère shares with share subscription warrants attached. At the end of this very successful offer, Lagardère held 93.3% of Matra Hachette's capital stock.

The substantial increase in the control of Lagardère over its subsidiary, which was the aim of the exchange offer, resulted in a reorientation of the bulk of stock exchange transactions to the Parent Company's share and confirmed Lagardère's leadership in the development of the whole Group.

This situation, characterized by the co-existence of two listed companies (Lagardère and Matra Hachette), one being the subsidiary of the other, caused problems in terms of both management and communication. It was finally corrected in June 1996 when Matra Hachette was merged into Lagardère. This last step in the simplification of the structure enabled the Group to give a clearer, stronger and better-oriented image, and more efficient means of strengthening its financial structure.

At that time, the Group had ten different divisions (Defense, Space, Telecommunications and CAD/CAM, Automobile, Transit Systems, Book Publishing, Print Media, Radio Broadcasting and TV and Film Production, Distribution Services, and Multimédia Grolier). Some of these activities have since been disposed of, re-sized or redeployed.

In 1996, Defense was merged with British Aerospace Dynamics; in 1998 the Transit Systems division was disposed of; in 1999 the Group withdrew from “public switching” and “cellular terminal” activities within the Telecommunications and CAD/CAM division. Then, all the industrial business activities were brought together into a single company, called Matra Hautes Technologies, which merged with Aerospatiale to form Aerospatiale Matra. Lastly, on July 10, 2000, this reorganization process culminated in the integration of Aerospatiale Matra, DaimlerChrysler Aerospace AG (DASA) and Construcciones Aeronáuticas SA (CASA) giving rise to EADS NV (European Aeronautic Defence and Space Company – EADS) (see pages 37 and 53).

In the field of the Media, starting in 1999, Lagardère Group disposed of certain non-strategic assets (Outdoor Display, Grolier Inc.), and took 99% control of the Audiovisual business (Europe 1 Communication) and 100% of the Print Media business (Hachette Filipacchi Médias). At the beginning of 2000, two critical strategic alliances were finalized, one with the Canal+ group (acquisition of 34% of CanalSatellite and 27.4% of multiThématiques) and the other with Deutsche Telekom (agreement on the two Internet access providers T-Online and Club-Internet). (see details of the investment in T-Online in Part 7, section 7.1.2).

In the Automobile manufacturing sector, as it became obvious that the *Avantime* was a commercial failure, in February 2003 Matra Automobile decided to stop production. It was Renault’s decision, taken back in 1996, to switch production of the 4th generation *Espace* to its own plant at Sandouville, taking it away from Romorantin, that led the traditional partners to launch the *Avantime* together. This decision was part of a common determination to keep the Romorantin plant in production.

Matra Automobile no longer manufactures automobiles, but continues to fulfill its contractual obligations towards Renault and the *Espace* and *Avantime* customers.

The negotiations announced in June 2003 between Lagardère SCA and Pininfarina S.p.a. concerning the sale of Matra Automobile’s engineering, testing, pre-projects and prototypes activities reached a successful conclusion in August that year. This sale was a concrete expression of Lagardère Group’s strategic decision to withdraw from the automotive business.

The end of 2002 was marked by Lagardère’s successful bid to acquire the European assets (France and Spain) of Vivendi Universal Publishing. This operation was examined in depth in 2003 by the European competition authorities, which considered that the merger was problematic from an anti-trust standpoint. In early January 2004, Lagardère obtained authorization to acquire some of these assets (Larousse, Anaya, Dunod, Dalloz, Armand Colin, Chambers and Harraps) with total sales representing approximately 40% of Editis consolidated sales, in compliance with the proposal presented to the European Commission in December 2003.

Lagardère thus became France’s largest book publisher, reinforcing its activities in the reference and higher education sectors in particular. In Spain, Hachette Livre also became the top book publisher, confirming its ambition to become the leading publisher in the Latin language markets.

The rest of the Editis group was sold during the first half of 2004 with the approval of the European Commission. The Group was in favor of a sale to a single buyer.

After examination of the offers received from potential buyers showing a strong interest in acquiring all the activities to be sold, Lagardère drew up a shortlist of five candidates and on May 28, 2004 selected Wendel Investissement as the buyer. The transfer agreement was signed on July 30, 2004.

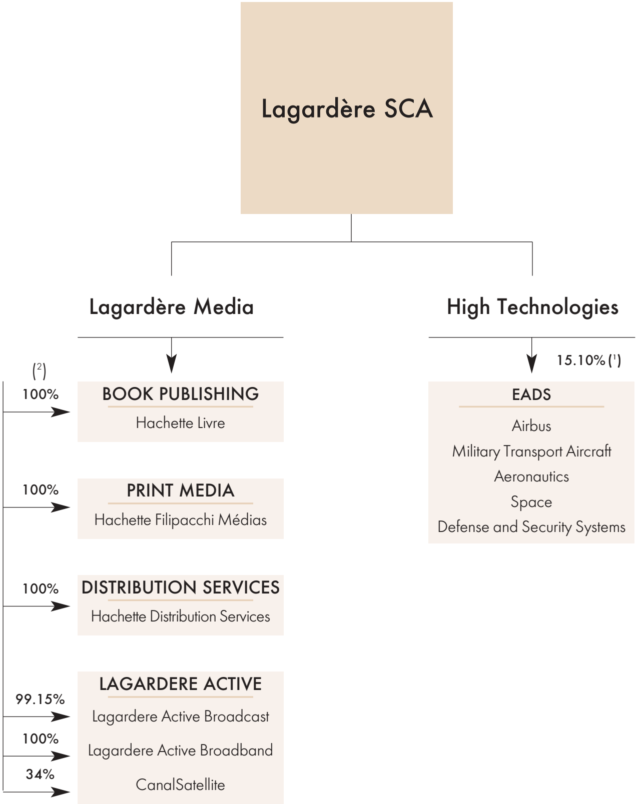
Prior to signing the agreement, the transaction was approved by the Employee Committees concerned, and the European Commission issued its approval of Wendel Investissement as buyer.

Ownership of these assets was not transferred until September 30, 2004, once all national competition authorities had approved the transaction.

The agreement with Wendel Investissement met the various objectives Lagardère had set, in keeping with the requirements of the European Commission: all assets were sold together, for a price based on an enterprise value of € 660 million, the transaction was processed without delay, and the buyer is a financially healthy concern with long-term industrial vision.

In December 2004, Lagardère sold the consulting business in mergers & acquisitions and structured financing carried out by Arjil & Associés Banque, a group formed of Arjil & Associés Banque and Arjil & Cie España.

4.1.1.2 GROUP ORGANIZATION AT DECEMBER 31, 2004



(1) Indirect consolidation percentage.

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

4.1.2 Outline of the Group's strategy

Lagardère is a media group with a strategic shareholding in EADS (European Aeronautic Defence and Space company).

In the field of the Media, Lagardère Group's ambition is to capitalize on its major advantages – international presence, strong brand names (Elle, Paris Match, Europe 1, Hachette, Octopus, Relay, Virgin, …), control of content publishing (book publishing, radio, film & television production, new media, …), and world leadership in the businesses of consumer magazines and distribution of cultural/leisure products and services – in order to consolidate its presence and performance in all the major sectors related to the publishing and distribution of contents.

In book publishing, following the acquisition of Larousse, Dunod, Dalloz, Armand Colin, Harraps, Chambers and Anaya publishing houses (formerly in the Vivendi Universal Publishing group) in 2004, Hachette Livre became the largest book publisher in France and Spain, confirming its ambition to become the leader in the Latin language markets. Under an agreement with the European Commission, Lagardère sold the rest of Vivendi Universal Publishing's assets to Wendel Investissement on September 30, 2004. The year was also marked by the expansion of the Group's operations in the United Kingdom with the acquisition of Hodder Headline: Hachette Livre thus became the second largest publishing group there and the fifth largest in the world. In 2005, priority will be given to continuing and completing the integration of all the assets recently acquired by Hachette Livre.

In the field of magazine publishing, Hachette Filipacchi Médias (HFM) continued to implement its strategy of expanding French and international presence. HFM acquired a 49% interest in Psychologies Magazine and extended the agreements concerning the brand's development outside France (launch in Italy at the end of 2004). HFM also reinforced its position in the Russian market with the acquisition of IMG, and continued to invest efforts towards achieving organic growth, particularly through the launch of "Choc" in France, which enjoyed an immediate success, and the launch of "Maxim" and "Nova" in Spain. Similarly, in keeping with the strategy goal of expanding business operations in China, HFM successively launched "Elle Deco" and "25 ans" there. Throughout 2005, the Group will continue to focus on the development of its brands and magazine concepts outside France, while at the same time remaining attentive to any opportunities for acquisitions that would serve to improve the coverage of certain markets.

In radio, film and TV production, the major trend in 2004 was the consolidation of the Group's brands and market positions. Canal J in particular, strengthened by its own success and that of Tiji, launched a new channel for girls in the 11 to 17 age group, Filles TV, on September 1, 2004. Canal J and MCM both consolidated their leading positions on the respective themes of youth and music.

Following the annulment, on October 20, 2004, by the French Council of State (*Conseil d'État*) of the digital terrestrial television (DTT) authorizations held by Canal+ group, including in particular those held jointly with Lagardère Group through multiThématiques and Lagardère Thématiques (Canal J and iMCM), Lagardère and Canal+ group terminated their agreements relating to theme channels in January 2005. Consequently, Lagardère Group holds practically all of the capital of Lagardère Thématiques (which holds Canal J and MCM) and no longer has any interest in multiThématiques.

On December 14, 2004, the French television regulatory authority (*Conseil Supérieur de l'Audiovisuel* – CSA) issued a call for bids for the resources freed by this annulment. Lagardère at the time returned the DTT authorization it held for the channel Match TV.

In order to retain its role as major player in the emergence of this new technology, Lagardère Group then applied for authorization to broadcast the channels Canal J and iMCM and, in partnership with France Télévision, a new channel aimed at a young audience, produced by the company Jeunesse TV. The result of these bids should be announced before the summer of 2005.

As far as film and TV production is concerned, Europe Audiovisuel once again demonstrated its skills: 16 of the Group's productions found their way into the top 100 best French audiences in 2004. The production division, already leader for prime-time drama, achieved 2nd position in production for immediate broadcasting (features, entertainment, etc.), with a total of 950 hours produced in 2004.

In the field of radio, the FM division increased its audiences for Europe 2 and for RFM, the adult station that enjoyed the largest increase over the year. As for Europe 1, its good performance levels in terms of audience and the dynamic trend in the radio advertising market enabled it to record significant growth in revenues.

Lagardere Active's objectives for 2005 are the consolidation of the performance levels achieved in 2004 in all of its core businesses.

In 2004, the development of Hachette Distribution Services (HDS) was marked by strong growth in operations established outside France, especially in Central Europe. At the end of 2004 the retail sales network comprised more than 3,600 points of sale worldwide. HDS also acquired the 60% share it did not yet hold in Newslink, one of the leading names in retail sales at airports in Australia. For 2005, priority will be given to international development, particularly through organic growth: the opening of points of sale in Russia, the strengthening of print media distribution activities in China, and the optimization of the networks in all the countries where the Group is already firmly established.

In 2005, the Media segment's main objective is to pursue growth by concentrating on two major strategic areas: the active pursuit of international development, especially in Europe and the United States, and the building of leadership positions on the Group's flagship themes. For the future, Lagardère Group will therefore conscientiously assess any opportunities likely to help achieve increased presence in the field of television.

It is Lagardère Group's long term ambition to become one of the world's top three media groups through these conjugated efforts.

In the High Technologies business, EADS is considered to be an example of a successful European integration: this objective has been met, in the first instance, by uniting French (Matra Hautes Technologies and Aerospatiale), German (DASA) and Spanish (CASA) players. Thus, after inheriting thirty years of partnership between its founding members, EADS has been able to capitalize on the advantages procured by its transnational profile in just three years.

The formation of this European corporation resulted in considerable increases in the business volumes of the newly organized group and in significant savings derived from the synergies thus generated. Today, EADS has sales of around € 32 billion and employs 100,000 people working in some seventy different locations. With a portfolio of internationally reputed brands, such as Airbus, Eurocopter and Astrium, EADS is one of the largest aeronautics, space and defense groups in the world, providing Europe, through the extensive reach of the business activities thus combined, with the capacity to compete effectively with major players in these industries, particularly on the other side of the Atlantic.

In full cooperation with the other partners, Lagardère plays a decisive role in the management and strategy of the new group. The critical size of EADS on a global level and the increased operating income achieved through synergies constitute most valuable assets for EADS and all its shareholders. The shareholders, and in particular Lagardère, can therefore expect significant growth in the value of their investment in the years to come.

4.1.3 Market and competitive positioning

In view of the very detailed presentation and the specific nature of the Group's business activities, it has been decided to give information about the market and the competitive positioning of each business segment along with their description (see section 4.1.4 below).

4.1.4 Presentation of operations

4.1.4.1 LAGARDĒRE MEDIA

This business segment comprises the Group's Book Publishing, Print Media, Distribution Services and Lagardere Active divisions.

	2000	2001 (1)	2002	2003	2004
Contribution to consolidated sales (in millions €)	7,203	7,668	8,095	7,944	8,594
Contribution to consolidated operating income (in millions €)	323	353	385	427	516
Number of employees (2)	26,884	27,521	26,949	26,239	30,240

(1) Following the change of year-end from September 30 to December 31 in 2001, the results of Lagardere Active Broadcast were consolidated for fifteen months in 2001 (from October 1, 2000 to December 31, 2001).
(2) 2000: total number of employees at December 31; 2001-2004: average number of employees.

BOOK PUBLISHING

Hachette Livre publishes educational, reference, general culture and leisure books for a wide public in France, Spain and the United Kingdom. It is also a major force in sales and distribution, as well as being a firmly established leader across the entire editorial spectrum.

- France: General Literature, Illustrated books, Text books, Dictionaries, Academic and Professional books, a sector sustained by prestigious publishing houses including: Grasset, Fayard, Stock, Lattès, Calmann-Lévy, Le Livre de Poche, Larousse, Dalloz, Dunod, Armand Colin, etc;
- United Kingdom: General Literature, Illustrated books and Text books through Hodder Headline, Orion, Octopus and Watts;
- Spain: Education, Youth and Reference works, through Salvat, Bruño and Anaya;
- and in a dozen countries, the publishing of part-works which are sold through newsstands.

2004 was a historic year for Hachette Livre – a year of transformation – since the Group rose from twelfth to fifth position in the world book publishing market, strengthened by the acquisition of Larousse, Dalloz, Dunod and Armand Colin in France, Anaya in Spain and Hodder Headline in the United Kingdom. In France, the book publishing industry was subject to a major redistribution of roles in a context marked by the rearrangement of the publishing landscape: the sale of Editions du Seuil and merger with La Martinière, acquisition by Wendel Investissement of the Editis assets that were not acquired by Lagardère (see paragraph 4.1.1.1 above) and pressure on distribution conditions.

So many elements in the transformation of a sector whose capacity to resist competition from new technologies, and the relatively dynamic market, constitute solid assets for the major players: book publishing has now been identified as a key asset in the diversified portfolios of communication groups.
The global book publishing industry on the whole delivered a solid performance, with growth rates in the order of 3% on the main markets of Spain, the United Kingdom and the United States.

In France, Hachette Livre improved by 4.9% with the market growth rate at 4% at end November (*source:* Livres Hebdo). This dynamic was due to the combined performances of the segments in which the Group operates.

In the General Literature business the editorial event of the year was hosted by Lattès, who sold 1.3 million copies of the *Da Vinci Code*, a phenomenon that had not swept bookshops since *Papillon*. To this must be added the steady performance of all of the Group's publishing houses: this year, Grasset was the winner of the much awaited Prix Goncourt des Lycéens for “Le Secret” by Philippe Grimbert; Stock continued to notch up successes after “Ames Grises” by Philippe Claudel, with “Rien de Grave”, by Justine Lévy; Fayard manifested increasing eclecticism in its editorial choices.
As for Calmann-Lévy, titles that were well-chosen given the atmosphere of citizenship found their way onto the best seller lists with, for example, Nicolas Hulot's “Le syndrome du Titanic”.
Overall, the performance of general literature for the year was quite remarkable, showing an increase of 6.4% over 2003.

The Education domain suffered from a lack of new curricula, but the Group's publishing houses – Hachette Education, Hatier, Didier, Foucher – were able to maintain or even improve their positions, both at Junior and Senior secondary school level, so that the final performance levels managed to keep in line with the targets set. The successes of the text books “Histoire Terminale” from Hachette Education, “Espagnol Collège” from Didier and “Histoire-Géographie” from Hatier are worthy of mention. Lastly, extra-curricular works enjoyed slight growth on a highly coveted market.

Hachette Illustrated continued to experience strong growth in 2004: in the Youth sector, where characters like Franklin delight the readers of the Bibliothèque Rose series, and also in Practical works (Marabout, Hachette Tourisme), where the success of books on cooking and wine never fail to please. In total, growth was close to 11% over 2003, which places Hachette Livre in the leading position in these markets.

Larousse enjoyed sustained success in 2004 thanks to the hundredth anniversary celebrations of the “Petit Larousse Illustré”. The dictionary was dressed for the occasion by Couturier Christian Lacroix, with sales reaching a million copies.
Outside France, satisfactory growth was recorded in Mexico, while in Spain operations were being rearranged without door-to-door sales.

In 2004, the performance of the Academic and Professional division, including brands such as Dalloz, Dunod and Armand Colin, was in line with targets in terms of growth and profitability. More particularly, the excellent performance of Dalloz, which increased sales by 7%, should be noted.

These "trade" publishing activities are supported by a Distribution business also offered to non-Group publishers: in this field, 2004 was a year of improved productivity and processes enabling Hachette Livre to achieve excellent performance levels, taking account of the high levels of production. In a market subject to fierce competition for the distribution of non-Group publishers, Hachette Livre successfully renewed the principal contracts for the distribution of comic strips, fiction and general literature for its partner players.

Lastly, publishing and kiosk sales of Part works were highly successful in 2004, while the redeployment of this activity internationally confirmed the appropriateness of the original strategy of producing variations. Hachette Fascicoli (Italy), for example, saw an increase in business of over 10%; the clearest successes were *2CV* and *Casse-Têtes* in France, *Couteaux* and *Riva Aquarama* in Italy, and *Calligraphy* in the United Kingdom.

Outside France, the event of the year was the acquisition of United Kingdom publisher Hodder Headline by Hachette Livre in September 2004. This was a major milestone in the Group's development, which strengthened its position in the English-speaking markets.

Hodder Headline is the fourth largest publisher in the United Kingdom, and the sixth largest in the field of Education, with sales of € 229 million. With one of the most balanced portfolios of activities of all the English Language publishers, the company is present on similar segments to Hachette Livre: General Literature, Fiction and Documents, with strong brand names and flagship authors such as Stephen King, John le Carré, Penny Vincenzi and James Patterson; in Youth, with books and albums sold in bookshops and to libraries; and lastly in Education, with a strong presence in Junior and Senior secondary schools, in higher education, extra-curricular and scientific and medical books.
In addition to this, Hodder Headline has operations in Australia and New Zealand, and distribution, with the Bookpoint Centre.
With this acquisition, Hachette Livre achieved second position in the United Kingdom, in the "trade" publishing business, while the Group took a decisive step forward in the highly profitable sector of education.

In parallel to this, the activities of Orion (10% increase in sales over 2003), Octopus and Watts delivered good performances, carried by the spectacular success of "Himalaya", which sold over a million copies.

Taken together, the operations in the United Kingdom – now known as Hachette Livre UK – represent 26% of total sales, with France accounting for 50% and Spain 15%.

In Spain, 2004 was marked by the integration of Anaya into Hachette Livre and by global business levels in line with forecasts, despite the abandonment of the expected reform in the market for text books.
Salvat had a good year in part-works (up 15% over 2003), with some striking successes in special promotions.

As far as the regulatory environment in France is concerned, the regulations protecting Books as cultural assets were further strengthened: the discussions taking place within the profession addressed, among other things, the question of putting into practice the solutions found to issues concerning free lending by public libraries. Furthermore, the question of the remuneration of private digital copies, where considerable sums are at stake in the long term; the modes of funding for senior secondary school text books; and the question of photocopying in primary schools are so many still unresolved issues for the profession.

2004 was above all a decisive year for the introduction of book advertising on television, since the European Commission finally decided to allow the advertising of book publishing on certain theme channels, not including general terrestrial channels, starting from January 1, 2004. The first campaigns were launched but their effects on sales have not yet been established with precision.

Innovation policy – closely linked to the very nature of the publishing business – was continued in 2004.

In terms of reorganization, measures were taken to adjust the organization in line with the expected changes in the field of door-to-door sales, in France and in Spain.

Elsewhere, measures taken were aimed at confirming the improvement of internal operating procedures.

In France, 2004 was devoted to "trimming" the publishing houses acquired from Editis, and providing them once more with the means of operating autonomously (accounting, information systems, editorial IT, etc.).
At Hachette Livre, organization is decentralized to enhance the value of individual identities, while continuing to offer the requisite "transverse" services to optimize Group synergies: procurement, manufacturing, management, distribution, etc.
In this way, the publishing houses acquired in 2004 were successfully integrated into Hachette Livre in the conditions of autonomy and efficiency that they were promised.

Hachette Livre's strategy is clearly anchored in the development of its key business sectors at the heart of its initial vocation (education, literature and illustrated books) in the major language markets of French, English and Spanish. The expertise the Group has demonstrated in attaining its current rank is the best guarantee of its capacity to reproduce the same high performance levels in the future.

In the short term, the Group intends to create optimum conditions for the assimilation of the various publishing houses acquired in 2004 and by so doing, to strengthen the foundations underpinning the strategy for future growth.

PRINT MEDIA

The Hachette Filipacchi Médias group (HFM) is the leading publisher of magazines in the world. The Group publishes 263 titles in 39 countries, representing over a billion copies, more than 130,000 pages of advertising and € 2.16 billion in sales. More than half of all sales are achieved outside France (54%).

Interdeco, the French leader in press advertising sales, has developed a powerful international network that, through Interdeco Global Advertising, manages international advertising for 230 magazines belonging both to the Group and to other, external groups.

The year 2004 was marked by increased competition in France and internationally, and by a slight rise in advertising investments. Against this background, HFM's leading position enabled it to:
– launch new titles: particularly in France ("Choc", "Public") thanks to the newly acquired access to television advertising, and also in Spain ("Nova"), and in the high growth countries;
– produce local variations of existing international brands ("Maxim", "Elle Girl", etc.);

– make "quality" investments in its firmly established titles, the better to defend market shares.

A cautious improvement in the advertising market was confirmed in most countries (especially in the United States, Russia and China), which mainly profited the "immediate" media (TV, Radio on the Internet). Thanks to HFM's leading position and to action undertaken to further development, advertising performance remained above the market average for Magazine publishing in almost all countries.

HFM continued to pursue external growth through acquisitions in those countries enjoying vigorous growth and through partnerships:

– acquisition of a group of magazines in Russia (television guide and free publications) effective at January 1, 2004;
– the relaunch of "OhLa !" in April 2004 in France, in partnership with the Spanish publisher, and the acquisition of a 49% share in the publisher of "Psychologies Magazine" on July 1, 2004.

The strong fall of the US dollar and the yen, as well as the Chinese yuan, partially offset by the good performance of the pound sterling, penalized growth in the United States, Russia and China.
The costs of new launches described below for each division, totaled € 39 million (up € 13.3 million over 2003) and severely impacted results.

The rapid success of certain new titles, some of which have already exceeded their distribution targets for 2004, confirms the Group's confidence in their future and their ability to match the readers' expectations.

In the field of Magazine Publishing in France, the year was marked by the new regulations which came into force on January 1, 2004 providing print media products with access to television advertising. This opening enabled titles being launched to come up to speed in a shorter period of time, which affected HFM both in a negative way (in the case of rival bi-monthly publications) and in a positive way, concerning its own titles.
The year was somewhat troubled by the launch of TV bi-monthlies, in dumping conditions: with the distribution figures falling for publications in the sector,"Télé 7 Jours" was able to hold its own, particularly through subscription sales.
Apart from TV publications, distribution figures were on the increase, mainly due to new launches and partnerships. Newsstand sales decreased slightly (excluding acquisitions): celebrity and news magazines suffered from current events less newsworthy than in 2003, "Elle" resisted the increased competition in women's magazines while magazines for men continued to perform well, as did the youth publications.
Subscription sales continued to rise, particularly concerning youth publications, "Elle" and "Paris Match".

The second half of the year was marked by a fall in consumption, which affected the level of spending by major advertising buyers in the fields of luxury goods, beauty care and foodstuffs, but HFM's brands resisted well, benefiting from the advantage of being a leader in times of budgetary cuts, and advertising revenue therefore remained stable over the year.

In 2004, the Group continued to invest considerably in new launches:

– "Public": a weekly magazine, launched in July 2003, exceeded its initial objectives during the first half of 2004, aided by a first television advertising campaign, and attained average circulation for the year of over 280,000 copies; the magazine has been included in audience ratings surveys since July 2004 and advertising revenue is beginning to meet expectations;

– “OhLa !”: a weekly magazine originating from one of the highest circulation Spanish magazines, has been in existence in France since 1999. It was relaunched in April 2004 with a different editorial line (more upmarket, friendlier tone). The average circulation figures since the relaunch show a 20% increase compared to the old format, and HFM’s objective for 2005-2006 is to confirm this expansion with equal success in advertising revenue;
– “Choc”: this bi-monthly magazine was launched at the end of June 2004. Given broad support through television advertising campaigns, the success of the first issue was instant and increased with each issue over the summer months. The average circulation figures since the launch show sales in excess of 400,000 copies, and the average for December was over 420,000 copies. This magazine practically achieved break even in its first year of existence.

In 2004 Magazine Publishing abroad was marked by an improvement in the United States, where the recovery of the advertising market continued, although it was mainly beneficial to television and radio rather than magazine publishing.

The buoyant situation in Russia and the Far East, particularly China, led HFM to accelerate its expansion in these countries with the acquisition of IMG in Russia, and launches in China (“25 ans”, “Elle Deco”). In Europe, the situation was more mixed: performances in Spain remained satisfactory, but the context was more difficult in Italy and in the United Kingdom, where circulations were troubled by competitive practices.
As far as networks are concerned, HFM continued to support the new magazines in the “Elle Girl” and “Marie Claire” network and prepared the first launches of international versions of “Psychologies Magazine”, initiated in Italy in October 2004.

In the United States, the advertising market continued its recovery and women’s magazines recorded excellent performances, in particular “Elle” and “Elle Girl”. Interior décor magazines also increased, largely offsetting the slight decrease in Automobile magazines due to the economic climate. Circulation revenues increased for “Woman’s Day”, top of the range women’s magazines and automobile magazines. These conditions, along with a substantial improvement in profitability, led the Group to launch a new women’s magazine, “For Me”, in December 2004.

In Italy, HFM experienced difficulties in terms of circulation, particularly due to the increased competition from bundled offers and discount merchandise supplements; the Group was also penalized by the launch of a low-priced “cloned” rival of the weekly magazine “Gente”. Advertising revenue fell slightly in a market that was stable despite the newcomers. Profitability fell, due to the decreases in sales and to investments in promotional operations and editorial quality which were required to rise to the challenge of increased competition.

In Spain, the advertising market displayed growth compared to 2003 and HFM’s magazines performed better than the market average. In terms of circulation, “Elle” and “Diez Minutos” largely profited from the royal prince’s wedding, in terms of both advertising and number of copies sold. HFM took advantage of these good performances to launch two new magazines: “Nova”, a practical woman’s magazine, and “Maxim”, thereby confirming its position as leader on the market.

In Japan, business remained stable, with a slight rise in advertising revenue, and also a drop in circulations due to increased competition in women’s magazines. The Japanese edition of “Marie Claire”, taken over in April 2003, continued to do well.

In the United Kingdom, advertising revenues were on the increase, particularly from “Elle” and “Red”. Circulation remained stable, despite the changes in publication frequencies of the “soap” magazines, which offset the decreases in the “teen” magazines in a market troubled by discount merchandise supplements. Investments in editorial content and promotion to support the Group’s response to this competition weighed heavily on the subsidiary’s results.

In Russia, growth in advertising revenue continued, principally from “Elle” and “Maxim”. The Russian edition of “Marie Claire” continued to thrive and the launch of “Maxim” in the Ukraine achieved profitability in its second year.

In China, sales growth was principally due to the boom in advertising revenue, especially from “Elle”, “Woman’s Day” and “Marie Claire”, launched at the end of 2002.

As far as Newspapers and Supplements are concerned, the circulations of the French regional dailies experienced mixed trends with stability for the La Provence group and a decrease for the publications of the Nice Matin group, due to the unfavorable tourist season and regional current events that were less newsworthy than in 2003.
The launch of TV bi-monthlies could have a very limited impact on the Saturday sales of the daily newspapers.
Advertising continued to grow, thanks to fine performances in local press advertising sales.

The free publication “Marseilleplus” continued to expand, and profited fully from its leadership in the market for local advertising in free editorial publications, as well as from the economies of scale achieved through the Puissanceplus network.

“Version Femina” continued to put up a remarkable performance, especially in advertising. This enabled investments aimed at enhancing editorial content and establishing brand recognition, through a TV campaign. “Version Femina” also largely confirmed its leadership position in terms of circulation, leaving its competitors far behind.

“TV Hebdo” had a good year, with circulation remaining steady and advertising sales rising slightly.

Restructuring in the Photo and associated products division continued, while the business suffered from a fall in sales outside France. The growth in merchandising activities continued, mainly in Asia, despite unfavorable exchange rates. Hachette Filipacchi Films’ business activities were sold to a subsidiary of M6 as planned, with effect from January 1, 2004: the Group is therefore no longer a video publisher and has completed its refocusing on its core business.

In a print media market that is still morose, strategic issues for 2005 concern the industrial investments HFM may make in regional daily newspapers; the continuation, in this same sector, of the policy of free publications; the success and pursuit of editorial investments in magazines, particularly through the consolidation of the 2004 launches; and the continued development of brand networks for both its own brands and those of its partners (“Elle Girl”, “Marie Claire”, “Psychologies Magazine”, etc.).

DISTRIBUTION SERVICES

Distribute and sell communication and cultural leisure products thereby providing access to a diversity of ideas to customers worldwide, such is the mission of Hachette Distribution Services (HDS).
HDS has a presence in nineteen countries in Europe, North America and Asia/Pacific and achieves 69.3% of its consolidated sales outside France.
In 2004 the distribution of sales by geographic area once again evolved to the detriment of the North American region, owing principally to the fall in the dollar: 30.7% in France, 47.7% in Europe, 20.4% in North America (compared to 22.9% in 2003), and 1.2% in Asia/Pacific.

In 2004, Hachette Distribution Services consolidated its positions throughout the world and met the goals it had set itself: strengthen the business activities of its major store signs, develop new sales concepts, win new contracts and renew existing contracts for concessions in transit areas, and strengthen its positions in Australia. At the end of 2004, press retailing and press distribution represented respectively 51.7% and 48.3% of HDS' total sales, which, in relative terms, once again signifies an increase in retail activities (51.0% at end 2003 and 50.1% at end 2002).

Sales expressed in current euros increased slightly in 2004 (0.7%), but were penalized by the fall in the US dollar (down 9%). After allowing for changes in exchange rates, sales increased by 2.7%. Excluding the effect of changes in group structure and exchange rates, the increase in sales for 2004 was 2%, which reflects essentially organic growth in HDS's core businesses. This should be viewed from the perspective of the recovery in air traffic, but also the collapse of Terminal 2E at Roissy airport, and the maintaining of security procedures in airports. The rise in air traffic was 6.1% in 2004 for Paris Airports excluding Roissy 3 (*source*: ADP) following repeated decreases for the previous three years (2.7% in 2003 and 1.2% in 2002). At global level, at end October 2004, the recovery in air traffic resulted in a rise of 11.3% (*source*: Airport Council International) of which 9% in Europe and 8.4% in North America.
However, this increase in traffic was not totally passed on in terms of business volumes, for combined with the security procedures in place in the airports, it caused the crowding of passengers in the terminals, which discourages customers from making purchases.

In 2004, the Press Distribution business was once again marked by strong growth across the board (+ 3% after allowing for changes in exchange rates), including:

– strong growth in Spain, where press distribution experienced a 14.2% increase in sales, related to the vitality of the part-works business, the acquisition of new portfolios (Globus, Dispana and Motorpress) and the increase in the magazine press driven by promotional campaigns. These successes helped strengthen the Spanish subsidiary's position as leading national press distributor with more than 20% of the market, ahead of its main competitor, Logista, which is similar in size;
– a 4.6% increase in business activity in Switzerland (7.4% growth in telephony and 1.1% decrease for the press) and 4.8% in Belgium (vitality of publications and telephone cards). On the other hand, business levels fell by 1.2% in Hungary, mainly due to a 3% decrease in press volumes. Hachette Distribution Services has no significant competitors in Hungary, Belgium or Switzerland;
– sales were down 3.5% in the United States (excluding the effect of changes in exchange rates). The significant portfolio gains recorded this year by Curtis did not fully offset the downward trend in press distribution in the United States. The market share of Curtis, the leading national magazine press distributor in North America, remained stable at close to 45%. Competitors are local players such as TDS/WPS (Time Warner group) and COMAG (Hearst/Conde Nast).

In Press Retail, Hachette Distribution Services continued to place emphasis on innovation and service content, while development strategy focused on two store formats:

– sales outlets in transit areas (airports, railway and subway stations): press retail outlets developed outside France by all the companies in the Group and points of sale that diversify in specialist retail;
– multimedia stores specialized in books, compact disks, video and multimedia products, under the Virgin banner or the bookshops Furet du Nord and Payot.

This segment also includes press convenience stores.

Concerning press retail stores in transit areas, the consolidation of the retail network continued in 2004: 1,150 stores in 13 countries in Europe and North America now display the “Relay” sign. A single store concept, adapted to suit local specificities, with a similar product offer and the same mission: provide a million travelers with as wide a daily choice of products and services as possible to make their journey easier and their travel time more pleasant.

In 2004, Hachette Distribution Services continued to develop variations on this concept to keep ahead of the continuously changing needs of the traveler: Relay Services (emergency groceries and convenience services), Relay Café (quick snacks in addition to the usual products), Relay Livres (a wide range of books), and the Découvrir concept (the promotion of local culture and regional produce).

In France, Relais H achieved a 1.8% increase in sales against a background of increasing press sales (+ 3%) and good performance levels of non-press products such as books and foodstuffs, sustained by an innovative sales policy of product diversification. Tobacco was dormant in terms of value (– 0.2%) and decreased in terms of volume following the price rises in October 2003 and January 2004, while telephony fell by 4.5% due to the loss of impetus of cards for landlines.

While the vitality of the press retailing market and growth in telephone cards pushed sales up 3.8% in Belgium, in Germany business showed an increase of 3.7%, following the return to normal traffic at the airports; it remains troubled, however, by the persistent difficulties of the rail networks and by the continuing economic recession. In Spain, sales were up 6.4% compared to a 1.5% increase in Portugal (excluding network size changes).

In Central Europe, Hachette Distribution Services continued to enjoy strong growth, particularly in Poland and the Czech Republic, with respective increases of 31.4% (52 outlets opened) and 42.4% (14 outlets opened). In Hungary, retail sales increased 4.6% due to the expansion of the “Relay” and “In Medio” networks (212 points of sale), despite the decrease in the kiosk network to 936.

The press retailing business in the United States recovered to achieve an increase of 5% (excluding changes in exchange rates) following a year in 2003 that was marked by a fall in traffic due to the combined effects of the war in Iraq, SARS and the fear of terrorist attacks. After allowing for changes in group structure, sales at airports recovered and rose by 20% over 2003. The recovery was hesitant, however, for sales at tourist sites (up 1% excluding changes in group structure) and in sales points in city centers the year ended with a decrease of 1% (also excluding changes in group structure). In 2004, air traffic increased by 9.2% in Canada and 11.4% in the United States (at the airports HDS is present in).

In Australia, Hachette Distribution Services increased its investment in Newslink to 100%. The company manages around forty points of sale in airports and train stations and is experiencing strong growth, with an increase in sales of 14.7% in 2004.

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

In duty free and specialist points of sale in transit areas, brought together under a single entity, Aelia, consolidated sales fell 11.5% over 2003. 9.2% of this decrease can be explained by the continuing reduction in the business of Eurotunnel, which began with the increase in tobacco prices on the French market at the end of 2003. Airport traffic also showed a decrease due to the full year proportionate consolidation of the partnership with Aéroports de Paris for Roissy 2 (– 4 points) which was partially offset by the return to normal traffic, making it possible to achieve an increase of 1.7 points.

Although business in 2004 was troubled by the collapse of terminal E at Roissy 2 airport in May, Aelia nonetheless strengthened its position as French leader and confirmed its place as 5th largest world player in airport retail sale outlets through redeployment to the other airport terminals in the greater Paris area where the company is also present. The year 2004 was also marked by the first outlet to open in an airport outside France, with the opening of an outlet in the United Kingdom (Belfast) and by the reinforcement of the company's position in the gourmet food sector through the acquisition of a regional rival. Today Aelia manages a network of around 115 stores under specialized brand names, under franchise or on its own behalf. It also handles the onboard sale of top of the range products on behalf of airlines including Air France and Royal Air Maroc and, since 2004, Swiss Airlines.

The major world players in this market are DFS (LVMH group), TNG (The Nuance group), WDF (BAA group), Heinemann and Dufry, and the European market includes players such as Aelia, Aldeasa and Alpha.

In 2004, stores specializing in books, music, video and multimedia saw the music market continue to decline, with a decrease of 9%, following one of 13% in 2003, while books, video and stationery enjoyed remarkable increases of 8%, 15% and 15% respectively. Despite this recession in the music market, global sales of the Virgin Megastore chain increased 2.0% in 2004 (1.5% based on a constant number of stores), as a result of rising sales of books, video and stationery. The non-digital part of the business (books, stationery) increased from 28.5% to 30.5%, to the detriment mainly of music (down 3.7 points to 31.0%). The Furet du Nord store sign enjoyed an increase of 4.9% over 2003.

In France, the network now comprises 33 Virgin Megastore outlets and 11 stores trading under the Furet du Nord sign, representing total sales of € 405 million. The year 2004 was marked by the opening of two additional stores at Orly airport and the Gare de Lyon train station. Hachette Distribution Services maintained its position as second largest group specializing in the distribution of cultural products in France, with 9% of the market in music, 5% of the market for books, and 6% of the video market.

In Switzerland, the Payot bookshops recorded growth of 7.1% in 2004, with a new outlet opened at Nyon, while two other bookshops were opened in transit areas, in France and Germany.

The Virgin brand continued to expand in transit areas, now totaling four outlets in train stations (three in France and one in Spain), as well as 20 outlets in airports: 12 in France, one in Spain, five in North America and two in Australia. The network of Virgin Megastore franchised in the Middle East continues to expand and now comprises 10 points of sale, which are experiencing steady growth.

The business outlook for Hachette Distribution Services for 2005 partly depends on how airport traffic evolves, with a return to normal traffic volumes taking longer than the operators expected.

Nonetheless, in the course of 2005 and beyond, Hachette Distribution Services intends to maintain steady growth in its core businesses while at the same time entering new markets through internal growth or acquisitions whenever complementarities with existing activities justify this.

As far as retailing is concerned, goals will focus on continuing to develop the Virgin brand in France, the development of specialized outlets, especially outside France, and the adaptation of the concepts for transit areas.

LAGARDERE ACTIVE

Lagardere Active comprises the **Theme Channel operation**, **Film and television production and distribution**, **Radio broadcasting**, **Sale of advertising airtime** and **New media** business activities of Lagardère Group, as well as a 34% shareholding in CanalSatellite.

In 2004, Lagardere Active made the most of the opportunities afforded by a market which, after a period of uncertainty, turned out to be quite buoyant, especially the radio sector. The Group therefore achieved a satisfactory level of performance in all of its business activities, through a combination of the capacity to innovate, mastery of key skills in its various activities, commercial strength and rigorous management.

For Theme Channels, the year 2004 was marked by the launch of Filles TV on September 1, 2004, the first channel to be launched in France for girls in the 11 to 17 age group, and broadcast exclusively by satellite on CanalSatellite and the other major cable-satellite networks. Lagardere Active now has ten theme channels, present in four domains:

- *Music*, with an outstanding musical offering through five channels:
  - – MCM, the generational channel for the 15-34 age group;
  - – MCM TOP, a new music channel playing 100% video clips of current hits, and the best-selling singles, for the 15-24 age group;
  - – MCM POP, music channel showing 100% video clips of Pop hits from the 80s to today, for 25-34 year olds;
  - – Mezzo, the classical music and jazz channel;
  - – MCM Belgique, the leading Belgian music channel for the 7th year running.
- *Youth*, with Canal J and TiJi, for the under sevens, and Filles TV;
- *Lifestyle* with La Chaîne Météo (weather);
- *Celebrities/current affairs* with Match TV.

The excellent results obtained in the 7th wave cable and satellite channel audience ratings (MediaCabSat - Dec. 29, 2003/June 30, 2004) confirm the performance levels of the Group's channels, despite increasingly fierce competition:

– MCM, number one music channel on cable and satellite for the 10th year running, number one theme channel for 15-24 year-olds and for 15-34 year-olds. MCM Music (MCM + MCM TOP + MCM POP) imposed itself as the leading theme channel for 15 to 34 year olds on cable and satellite;

– Canal J, number three cable and satellite channel for all audiences taken together and TiJi fourth equal. Canal J and TiJi, respectively number one and number two cable and satellite youth channels. Between them they hold 38% of the market for children's channels (target 4-10 year-olds), in an increasingly competitive environment (at the end of December 2004, there were 16 competing children's channels).

The Group continued to work towards the introduction of Digital Terrestrial Television (DTT) in France in 2004. The startup of free channels using the MPEG2 standard was scheduled by the French Television regulatory authority (CSA) for March 31, 2005. To meet this deadline, between September 2004 and February 2005, the company Nouvelles Télévisions Numériques (NTN), a Multiplex R2 operator, and 50% subsidiary of Lagardère Images, signed several contracts for the first 32 sites designated by the CSA. These contracts were signed with technical service providers specialized in network headends, satellite transport systems and terrestrial television broadcasting.

Following an action for annulment instigated by TF1 on the grounds that the Canal+ group possessed more digital terrestrial television (DTT) authorizations than the limit of 5 that was in force at the time these authorizations were attributed, the French Council of State (*Conseil d'État*) found that, contrary to the common understanding of the parties concerned, Lagardère Thématiques was controlled jointly by Lagardère and Canal+ group.
As a consequence, on October 20, 2004 the Council of State annulled some of the DTT authorizations held both directly and indirectly by Canal+ group, including, in particular, those held through the intermediary of the company Lagardère Thématiques (Canal J and iMCM).

Subsequent to these annulments, on December 14, 2004, the French television regulatory authority issued a call for bids for the resources freed by these annulments. Lagardère at the time returned the DTT authorization it held for the channel Match TV. In order to retain its role as major player in the emergence of this new technology, Lagardère Group then applied for authorization to broadcast the channels Canal J and iMCM and, in partnership with France Télévision, a new channel aimed at a young audience, produced by the company Jeunesse TV. The result of these bids should be announced before the summer of 2005.

2004 was a year of consolidation for the Film and TV Production and Distribution business following the developments achieved in previous years. Through the 17 subsidiaries of Europe Audiovisuel, Lagardere Active is a major partner of the terrestrial channels for prime-time drama and programs for immediate broadcast (features, entertainment, etc.) with 950 hours produced in 2004.

In the field of prime-time drama, for the 3rd year running Europe Audiovisuel was the premier producer in 2004 (*source*: Ecran Total no. 528), with 87 hours of programs broadcast during the 2003/2004 season. Europe Audiovisuel excels in the production of individual episodes and series of prestige drama, and the production of mini-series: *Capitaine des Ténèbres*, produced by Serge Moati for Arte, with Richard Bohringer, *93, rue Lauriston* (produced by GMT Productions for Canal+ with Michel Blanc and Samuel Le Bihan), *Clochemerle* (individual program for France 2 produced by DEMD Productions), *A cran 2* (mini-series produced by DEMD/Studio International for France 2).

To meet the expectations of the viewers who endorse the programs, Europe Audiovisuel is also a major producer of flagship series with a recurrent hero, such as *Julie Lescaut* (GMT Productions for TF1), which combines longevity and successful audience ratings, and produced 10 of the 100 programs with the highest audience ratings in 2004, *Joséphine Ange Gardien* (DEMD Productions for TF1), *Père et Maire* (Aubes Productions for TF1), etc.

In the domain of programs for immediate broadcast, Europe Audiovisuel went from 3rd to 2nd place in terms of the number of program hours produced for immediate broadcast during the 2004/2005 season (*source*: Ecran Total no. 534), thanks to Maximal Productions (*C dans l'Air*, daily on France 5), Angel Productions (*20h10 pétantes* for Canal+, up to end June 2004 and *Nous ne sommes pas des anges* since the beginning of September 2004), Léo Productions (*La Grande Course* for Canal+), Image & Cie (*Ripostes* for France 5), etc.

Furthermore, business activities in Distribution (acquisition and distribution of programs) with M5/Europe Images International, now has a commercial catalogue of 13,000 hours of programs and in 2004 achieved almost 50% of sales outside France.

Following a study on the setting up of an educational pan Arabic youth channel, the Qatar Foundation asked Lagardère Images International to accompany the launch of this youth channel, which is scheduled for June 2005.

Lagardere Active is a major player in television production for terrestrial channels and the publishing of theme channels. Today, it is poised to make use of the combined skills of its subsidiaries to achieve a major expansion of its business activities.

In the field of Radio Broadcasting, the advertising market gradually recovered from the fall in business in 2001 and is now showing steady growth, including in 2004.

Lagardere Active, with three national networks, covers a large part of the market of Radio listeners:

- Europe 1, the Group's generalist radio station, broadcasts a dynamic, interactive News & Talk program, attracting an average of one million executives each day, by providing the news according to their main centers of interest: international politics, domestic politics, economics and cultural and sports events.
  2004 was a year that allowed Europe 1 to consolidate its place in the radio landscape and achieve stability with a cumulative audience score of 9.7, which represents an average of 4.8 million listeners each day*. The program schedule for the autumn has only been subject to minor modifications, which do not upset the coherence and balance that have contributed to its success.
  In November 2004, the station inaugurated new digital "editorial" equipment to anticipate the changes to come over the next few years and thanks to which Europe 1 is firmly established in the news business, where the future of non-musical radio stations will be decided.

- Europe 2 is the music radio for the generation of 15 to 34 year olds. Its play lists focus on pop and rock, enhancing the diversity of the world of music radio. Europe 2 is a radio station that develops and discovers new talent, and is present on stage through the creation, in partnership with MCM, of two innovative events: Europe 2 Live (6 groups perform a best-of concert at Bercy concert hall) and Europe 2 Campus Tour (3 young groups on tour in 15 major French cities, with a local group opening the concert). Europe 2 is a station that is both Live and alive. It is also an entertainment station. For his radio comeback in November 2004, the comic presenter Arthur chose Europe 2. On weekdays between 16:00 and 18:00, there is an original, new radio show "*Arthur et les pirates*".
  Since mid January, Europe 2 has again been innovating, with comic celebrity Patrick Timsit live in public from 9:00 to 10:00. In the Médiamétrie survey of November-December 2004, Europe 2 obtained 6.1 cumulated audience points in the 13 plus age category. The radio station attracts an average of 3.1 million listeners every day*.

- RFM is a contemporary adult music radio station. Its focus – the best of the music from the 1980s until today – was chosen after in-depth studies and research into positioning in a market that is already well supplied.
  The principal novelty in the autumn program schedule was the arrival of Bruno Roblès, flagship presenter for the FM generation, accessible and friendly, in a morning slot with his program "*Roblès fait le matin*". In the Médiamétrie survey of November-December 2004, RFM obtained a cumulative score of 5.0 for the 13 plus age group. RFM is the leading adult music radio station in terms of audience share, for the 25/49 age group, ahead of Nostalgie and Chérie F.M., with some 2.5 million daily listeners*.

In 2004, Lagardere Active decided to reinforce the synergies between its FM radio stations (Europe 2 and RFM) and Music TV channels (group MCM, excluding Mezzo) by setting up a Music division, that will take on its full dimensions in 2005.

*(*source:* Médiamétrie 75,000+ Radio Nov-Dec 2004, Monday to Friday, 5:00/24:00, 13 plus age group).

Lagardere Active and Hachette Distribution Services are also joint-shareholders in the company VirginMega, which, in May 2004, launched a new online version of a pay-for-download music service, www.virginmega.fr. With over 300,000 tracks available today, this site offers *à la carte* downloading of singles and albums. It represents an alternative in today's current debate about Internet music piracy.

Outside France (Eastern Europe, Germany and South Africa), Lagardere Active Radio International (LARI) accentuated its increases in audience in all 7 countries it operates in. Its radio stations attract over 11 million daily listeners in Russia (*source:* TNS Gallup Media), 8 million in Poland (*source:* SMG/KRC), 3 million in Romania (*source:* IMAS) 2 million in Germany (*source:* AG.MA), representing more than 27 million listeners for all the countries LARI operates in (*other sources:* AC Nielsen, Szonda-GFK, Median + GFK Prague) compared to 25 million the previous year. LARI is the number one radio operator in Poland, the Czech Republic and Romania, number two in Russia and number four in Hungary.

LARI also accelerated its development in Russia, South Africa, Hungary and Germany. Furthermore, its radio stations obtained 21 additional broadcasting licenses, enabling a further increase in the population covered and favoring a continuing increase in audiences over the long term.

Through strong brand names in three different media (radio, television and the Internet) and products that are firmly established, leaders of their segment and innovative, Lagardere Active Publicité commercializes a powerful range of products:
– number 1 in radio advertising sales, with a cumulative audience share of 31.7% of the 13 plus age group*: Europe 1, Europe 2, RFM, Les Indépendants (a network of more than 80 radio stations), Ouï FM, Autoroute FM, Autoroute Info, 107.7 FM. Lagardere Active Publicité boasts the most attractive offer on major radio targets, with an average 15.8 million daily listeners;
– advertising sales leader on the theme channels sector: the channels of Lagardere Active, the channels of the AB group, including RTL9, which is a total of 23 theme channels;
– advertising sales on the Internet sites of the Goup and non-Group sites (the sites of Club-Internet, SeLoger.com, etc.). The advertising sales contract signed with Club-Internet was renewed for 2005;
– lastly, Lagardere Active Publicité made an entrance into advertising sales on the terrestrial channels, with the new marketing contract signed with Arte.

The recognized expertise and talent of its teams, the vitality of the management, along with the attractiveness of its product offer make Lagardere Active Publicité a strategic asset for the success and development of Lagardere Active.

In 2004, Lagardere Active Broadband strengthened its position as a major player in France and the rest of the world for the content and production of mobile phone services distributed by operators and the media.

In France, Plurimedia is a pioneer and the leader for flagship services in mobile telephony: the downloading of music for phones (Logos & ring tones) with Virginmega.fr, SMS messages with Live1 and astrology with Astralia. With strong editorial and technical skills, Plurimedia also supplies interactive programs to the audiovisual media and written press, which include, in addition to Lagardere Active's media, 20 minutes, PinkTV, Gameone, MTV, Ciné Cinéma Info, and 19 radio stations from Les Indépendants network, etc.

*(*source:* Médiamétrie 75,000+ Radio Nov-Dec 2004, Monday to Friday, 5:00/24:00, 13 plus age group).

Outside France, Lagardere Active Broadband has a presence, through its subsidiaries, in Germany, the United Kingdom, Greece, and since the end of 2003, in the United States. In Europe, Lagardere Active Broadband has confirmed its development in the production of interactive services and its clientele includes the major national media: Prosieben Sat1 and Radio SAW in Germany, Daily Mail and EMAP Radio in the United Kingdom, Antenna group in Greece. Lagardere Active Broadband has also developed partnerships with the major mobile phone operators in Europe (Orange, Vodafone, Telefonica, Mobistar and Cosmote).

In the United States, Lagardere Active North America (LANA) publishes services based on the contents and brands of Hachette Filipacchi US (ELLE, Car&Driver).

In November 2004, LANA successfully launched "BlingTones", the leading Hip Hop label exclusively dedicated to mobile telephony and distributes the services to the major mobile telephone operators (T-Mobile, Cingular, ATT, Sprint, Nextel and Boost, etc.).

In 2005, Lagardere Active Broadband intends to pursue the expansion of its business activities by strengthening its expertise in editorial content, marketing and technology.

CanalSatellite

CanalSatellite now offers 290 channels including 65 with exclusivity, making it the market leader especially in programs for youth, the family and discovery. This program offer allowed CanalSatellite to attract 230,000 new subscribers in 2004, giving it a market share of 60% in new subscribers, and to keep the proportion of canceling subscribers down to 8.6%, which is 0.5 point lower than in 2003.

Sales at CanalSatellite reached € 962 million in 2004, an increase of 7% compared to the previous year. The fact that the company has been profitable for several years now gives it the means to achieve sustained growth, both in terms of program contents and collective equipment and terminals.

Lastly, although CanalSatellite entered ADSL television later than its main competitor, it already has 30,000 subscribers to this service. The company's digital strategy allows it to win over new subscribers in inner cities.

multiThématiques

At the beginning of 2004, multiThématiques completed the rationalizing of its business activities with the disposal of a majority share in its remaining business operations in Italy, the disposal of the channel EuroChannel broadcast in South America, of Planète in Poland and the stoppage of broadcasting activities in Germany.

Now refocused on France, multiThématiques enhanced its service offer with the take-over of the channels Comédie ! and Cuisine TV in the second half of 2004.

Lastly, at the start of the 2004 autumn season, Planète Choc replaced Planète Future to enhance the Planète offer and change the tone of the documentary film: a sustained pace, with strong pictures taken in live situations and effective editing with the help of reconstitutions and witness testimonies.

multiThématiques' sales amounted to € 149 million in 2004, remaining stable compared to 2003.

In January 2005, Canal+ and Lagardère announced that they had signed an agreement to unwind their cross-holdings in multiThématiques, which will now be held 100% by Canal+, and in Lagardère Thématiques, which will now be almost entirely owned by Lagardère.

This operation took place on February 11, 2005, subject to the approval of the French monopolies commission. For Canal+ and Lagardère, it was a consequence of the Council of State's decision on October 20, 2004, to annul the digital terrestrial television (DTT) authorizations of six channels because they were deemed to be jointly controlled through Lagardère Thématiques.

The action of the two groups showed their determination to create the best possible conditions for their candidacies in response to the call for bids issued by the CSA on December 14, 2004 for the allocation of DTT frequencies.

4.1.4.2 HIGH TECHNOLOGIES

	2000([1])	Pro forma 2000([2])	2001	2002	2003	2004
Contribution to consolidated sales (in millions €)	3,806	3,489	4,486	4,339	4,510	4,795
Contribution to consolidated operating income (in millions €)	166	68	104	63	232	361
Number of employees	13,459	13,459	15,358	15,665	16,409	16,707

([1]) Aerospatiale Matra included on a 33% basis for the first half of 2000 and EADS on a 15.14% basis for the second half-year.
([2]) EADS included on a 15.14% basis for the whole year.

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

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

- **Principle of parity**

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

The principle of parity is also expressed in the form of a "Contractual Partnership", which has been entrusted with the exercise of the voting rights of Sogeade, DaimlerChrysler and SEPI in the shareholders' meetings of EADS, in compliance with the shareholders' pact, and in which Sogeade and DaimlerChrysler have strictly identical interests.

– At managerial level: on EADS' Board of Directors, Sogeade has four directors, appointed upon proposal by Lagardère. DaimlerChrysler appoints the same number of directors.
  The Board also has two independent members, one nominated by Sogeade and the other by DaimlerChrysler. Although SEPI no longer automatically has a representative on the Board, Sogeade and DaimlerChrysler will propose a Spanish director for appointment at the next general meeting of EADS NV.
  The terms of office of all members of the Board of Directors of EADS NV are due to end at the Annual General Meeting to be held in 2005 to approve the financial statements for the year 2004.
  EADS' Board of Directors, which is responsible for devising the group's strategy, is presided over by two Chairmen, respectively Arnaud Lagardère and Manfred Bischoff. EADS' executive management is entrusted to two Chief Executive Officers on the same parity principle, respectively until May 11, 2005 Philippe Camus and Rainer Hertrich.
  Decisions are taken by a qualified majority vote requiring the approval of both Sogeade and DaimlerChrysler.

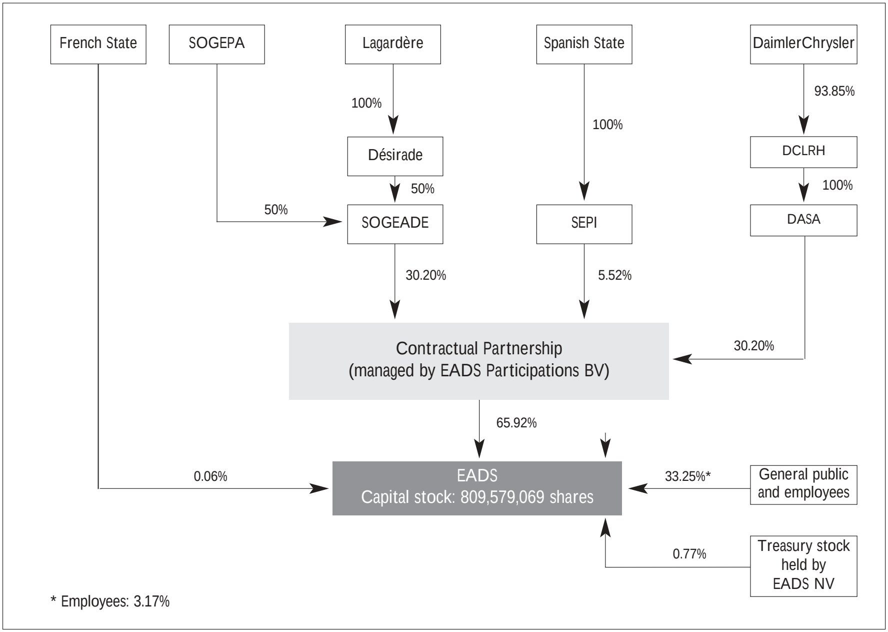
- **Principle of consistency**

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

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

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

EADS NV share ownership at December 31, 2004



With total sales of € 31.8 billion in 2004, the EADS group is the largest aeronautics, space and defense group in Europe and the second largest in the world.
EADS is the world's leading manufacturer of commercial aircraft, civil helicopters, commercial launch vehicles and missiles. It also holds leading positions in the field of military transport and combat aircraft, satellites and electronic defense systems.
In 2004, three quarters of the group's sales were achieved through the commercial side of the business and one quarter in the military sector.

2004 was marked by the beginning of a return to normal air traffic in the world. While this recovery appears to be promising for aircraft sales, the continuing instability in the Middle East, the latent threat of terrorism and pressure on oil prices had an adverse effect on the profit margins of airlines. In the defense sector, the budgets of the countries native to EADS remain restricted.

Throughout 2004, EADS continued to position itself to increase growth and profitability, in compliance with its strategy, which aims to reinforce its world leadership and competitivity. The record number of orders booked at the end of 2004, representing € 184.3 billion, constitutes a considerable asset for EADS, since it represents five years sales in civil aviation and more than six years in defense.

For the second consecutive year, Airbus overtook Boeing in both deliveries and orders. Airbus booked 370 orders (including options) in 2004, a market share of over 57%, and in the same period delivered 320 aircraft (305 in 2003).

In 2004, the A380 program completed new key technical stages and confirmed its commercial potential with a total of 139 firm orders booked from thirteen customers by the end of the year.

In December 2004, EADS' Board approved the commercial launch of the A350, to strengthen middle of the range Airbus products in the face of new competition from Boeing.
2004 was also marked by divergences between the United States and the European Union on the question of government funding of development costs for new commercial aircraft; the negotiations resumed at the end of 2004 and EADS is expecting a definite solution that will establish common rules on both sides of the Atlantic.

The extension of its product range and the expansion of activities in the field of defense remain strategic priorities for EADS. Orders booked in the defense business increased from € 42 billion at the end of 2003 to € 49.1 billion at end 2004. This growth was mainly due to the signing of the second tranche of the Eurofighter program; the contract for the production of the French ballistic missile, M51; orders for refueling aircraft from the Australian Armed Forces; the contract for the integrated border security system from Romania's Ministry of the Interior; and the first non-European order for the NH90 helicopter from the Sultanate of Oman. In 2004, sales in the defense sector increased by 8% to € 7.7 billion.

The Space division of EADS returned to profitability in 2004, reflecting the results of the restructuring and industrial reorganization operations conducted throughout the division. Strategic orders were booked which are structurally significant for the division's future, in particular the order for 30 Ariane 5 launch vehicles, and the completion of the initial stage of the European Galileo satellite navigation program.

In 2004, earnings before interest and tax (EBIT) increased significantly to € 2,444 million, compared to € 1,543 million in 2003, as a result of increased deliveries by Airbus and the return to profitability of the Space division. The operating margin was 7.7%.
The improvement in profitability, regular cash flows from customer advances and the tight controls on customer receivables financing allowed EADS to continue to increase its net cash position by a considerable amount, to € 4.1 billion at the end of 2004 (€ 3.1 billion at end 2003).

EADS share gained 14% in the course of the year, reflecting investors' confidence in management and their long-term growth strategy. Since EADS was founded in July 2000, the share had gained approximately 20% by the end of 2004, largely out-performing all of its competitors, as well as the CAC40 which lost approximately 40% over the same period.

STRATEGY

To maximize shareholder value and balance the product range, EADS' Management intends to place EADS in the position of leading global company in the Aeronautics and Defense industries. This strategy comprises four key elements.

Continue to reinforce EADS' competitive position

EADS intends to maintain its leading position in the civil aviation market, with Airbus; in helicopters, with Eurocopter; in missiles, with MBDA and LFK; and in commercial launch vehicles, with EADS Space Transportation.

The medium-term target of achieving € 10 billion in sales from the defense and interior security markets crowns current efforts by EADS to improve its sales positions in the defense and space industries. These efforts are supported by EADS' competitive range, which comprises programs such as the A400M military transport aircraft, the Eurofighter, the Tiger and NH90 helicopters, the Aster and Meteor missile programs and the Skynet 5/Paradigm secure communications network.

Priority will be given to organic growth to increase business in the defense sector.

Increase global reach

EADS intends to strengthen its European leadership and global competitivity by consolidating its industrial presence on an international level. The group has therefore identified a number of key countries to be targeted for expansion and has launched its *Global industrial strategy* to determine how best to develop its commercial offers on promising markets (China, the United States, India, Korea, Japan and Russia), and accompany its transition from a European industrial group with global sales to a global industrial group. To achieve this objective, EADS will draw on industrial partnerships and/or industrial presence. EADS also sees this as an opportunity to extend its portfolio of technologies and reduce its exposure to exchange rate risks. In parallel, efforts have been deployed in terms of procurement to support EADS' competitivity, particularly in those countries where budgetary decisions are traditionally more favorable to its American competitors.

The group's experience in Australia shows how this strategy was crowned with success. In the opinion of Management, the industrial presence established there through the acquisition of Australian Aerospace in 2001, bestowed a competitive edge for the Tiger contract and helped the signing of the contracts for A330 refueling aircraft and the NH90 helicopter.

Supply complete systems and integrated service solutions

The new demands of the American and European armed forces, and of the public security agencies, combined with their budgetary constraints, have led customers to request the supply of complete systems and integrated service solutions. In response, EADS wishes to enhance its competencies in the integration of principal systems and its capacity to provide service solutions.

More precisely, EADS is aiming for a leading position in the new growth sectors, such as long-range anti aircraft defense systems, C4ISR systems (intelligence, surveillance, command and control), drones and military space programs. The contract for the supply of an integrated border security system to Romania, which EADS won in 2004, is a significant step in this direction.

In addition, EADS completes its offer with large programs, by proposing service solutions, particularly in terms of outsourcing, to the armed forces and public security agencies, such as secure telecommunications services through Paradigm or in-flight refueling as part of the FSTA program.

Focus on innovation and technology

By combining a wide choice of products and expertise in high value-added systems, EADS intends to penetrate new markets, maximize its profit margins and offer highly differentiated integrated solutions that match the increasingly complex requirements of both its commercial and military customers. New programs such as complete inland security systems, the Galileo satellite navigation systems and the military derivative equipment based on Airbus platforms illustrate EADS' ability to combine technical expertise and products and develop complementary activities.

Continuous innovation has been the cornerstone of EADS' success in the past and Management expects technological advances to play an increasingly predominant role in maintaining competitivity in the future. Innovation cycles are becoming shorter and new competitors are emerging in all the group's fields of business. EADS is determined to position itself as one of the principal suppliers of innovative solutions covering a wide range of technologies including new materials, manufacturing techniques, breakthrough technologies, systems integration and quality control.

In both absolute value and as a percentage of sales, EADS has continuously devoted a larger share of its own resources to research and development than its peers. Management firmly believes that this sustained investment in R&D will procure a significant competitive edge and achieve positive return on investment. The creation of value for the shareholder is based on this long term vision.

OPERATIONS

EADS group*	2003	2004	Variation
Sales (in millions €)	30,133	31,761	5%
Operating income (in millions €) (1)	1,543	2,444	58%
Net income (in millions €) (2)	644	1,030	60%
Orders received (in millions €)	61,150	44,117	– 28%
Backlog of orders (in millions €)	179,280	184,288	3%
Number of employees	109,135	110,662	1%

* Figures as published by EADS.

(1) Gross operating income before goodwill amortization and non-operating items.

(2) Net income and net earnings per share are now calculated using IFRS 3, and goodwill amortization is therefore no longer recorded. Net income published for 2003 was € 152 million after goodwill amortization.

The EADS group comprises five major divisions: Airbus, Aeronautics, Military Transport Aircraft, Defense and Security Systems, and Space.

AIRBUS

In 2004, in a recovering market, Airbus continued to achieve solid sales results and consolidated its leading position ahead of Boeing. Airbus produces a full range of competitive commercial airliners of more than 100 seats, and passed the symbolic milestone of 5,000 orders in August 2004.

Since it was founded in 1970, up to the end of 2004, Airbus delivered a total 3,752 aircraft to over 230 customers. With orders booked for 1,500 aircraft, for the fourth year running Airbus is positioned well ahead of its main rival, Boeing. This portfolio represents over 57% of commercial aircraft on order in the world. The first A380s have been assembled and the inaugural flight is scheduled for early 2005, with commercial deliveries coming on line in 2006. Furthermore, Airbus received the authorization of its

shareholders (80% EADS and 20% BAe Systems) to introduce a new aircraft to the market, the A350, a model derived from the A330-200. The final decision to put this aircraft into industrial production will be taken in 2005.
At December 31, 2004, Airbus' order book stood at 364 aircraft (net of cancellations), representing over 57% of the market.
With 320 aircraft delivered in 2004, its global market share has risen from 15% in 1990 to 53% in 2004.

Airbus achieved sales of € 20.2 billion in 2004, and improved profitability, with operating income of € 1,922 million (2003: € 1,353 million). This increase in operating income is a reflection, in particular, of the rise in deliveries, a favorable mix of the types of aircraft delivered and the first effects of a cost-cutting plan in place since the end of 2001. The operating margin was thus increased to 9.5%.

In 2005, the recovery that began in 2004 is expected to continue and today Airbus is planning to deliver more than 350 aircraft in 2005. A program nicknamed "Route 06" to enable Airbus to reduce annual operating costs significantly by the end of 2006 and compensate for the weak dollar will be continued. EBIT for Airbus should continue to rise in 2005, sustained by the increase in deliveries. This rise will nonetheless be mitigated by the persistently weak dollar and the slight deterioration in the proportion of large aircraft delivered.

MILITARY TRANSPORT AIRCRAFT

The Military Transport Aircraft division designs, produces and commercializes small and medium capacity military transport aircraft. It is also in charge of managing and integrating the A400M, a high capacity military transport aircraft that makes use of Airbus technology and meets the needs of European armed forces and a highly promising export market. The division also produces and commercializes mission aircraft that are derived from existing aircraft and devoted to special missions such as marine surveillance, anti-submarine weaponry and in-flight refuelling.

In 2004, the division achieved sales of € 1,304 million, representing growth of nearly 40%. Initial production of the A400M is the principal factor boosting sales. This growth was not totally reflected in operating results however, particularly due to an exceptional charge of € 28 million for restructuring.
The Australian Armed Forces' € 730 million order for A330 MRTT in-flight refueling aircraft was the principal contract signed in 2004. EADS is still negotiating with the British Ministry of Defence to obtain the final signature for the FSTA contract.

In 2005, the division expects sales to rise significantly, driven by the development of the A400M program and Australia's order for A330 MRTT aircraft. Restructuring operations begun in 2004 should start to bear fruit in terms of profitability.

AERONAUTICS

The Aeronautics division comprises civil and military aircraft manufacturing units with helicopters (Eurocopter), light aircraft and regional aircraft (EADS Socata and ATR) along with maintenance and conversion activities (EADS Sogerma Services and EADS EFW) to which has been added a business in aerostructures.

In 2004, the Aeronautics division recorded sales of € 3.9 billion, practically remaining stable; the repeated successes of Eurocopter offset difficulties in regional aircraft (ATR) and the maintenance of commercial aircraft (Sogerma). The operating margin decreased slightly from 5.7% to 5.3%, owing to the weakness of these two activities, coupled with a weak dollar.

Eurocopter makes EADS one of the leading helicopter manufacturers in the world, and the number one in Europe. Its chief competitors in the military segment are Agusta Westland in Europe and Bell Helicopter, Boeing and Sikorsky in the United States. In the commercial segment, the principal rival is Bell Helicopter. In 2004, Eurocopter confirmed its leading position worldwide in the commercial helicopter market with a 52% market share. EADS is expecting a substantial increase in military sales, with the first deliveries of the Tiger combat helicopter to German and French armed forces, and first deliveries of the NH90 transport helicopter.

In the field of regional transport aircraft, ATR, world number one in the market for turbo-prop regional aircraft with 40 to 70 seats, delivered twelve aircraft and booked orders for another thirteen new aircraft. Orders were also booked for 19 second hand aircraft. Market conditions remain particularly difficult and took their toll on the performance of ATR.

With over € 10 billion in orders booked, the Aeronautics division has considerable potential for growth. The commissioning of the new Tiger and NH90 combat helicopters should enable Eurocopter to consolidate its position as global leader and improve its profit margins. However, the weak dollar, pressures on margins in the aerostructures business and the restructuring in progress at Sogerma are all expected to have a negative impact on the division's EBIT, which is therefore expected to remain stable in 2005 in spite of the expected increase in sales.

DEFENSE AND SECURITY SYSTEMS

The Defense and Security Systems division (DS) comprises operations in the field of missile systems (MBDA, 37.5% owned, and LFK), electronic defense systems and secure communications systems for commercial as well as military applications. The division also includes business activities in services (EADS Services) which meet increasing demand in terms of military sub-contracting. The restructuring operations launched in 2001 are continuing and the division announced the sale of EADS Enterprise Telephony to Astra Technologies. This business activity achieved approximately € 170 million in sales in 2004.

In 2004, the division achieved sales of € 5.4 billion, an increase of 4% over 2003 and EBIT of € 228 million (2003: € 171 million). EBIT for 2004 includes a € 90 million charge for restructuring (2003: € 50 million) and the release of a provision for litigation of € 106 million.

Deliveries under the first tranche of the Eurofighter program commenced in 2003 (148 aircraft) and continued with 34 aircraft delivered in 2004. The order for tranche two (236 aircraft) was signed in 2004. EADS' share represents € 4.3 billion. This contract, along with the contract for the integrated border security system for Romania, are the principal sources of the 31% increase in orders booked by the division, amounting to € 17.3 billion.

In the field of missile systems, MBDA, 50% consolidated in EADS accounts, became the leading global missile manufacturer, particularly due to the start of deliveries of the Storm Shadow/Scalp cruise missile to Great Britain and France. LFK won its first export contract with an order for the Taurus from Spain. The two entities also profited from the launch of the surface-to-air defense program called MEADS for the United States, Germany and Italy. EADS intends to merge EADS LFK into MBDA in the near future.

In the short term, European budgets will remain under pressure but demand from Europe in terms of military capacity is expected to increase in the fields of systems, services and new generation products. The unrivalled portfolio of sophisticated data collection and management systems (intelligence, surveillance, command and control systems, C4ISR) encompassing command, intelligence, communications and reconnaissance functions, constitutes a solid asset for EADS to meet this increasing demand. Increased competitivity should also allow EADS to expand its market presence with transatlantic partnerships within NATO.

For 2005, the division's sales are expected to remain stable at their 2004 levels and EBIT should benefit from the effects of restructuring. However, the release of an exceptional provision of € 106 million in 2004 will not be repeated.

SPACE

EADS is the third largest supplier of space systems in the world, behind Boeing and Lockheed Martin, and first European supplier of satellites, orbital infrastructures and launch vehicles.

The Space division of EADS designs, develops and manufactures this equipment mainly through its subsidiaries EADS Astrium and EADS Space Transportation (EADS ST) and supplies space services through its subsidiary EADS Space Services. The Space division also proposes launch services via its shareholdings in Arianespace, Starsem and Eurockot, as well as satellite telecommunications and earth observation services through specialized companies such as Paradigm.

The Space division achieved sales of € 2.6 billion in 2004, showing growth of 7% over 2003, mainly due to the military activities of Paradigm.

The profound industrial reorganization and restructuring operations implemented were crowned with success in the form of a return to profitability. The division thus generated EBIT of € 10 million, following on three years of operating losses.
The division is a pillar of the European space industry and is now totally adapted to changes in the market, and is poised for profitable growth. Improvements in operating profitability are expected to continue in 2005

For 2005, EADS expects consolidated sales to reach approximately € 33 billion. This sales forecast assumes an average exchange rate of 1.30 USD to the euro in 2005, compared to 1.24 USD to the euro in 2004; this rate is used to convert into euros that part of sales in dollars which is naturally covered by purchases in dollars.

The Airbus division is expected to deliver 350-360 aircraft in 2005, compared to 320 in 2004, all of which are already booked. Furthermore, the global sales figure for defense activities should continue to grow, to reach € 8.5 billion in 2005, compared to € 8 billion in 2004.

EADS expects EBIT for 2005 to be in excess of € 2.6 billion, compared to € 2.4 billion in 2004.
This EBIT target reflects the expected improvement in the business activities of Airbus, Military Transport Aircraft and Space divisions. This improvement should, however, be partly offset by the non-recurrence of exceptional income recorded in 2004 (particularly at Airbus and in the Defense and Security Systems division), as well as by the less favorable average currency hedging rate at EADS in 2005, compared to 2004.

In 2005, earnings per share is expected to increase by 5% to € 1.36, calculated on an average number of 803 million shares.

EADS intends to maintain a healthy net cash position. Net cash available should remain positive, before customer receivables financing in the commercial aircraft operations and capital expenditure under the Paradigm program.

4.1.4.3 ARJIL & CIE

	2000	2001	2002	2003	2004
Stockholders' equity (in millions €)	110	109	123	127	121
Total assets (in millions €)	149	142	148	147	133
Net income (loss) (in millions €)	2	(1)	4	6,4	(5.5)
Number of employees	70	68	47	41	30

Banque Arjil & Cie was founded by Jean-Luc Lagardère in 1987. Business activities were originally oriented towards corporate investment banking and private asset management. Since 1997, the bank has gradually refocused on consulting in the fields of mergers & acquisitions and structured financing, activities performed since this date within the subsidiary Arjil & Associés Banque.

The company's business activities gradually transformed into those of a financial holding company, managing its shareholdings and cash, and it applied to have its banking permit revoked. This was agreed in September 2003, and the bank became a normal commercial company called Arjil & Cie.

For the consulting business in mergers & acquisitions and structured financing carried out by Arjil & Associés Banque, 2003 had been a difficult year, and the company just broke even, despite continuous efforts to reduce overheads.

The outlook for 2004 did not presage a satisfactory future for the Group, who decided to withdraw from this business.

To this end, the requisite procedure was set in motion to find a buyer who could ensure future development. As part of this procedure, Arjil & Associés Banque applied to have its banking permit revoked and the application was accepted; the company thus changed its name to Arjil et Associés.

A sale agreement was reached at the end of the year with Altium Capital Finance, a member of the Altium Capital group (formerly Apax Partners Finances). An independent investment bank with 15 offices and 150 professional specialists in corporate finance, in Europe and the United States, Altium could therefore provide Arjil with an extended reach and visibility in the field of corporate finance.

At the end of 2004, the business of Arjil & Associés, including the activities of its subsidiary Arjil & Compagnie España, comprising nearly 30 employees, was acquired by the above company.

4.2 LABOR AND ENVIRONMENTAL INFORMATION

The comments below only concern Lagardère Media since including data specific to EADS (15.10% consolidated by Lagardère using the proportionate method) would not be meaningful. EADS publishes its own Reference Document.

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

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

Concerning labor-related and social information: the statistics and concrete initiatives (particularly in terms of labor relations) presented in this document were made possible by the data collected through the reporting system developed by the Group.

Out of a concern for continuous progress, the reporting tool used is intended to cover over the short term all the companies in Lagardère Media (particularly the companies acquired in 2004, which could not be included in the scope of the reporting this year). It will then be extended gradually to all the indicators selected. The reporting tool is particularly useful for highlighting the particularities of each division and of their subsidiaries.

As regards 2004, the Group' aim was to include in the reporting system a number of companies as representative as possible of the business activities and scope of Lagardère Media. The reporting tool was therefore deployed across a set of subsidiaries covering, at the same time:

– almost 80% of the total employees of Lagardère Media; more particularly, between 80 and 90% of the employees of Hachette Distribution Services and Hachette Filipacchi Médias and between 50 and 60% of the employees of Hachette Livre and Lagardere Active are covered by the reporting;
– a representative geographic scope: between 80% and 95% of employees are covered, depending on the geographic area.

However, some of the data given below refers to France only, because it would be difficult to consolidate the corresponding indicators on a wider scope, in the absence of an agreed international definition, or because these indicators are not necessarily subject to tracking in countries other than France.

Concerning environmental information: in terms of environmental reporting, presented below are a certain number of initiatives launched by the Group with a view to better controlling or restricting the impact of its activities on the environment, it being understood that, with a concern for continuous progress in mind, other initiatives will be launched in the future.

4.2.1 Employees and employment

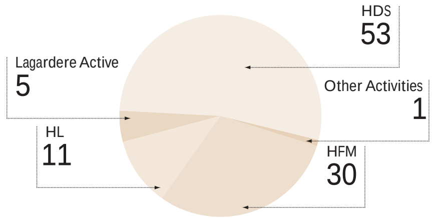
4.2.1.1 EMPLOYEES

Business segments	2000(1)	2001(2)	2002(2)	2003(2)	2004(2)
Lagardère Media	26,884	27,521	26,949	26,239	30,240
Other Activities	230	253	198	361	340
TOTAL	27,114	27,774	27,147	26,600	30,580

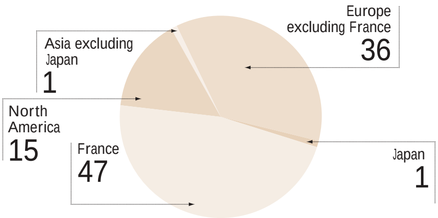
(1) Total number of employees at December 31.
(2) Average number of employees.

A) Distribution by division and geographic area

Distribution of employees by division (in %)



Distribution of employees by geographical area (in %)



53% of the people working within the four divisions of Lagardère Media work in a country other than France (France: 47% of employees, rest of Europe: 36%, North America: 15%, Asia: 2%).

Employee numbers are quite unevenly distributed across the divisions: Hachette Distribution Services employs more than 50% of total employees, Hachette Filipacchi Médias 30%, Hachette Livre only 11%, and Lagardere Active 5%.

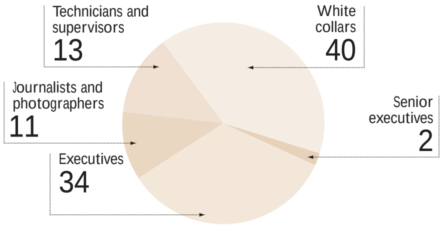
All the Group's divisions are present in France and Europe, where 83% of employees are located. For other geographic areas, there are strong disparities from one division to another.

The people who work for Hachette Distribution Services do so mainly in Europe and North America, while those who work for Hachette Livre and Lagardere Active are mainly located in Europe.

B) Distribution by occupational group and by gender

By occupational group

France: Distribution by occupational group (in %)

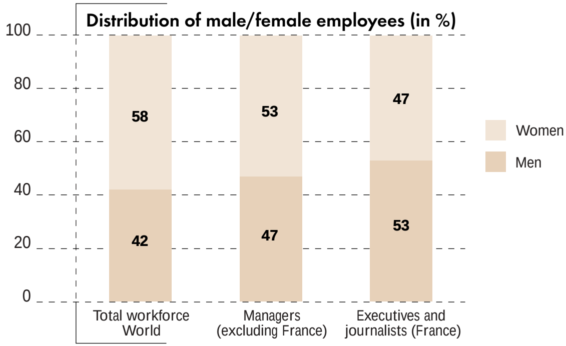


In France, the respective weight of each of the occupational groups represented within Lagardère Media varies according to the divisions.

Almost half of Lagardère Media's employees in France (47%) are executives ("*cadres*") and journalists/photographers. However, the distribution of occupational groups by division is highly contrasted, which can easily be explained by the nature of these divisions' activities. The category of executives and journalists/photographers, for instance, only represents 27% at Hachette Distribution Services (where the proportion of white collars is the strongest – 62% in France – because of the nature of this division's operations) compared to 65% at Hachette Filipacchi Médias.

Outside France, the Group uses the classification of managers/non-managers rather than the *"cadres/non cadres"* classification which is specific to France. Managers only represent on average 17% of employees with, there again, great disparities according to the divisions. For example, 10% of the employees of Hachette Distribution Services belong to this occupational group compared to 36% at Hachette Filipacchi Médias.

By gender



Lagardère Media employs a majority of women (58%). This is true for all the divisions, with the exception of Lagardere Active where the predominantly male workforce can be explained by the high proportion of engineers and technicians, occupations which are traditionally more masculine (at Lagardere Active Broadband, for instance, 76% of the workforce is male).

Women represent 52% of employees in France and 62% outside France. In France, the category of "executives and journalists/photographers" comprises 47% women and, outside France, managers are predominantly female (53%).

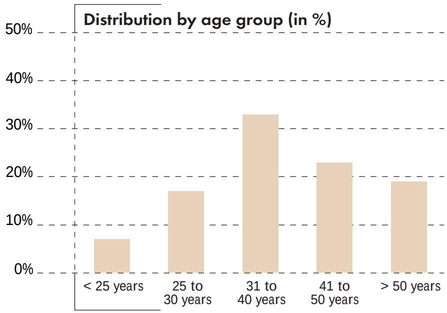
At Hachette Filipacchi Médias, 58% of managers are women, and at Hachette Distribution Services and Hachette Livre the workforce is fairly equally balanced between the two. The only exception is Lagardere Active, which has a majority of male managers, which can be explained by the overall gender composition of the workforce in this division.

Lastly, approximately 25% of senior executive positions are filled by women. The proportion of female senior executives is highest at Hachette Livre, at 40%.

C) Distribution by age group and by seniority

The indicators below concern France only, due to the lack of availability of information in many foreign subsidiaries.

Distribution by age group

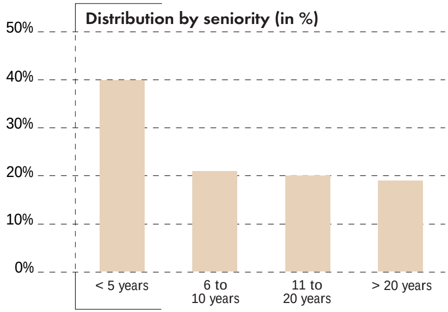


The largest age group among permanent employees is the 31 to 40 age group.

The youngest age groups (under 31) represent a significant share of the workforce (a quarter, on average) but the situation varies greatly from one division to another. These age groups represent over a third of the workforce at Hachette Distribution Services and Lagardere Active, compared to only 12% at Hachette Filipacchi Médias and Hachette Livre.

The over 50s represent on average 19% of the workforce at Lagardère Media in France, but the weight of this age group once again differs according to the divisions with, for example, respective rates of 30% and 26% at Hachette Livre and Hachette Filipacchi Médias. The highest number of over 50s is to be found at Hachette Livre.

Distribution by seniority



40% of the employees of Lagardère Media in France have less than 5 years' seniority; this result can be explained in particular by the fact that employees with less than 5 years' seniority represent more than 50% of the workforce of the Hachette Distribution Services and Lagardere Active divisions. The high figures within these two divisions are due to the nature of their businesses: staff turnover is relatively high in retail distribution (Hachette Distribution Services) and, as far as Lagardere Active Broadcast is concerned, the small size of the business sector leads to strong competition between employers.

On the other hand, at Hachette Filipacchi Médias and Hachette Livre, the majority of employees have over 10 years seniority. This phenomenon can be explained by the importance of the capitalization of knowledge (including networking) which is a determining asset in these two divisions, particularly in editorial occupations.

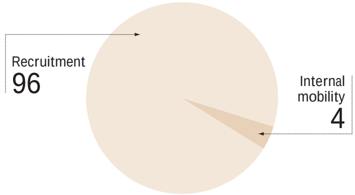
4.2.1.2 OCCUPATIONS AND EMPLOYMENT

A) Applicants

In 2004 more than 100,000 job applications were received, illustrating the strong attraction the Group's divisions exert on the employment market, which can be explained both by the great diversity of their business activities and business lines and by the reputation of their names and brands. Every year, Lagardère Media puts several hundred job offers online on its website, and a large part of these are also advertised on the Group's Intranet, providing employees with numerous possibilities for internal mobility.

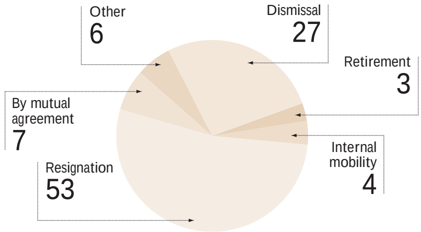
B) Recruitment and separation

Typology of staff recruited (in %)



Note: "Recruitment" includes newcomers but also includes the conversion of limited term contracts into permanent ones.

Typology of staff separations (in %)



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

The rates of staff recruited and leaving are practically equal, since they represent respectively 22% and 24% of the workforce. This situation is also found in the different geographic areas in which Lagardère Media operates, with the notable exception of Asia, where the high recruitment rate (41% compared to a leaving rate of only 20%) can be explained by the growth of Hachette Filipacchi Médias in this part of the world. In fact, the recruitment rate in Asia has been boosted by the launch of two new magazines in 2004 and the projected launch of 3 or 4 new magazines in 2005, as well as the development of Marie-Claire.

Given the specific nature of the company's retail distribution business, staff movements are wider in amplitude at Hachette Distribution Services than in the other divisions of Lagardère Media.

Lagardère Media strives to promote internal mobility – the modalities of which are specified in the Group's mobility charter – which favors the spread and assimilation of Lagardère's core values: respect for other people, team spirit, excellence, loyalty and independence. However, the specific nature of the different divisions, their business activity and dispersed geographic location do not facilitate internal mobility, with the exception of employees who have functional responsibilities. On the other hand, even within each division, there are numerous possibilities for promotion and mobility. In France, internal mobility represents 11% of the job positions filled, compared to an average of 4% for the whole Group.

4.2.1.3 EXTERNAL LABOR

The number of employees from temporary staffing services agencies, expressed in full-time job equivalents, only represents 2% of the global workforce of Lagardère Media.

The use of external labor varies, however, from one division to another, owing to the different activities, but also from one country to another, and even from one company to another, including within the same division.

Hachette Distribution Services and Hachette Livre are the divisions that make the highest use of external labor. In terms of full-time job equivalents, Hachette Livre and Hachette Distribution Services employ respectively 7% and 2% of their workforce from temporary staffing services agencies (the rate is practically zero for the other divisions). In France, recourse to temporary work, calculated as full-time job equivalents, represents approximately 11% of the workforce at Hachette Livre.

The significant use the Hachette Livre division makes of external labor can be explained by seasonal variations in business, mainly in distribution where the temporary personnel is mostly employed in preparing orders.

Within the Hachette Distribution Services division, little use is made of temporary staff in the business of retail distribution, while this use is greater in Print Media Distribution (for example, AMP in Belgium or SGEL in Spain).

In 2004, in France, the total amount paid to temporary staffing services agencies represented 2% of the gross global payroll for all the divisions taken together.

4.2.1.4 WORK ORGANIZATION

A) Working hours

Working hours vary greatly from one country to another. The average number of hours worked weekly, excluding France, is between 36 and 48 hours. In North America, the minimum is 40 hours and the maximum is 44 hours; in Asia, the average is 40 hours and in Europe (excluding France) there are great disparities: a minimum of 36 hours and a maximum of 48 hours.

In any case, in all the countries in which they operate, the subsidiaries of Lagardère Media respect the legal regulations regarding working hours.

B) Part time work

In 2004, more than 80% of the conversions to part-time work that took place within Lagardère Media were instigated at the initiative of the employee, in order to reconcile work and home life.

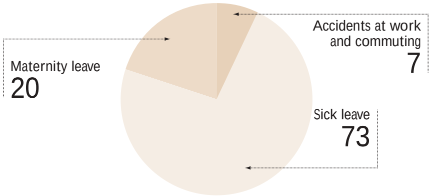
On average 16% of the employees on permanent contracts are in part-time positions. However, this rate varies greatly from one division to another depending on the nature of the business. At Hachette Distribution Services, this rate is as high as 26% whereas it is only 10% at Lagardere Active Broadband, 7% at Hachette Livre and 4% at Hachette Filipacchi Médias and Lagardere Active Broadcast.

Within Lagardère Media, 85% of the part-time employees work at Hachette Distribution Services. This situation can be explained by the fact that the retail distribution subsidiaries employ high numbers of part-time staff due to the extensive opening hours of the sales points (early opening and late closing), particularly in transit areas (train stations, airports, etc.) where the opening hours are set by contract within the framework of franchises. In the United States, the job positions available in retail distribution are often filled by students and people who occupy several different jobs in different companies.

C) Absenteeism

The data below concerns France only because it was difficult to obtain comparable information at global level for 2004.

Distribution of days paid leave for sickness, maternity and work accidents (in %)



Paid sick leave represents 73% of all paid leave.

The average duration of absence in days per person in 2004 was 15 days, for all reasons combined. This rate varies, however, from one division to another and even from one subsidiary to another within divisions.

4.2.1.5 SALARY POLICY

As far as pay is concerned, individualized pay rises are increasingly common. This technique makes it possible to take into account the levels of skills, training and responsibility of the employees, their individual performance levels according to quantitative and qualitative criteria and the specific nature of the sectors they are working in.

Furthermore, some employees' remuneration comprises a variable part linked to the achieving of personal targets.

Lastly, some of the entities in the Hachette Livre division conduct periodic surveys in order to ensure that a certain balance is respected in terms of pay, both in relation to the market and with respect to the other employees in similar job positions.

A) Payroll (France only)

The average annual gross salary (including bonuses and variable remuneration) in the different divisions of Lagardère Media in France is approximately € 37,750. The average salary from one division to another is relatively uniform. At Hachette Distribution Services, where it is lower, the difference can be explained by the types of job positions, a large proportion of which are unskilled.

B) Minimum salary

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

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

Thus, in France and Japan, the proportion of people working in a subsidiary with a defined minimum salary is 100%. This rate is 92% in Europe (excluding France) and 79% in Asia (excluding Japan). Although they have not stipulated a common minimum salary, the American and Canadian subsidiaries respect the relevant legal regulations which vary depending on the State and the Province.

In certain countries, the notion of minimum salary may be purely symbolic, as is the case in Russia where it is $ 31. This is no reflection of actual salaries, however, as the minimum salary in one of the Group's Russian subsidiaries last December was $ 315 for the job of security guard. Generally speaking, this subsidiary pays the average level of salary on the Moscow work market.

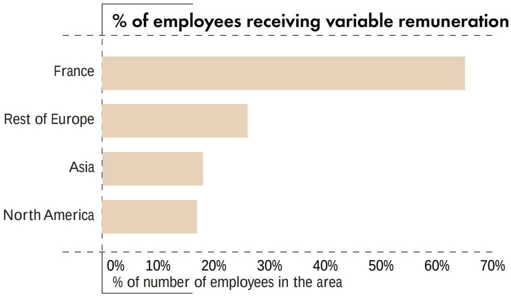
C) Salary ranges for each job position

On average, 70% of the employees at Lagardère Media are employed in subsidiaries which have defined salary ranges for each job position. This proportion is between 60 and 80% outside France and reaches 75% in France.

The situation is nonetheless contrasted from one division to another. For instance, salary ranges have been defined for almost 87% of the workforce of Hachette Distribution Services. The numbers of employees concerned at Hachette Filipacchi Médias and Lagardere Active Broadcast are also significant, with a proportion reaching respectively 60% and 73%.

D) Variable component of pay

Within Lagardère Media, variable components of the remuneration are used extensively as a means of complementing pay, particularly for certain categories of personnel (the sales teams, for example, which receive commissions on sales, and executives).



The proportion of employees who have a variable component in their pay differs across the divisions, attaining 64% at Lagardere Active Broadcast, 62% at Hachette Livre and 49% at Hachette Distribution Services, while it is only 24% at Lagardere Active Broadband and 23% at Hachette Filipacchi Médias. This disparity can be explained by the nature of the activities of each of the divisions: the high rate at Hachette Livre and Hachette Distribution Services is the result of the high proportion of commercial staff and, for Hachette Livre, the large proportion of executives.

There is also a strong disparity depending on geographic area: whereas in France 65% of the workforce has a variable component in their remuneration, this rate is only 26% in Europe (excluding France), 18% in Asia and 17% in North America. This disparity can be explained particularly by (i) local practices, (ii) the proportion of executives and journalists/photographers which is much higher in France (47%) than the proportion of managers in the rest of the world (17%), as well as (iii) the disparity that exists between the divisions (see above) in different geographic locations.

E) System of remuneration linked to collective performance

The system of remuneration linked to collective performance mainly relates to employees in France, where 69% of the workforce is concerned. The rate is also very high in Asia (excluding Japan) where it reaches 79%, it being understood that the workforce in this region only represents 1% of the total workforce of Lagardère Media. The rate falls to 29% in North America.

There are also major disparities between the divisions. At Hachette Filipacchi Médias, the part of the workforce in a subsidiary that have a system of remuneration linked to collective performance reaches 59% (it should also be mentioned that three of the division's foreign subsidiaries, in the United States and China, have such systems). This rate is also high for Hachette Livre where it reaches 56% (for the French subsidiaries only). On the other hand, it is lower at Hachette Distribution Services and at Lagardere Active.

F) Employee savings schemes

The percentage of the workforce covered by an employee savings scheme largely depends on the geographic area. These disparities can be partially explained by the local legislation in force, which does not always facilitate the creation of an employee savings scheme.

In France and in North America, the rate of coverage is relatively high, since the number of employees concerned by employee savings schemes is respectively 45% and 40%. The rate is only 6% in Europe (excluding France).

There are also disparities between divisions. The part of the workforce in a subsidiary that has an employee savings scheme reaches 59% at Hachette Filipacchi Médias and 57% at Lagardere Active Broadband compared to only 19% at Hachette Distribution Services.

The portion of Lagardère SCA's capital stock held by Group employees at January 31, 2005 represents a total of 3.20% of the shares issued by the Company, of which 1.91% is held through mutual funds.

G) Stock options

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

In 2004, 481 people were allocated options to purchase Lagardère SCA shares, and the total number of stock purchase options allocated was 1,568,750.

H) Retirement, social welfare

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

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

4.2.1.6 WORK RELATIONS

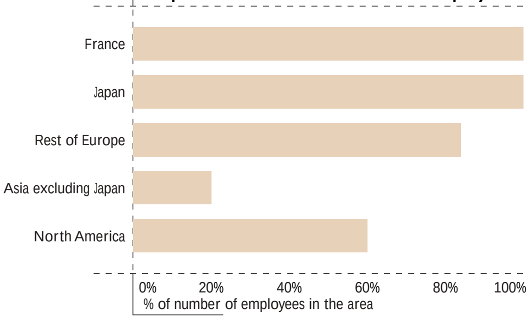
A) Employee representative bodies

The Group Employees' Committee comprises 30 members representing Lagardère Group employees and five "observers" representing the EADS group (one for each nationwide union). It met four times in 2004, either in plenary meetings of all members, or members of the Bureau only and Union Representatives.

The European Employees' Committee, for its part, also comprises 30 members. French representatives hold 15 seats and representatives from six other European countries share the remaining 15 (Spain, Belgium, Hungary, United Kingdom, Italy and Germany). The European Employees' Committee was opened up to the countries of Eastern Europe, since, in addition to Hungary, Poland and the Czech Republic could also have been represented. However, as the companies of the Group situated in Poland and the Czech Republic do not have any employee representatives, no seats could be allocated to them.
Given that the Group's affairs at the moment concern mainly France, with the acquisition of Editis now completed, the European Employees' Committee did not meet in 2004.

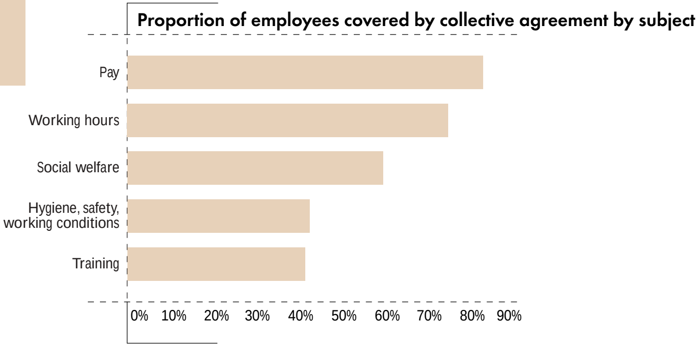
Within Lagardère Media, employee representation concerns 87% of the workforce. Staff representation is lowest in North America and Asia, due to local legislation and local practices. On the other hand the percentage of the workforce benefiting from representation is very high in Europe excluding France (84%), as well as in France and in Japan, where the rate reaches 100%.

Proportion of total workforce with employee representation



There is active dialog between management and labor in all the companies and at all levels of the Group. This dialog is deliberately decentralized to meet employees' expectations and take working conditions into account on a local level. From this perspective, 65 collective agreements were signed in 2004 in the companies covered by the reporting system, illustrating the vitality of exchanges between management and the employees.

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



B) Representative bodies in the sphere of the media

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

4.2.1.7 SKILLS DEVELOPMENT

The indicators below concern France only. These indicators are not necessarily subject to tracking in countries outside France and it was therefore not possible for the subsidiaries located in the countries concerned to provide the relevant data.

The constant concern to harmonize and develop the individual and collective skills of its employees, to satisfy the aspirations of the staff and meet the demands of Group strategy, led Lagardère Media to invest considerably in personnel training in the course of 2004.

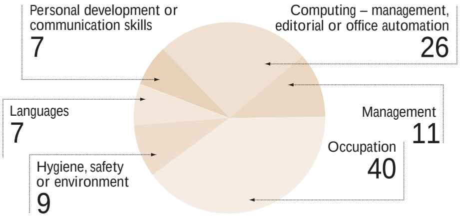
Over half of all employees followed a training course in 2004, for an average investment of € 1,213 per employee trained. These training courses lasted on average nearly two and a half days and involved 51% of the male workforce and 58% of the female workforce.

Disparities between the divisions exist nonetheless. Lagardere Active Broadband was particularly active, with an average of 4.6 days training for an average amount of € 3,383 per employee in training. These training courses mainly concerned the field of technology and were addressed, for the most part, to engineers and developers.

Hachette Distribution Services devoted 3% of its payroll to training. These efforts were particularly evident in the French companies of Hachette Distribution Services, particularly Relais H and Aelia, where the training courses were tailored to techniques specific to the jobs in those companies.

In addition to the development of employees' operational and functional skills in the various business activities, the Group is particularly attentive to the development of the managerial skills of its employees. Each division therefore proposes different cycles of management training.

Analysis of training courses by subject (in %)



Most of the training courses attended by the employees are therefore either directly related to their occupation (40% of training courses), or concern computer or management skills. All the senior executives of the newspaper La Provence, for instance, followed management training over a period of six months, for one day per month.

The in-house university "Media Campus", through its three programs (Leadership, Integration and Young Managers), encourages the development of the Group's key values. In 2004, more than 350 days of training were devoted to these programs, intended, among other things, to convey the Group's corporate culture.

Lastly, the French subsidiaries of Lagardère Media welcomed almost 1,500 trainees on industrial placements and 90 young people on alternate study/work contracts in 2004.

Generally speaking, the Group takes part in a number of one-off or regular training programs in cooperation with training organizations or Universities. For instance, Hachette Distribution Services has implemented a national training scheme in partnership with certain educational establishments specializing in the business related professions, among which is the Ecole supérieure de commerce IDRAC and the National Institute of Training for Bookshops.

For instance, each year, in May, Europe 1 organizes a bursary competition (the Lauga Bursary). The winner, a student from one of the schools of journalism Europe News has signed an agreement with, is awarded a place on the editorial team of a company, with a contract lasting several months. There is a possibility that the contract may become permanent.

4.2.1.8 HYGIENE AND SAFETY

Certain divisions organize specific actions to raise the awareness of their employees about hygiene and safety issues. For example, in January 2004, a French subsidiary of Hachette Livre conducted a campaign to encourage employees to stop smoking, in collaboration with occupational doctors.

The rate of frequency and the gravity of accidents at work([1]) are the subject of rigorous monitoring within the different divisions. Continuous preventive actions are implemented and employees follow training courses adapted to the constraints of their activities, with a view to reducing the rate of frequency and the gravity of accidents at work.

In France, the average rate of frequency of accidents at work within Lagardère Media is in the order of 18, which is comparable to the rate observed in France in the activities of the retail trade (*source*: CNAMTS). The rate of gravity is, on average, 0.7 for Lagardère Media.

These rates vary greatly, however, from one division to another. Hachette Distribution Services has a rate of frequency of 31 and a rate of gravity of 1 and Hachette Livre has a rate of frequency of 21 and a rate of gravity of 0.7, while at Hachette Filipacchi Médias these rates are respectively 9 and 0.5.

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

On the other hand, the rate of frequency of accidents at work by geographic area is relatively uniform.

4.2.1.9 INTEGRATION OF HANDICAPPED EMPLOYEES

The statistics shown below have been drawn up on the basis of the existing national definitions concerning the notion of handicap in the different countries.

Lagardère Media employs an average of 7 handicapped persons per thousand employees, this ratio reaching 11 per thousand in France. Outside France, the proportion of handicapped employees is uniform from one geographic area to another, with a rate of between 3 and 4 per thousand.

Due to the specific nature of the various occupations of the different divisions, some are more suitable than others for the employment of handicapped people. At Hachette Distribution Services, the rate of handicapped employees is the lowest (3 per thousand) and this is due to the physical demands of work in a retail outlet. On the other hand, the proportion reaches 14 per thousand at Hachette Livre, 13 per thousand at Hachette Filipacchi Médias and 12 per thousand at Lagardere Active Broadband.

Among Lagardère Media's French companies, eight are customers of a "support through work" centre (*Centre d'Aide par le Travail*), whose services mainly involve the purchasing of office supplies, dispatch services and the upkeep of green areas. In January 2004, within Hachette Filipacchi Médias, Hachette Filipacchi et Associés signed an agreement for one year with AGEFIPH. This agreement was designed to enable a real policy to be drawn up for the integration and support of handicapped workers, called "handicapped integration mission". This policy was implemented along four lines of development: communication, the maintaining and reclassification of incapacitated people, renewing of relations with special employment centers for the disabled and formalization of a policy of professional integration (work/study contracts, industrial placements). Awareness raising and communication operations were also conducted among the staff throughout the year 2004.

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

Certain countries in which Lagardère Media operates have specific legislation concerning the integration of handicapped people. For example, in Italy, Hachette Rusconi (a subsidiary of Hachette Filipacchi Médias) recently signed an agreement with the Employment Ministry that includes an integration plan to satisfy the company's legal obligation in terms of the employment of handicapped people. This plan will result in the recruitment of 10 handicapped people between 2005 and 2012.

4.2.2 Ethics – Social commitment

4.2.2.1 ETHICS

The Lagardère Group is determined to carry out its business activities honestly and impartially, in compliance with the laws and regulations applicable in the different countries it operates in, while at the same time honoring universal values and fundamental rights. The Group therefore places great importance on the principles of the Universal Declaration of Human Rights and the International Labor Organization, and on the directing principles of the OECD aimed at multinational corporations, as demonstrated particularly by its joining the United Nations Global Pact.

The code of conduct has been in force within the Group for a decade now and it came up for review starting in 2004. It states the Group's fundamental values and principles, which serve as a reference for the business practices of each employee. There is also an IT charter specifying the rules governing the use of computer tools; this charter applies to all the Group's employees.

Furthermore, certain divisions have implemented specific charters. For instance:
- within Hachette Filipacchi Médias, a code of conduct applicable to the journalists in all the editorial sections of the division, by defending self regulation for the profession, makes it possible to identify threats of press censorship; a code of conduct charter for the prevention of the harassment is also in force;
- within Hachette Livre, Hachette Collections has introduced a code of conduct relative to human rights and the rights of children, applicable not only to the company but also to its suppliers and sub-contractors.

4.2.2.2 JEAN-LUC LAGARDÈRE FOUNDATION

The Hachette Foundation was renamed Fondation Jean-Luc Lagardère in 2003. The foundation was first created in 1989, according to the wishes of Jean-Luc Lagardère, to prolong the development of a major communication Group through a commitment in favor of culture.

With sixteen years experience, the Jean-Luc Lagardère Foundation provides sponsorship around three missions: talent bursaries, Francophony and culture in the hospital.

Because excellence was an emblematic value for him, Jean-Luc Lagardère attached special importance to the annual bursaries awarded to young talents to allow them to complete a project in writing, film and television production, digital media and music. The juries of these bursaries are made up of celebrities from the world of the arts, culture and the media, who give up some of their time each year to help discover and promote the great names of tomorrow. To date, 120 winners have received almost € 2,900,000 to work on a project particularly dear to them. In 2004, eight grants were awarded for a total amount of € 192,000.

As part of its support for Francophony, the Jean-Luc Lagardère Foundation invests in the teaching and spreading of French language and culture outside France. In particular, it has sponsored the creation of libraries, media libraries and schools, and has funded or made donations towards educational materials (books and computers, etc.) in a number of countries. In 2004, the total amount of sponsorship awarded by the Jean-Luc Lagardère Foundation with respect to the promotion of Francophony amounted to approximately € 333,000.

Lastly, the Jean-Luc Lagardère Foundation has helped to give a friendly, human touch to children's wards in hospitals, by creating cultural areas. In 2004, the Jean-Luc Lagardère Foundation donated almost € 120,000 for the setting up of cultural workshops (theatre, singing and musical composition) in different hospitals and for the creation of a media library in the Cochin hospital in Paris, for the use of teenage patients.

4.2.2.3 ACTIONS TO PROMOTE THE DEVELOPMENT OF SPORTS

Because athletic activities promote the same values as those prized by Lagardère – respect for the individual, team spirit and surpassing oneself – the Group has decided to sponsor activities in the world of sports.

A) Lagardère's support for Paris' candidacy for the 2012 olympic and paralympic games: "The Olympic Spirit"

Lagardère Group is actively involved in supporting the City of Paris' candidacy for the 2012 Olympic and Paralympic Games by defending, promoting and spreading the Olympic values.

Driven by the conviction that Paris is an optimal venue for the 2012 Olympic and Paralympic games, Lagardère has decided to promote the French candidacy to the best of its ability, in association with all the partners concerned.

With this commitment, Lagardère intends to translate "the spirit of the games" through concrete actions, aimed at supporting Paris for the organization of this highly significant, unifying event.

The Group has already moved into action by creating, in February 2004, a non-profit organization to unite the major French companies wishing to support the Paris candidacy. Christened the "Club des entreprises Paris 2012", since it was created it has enlisted the support of several hundred companies, thereby showing the willingness of French business, across the board, to support the Paris candidacy.

The "Club des Entreprises Paris 2012" is cooperating closely with "GIP Paris 2012" – an economic interest grouping set up to present Paris' application to the International Olympic Committee – and with the Paris *Mairie*, The Ministry of Youth and Sports and the Élysée Palace.

The Association's role is to raise the required funds and organize any sports events, media events or communication operations likely to help promote Paris' candidacy, right up to the moment the 2012 Olympic and Paralympic host city is named, in Singapore on July 6, 2005.

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

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

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

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

In 2004, the Association launched major restructuring and modernization operations. As part of its activities, in particular, it has stepped up efforts concerning the practice of sport for handicapped people. Among its affiliate members, it counts Michaël Jeremiasz, double silver medalist and bronze medalist at the 2004 Athens Paralympic games.

C) Tennis: sponsorship agreements signed with young champions and the "Jean-Luc Lagardère Trophy"

In 2004 and at the beginning of 2005, Lagardère signed sponsorship agreements with Michaël Jeremiasz, and with Richard Gasquet and Gaël Monfils, junior world champions in 2002 and 2004. Other agreements are also under discussion.

Lagardère also organized the "Jean-Luc Lagardère Trophy" as part of the ATP Senior Tour in October 2004. The trophy, under the direction of Guy Forget, Captain of the French national tennis teams, brings together eight of the best players who have made tennis history over the past twenty years. Young Parisians were able to watch the matches, free, during an afternoon specially reserved for them. The second edition of this Trophy will take place in the autumn of 2005.

D) Creation of the "Lagardère Team" platform for sports training

For 2005, Lagardère is examining the possibility of creating a platform to assist with sports training.

The platform will be an innovative and ambitious structure, endowed with the requisite resources, and run by some of the best technicians in French sport.

In the first instance, the structure will welcome young tennis players within the framework of competitive sport, and could, in the long term, open up to other disciplines and to the practice of sport as a leisure activity.

E) Sponsorship of the 2004 meeting of the Île-de-France Athletics League

In June 2004, Lagardère sponsored the annual meeting of the Ile de France Athletics League, where almost five hundred young athletes from the greater Paris area competed in front of an audience of a thousand spectators.

F) Other actions aimed at promoting sports activities

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

– Lagardere Active division's radio stations and television channels create a large number of partnerships with sports federations each year, as part of events organized by them. For instance, the channel Canal J was one of the official partners of the 2004 edition of the Danone Nations Cup, a football competition devoted exclusively to children which brought together over 2.5 million players aged between 10 and 12 years old, in 32 countries.
– Similarly, at regional level, the Nice Matin group, which is part of the Hachette Filipacchi Médias division, directed and promoted the 28th edition of the Nice Matin group cross-country race in November 2004. This cross-country race brought together thousands of participants, amateurs and professionals alike, over a variety of distances and is scheduled in the calendar of the French Athletics Federation. Offshore, the Nice Matin group has also organized the TRIMED, a regatta in stages, for several years now.

Since 1994, the Nice Matin group has also sponsored the *Solidarsport* association whose aim is to promote respect among the young generations, with sport as a unifying factor, and culture. The association involves all the employees of Nice Matin and receives the technical support of the newspaper (particularly by making premises available and the promotion of sports, artistic or cultural events organized by *Solidarsport*). In 2004, *Solidarsport* repeated the "citizenship prize" first started in 2003; this event, which aims to reward students in their third year of secondary school for their good behavior and sense of responsible citizenship, involved 1,000 students in the framework of sports and cultural events.

4.2.2.4 OTHER ASPECTS OF SOCIAL INVOLVEMENT

The Group's companies generally help to fund a certain number of charitable organizations by making donations. For instance, in 2004, within the Hachette Filipacchi Médias division, HFM US gave financial support to Museums and Opera houses to promote the arts and culture and also funded several educational organizations (particularly within the framework of academic initiatives or the attribution of bursaries and numerous associations.

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

More specifically, in 2004 the Group continued its action in favor of the promotion of education and culture, and the emancipation of women, as well as various good causes including the freedom of the press, public health, the protection of children and support for the handicapped. It also participated in various charitable operations.

A) Promoting education and culture

The business activities of the Group are focused on the media, making it an essential vehicle for conveying culture and cultural diversity as well as opinion. In addition to this fundamental role played by Lagardère as part of its daily business, and in addition to the actions conducted by the Jean-Luc Lagardère Foundation, Group companies organize or participate in various operations to promote education and culture.

Promoting education

The companies in the Group take part in a large number of events in favor of education and the better integration of young people into the working world. Here are a few examples:

- Through the "Savoir Livre" organization, Hachette Livre participates in actions to promote reading at primary school. To help children acquire a taste for reading and books, for the past few years this association has organized a "Bataille de la Lecture", with two competitions open to municipal schools: *J'aime lire dans ma ville*, a competition for young authors-publishers proposed to children in the 6 to 12 age group, and *Ma ville aime lire*, a competition to promote the reading policies of local schools;
- Since 2002, Canal J has been organizing a competition for students at four French animation schools, the "Espoirs de l'animation", in partnership with the Annecy International Festival of Animated Film. The work produced by these students, following predefined specifications, is submitted for judging to a jury composed of eight children from 11 to 15. Prizes are awarded in the categories of "short films" and "student projects and end of study evaluation films";

– Within the Hachette Distribution Services division, the Relay sign is cooperating with Unicef to promote reading and writing. As part of this action, all of the store sign's outlets offer travelers a writing kit specially designed by Unicef for a symbolic fee. The entire proceeds of the sale go to Unicef.

Promoting culture

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

– the "Prix Louis Hachette", which designates the best journalists in their profession and thereby spreads the rules of the art by exemplariness, each year awards the best articles/reports/works or interviews produced during that year. The prize has been running for more than twenty years;
– for several years, Hachette Filipacchi Médias has been contributing to the creation and development of photojournalism through the "Grand Prix Paris-Match du Photo-Reportage" for professionals. The 13th edition took place in 2004;
– Paris Match also helps organize the "Grand Prix du Photo Reportage Étudiant" which rewards 10 photo reportages produced by students on events experienced as part of a personal journey, their studies or a humanitarian project. The best photo reportage is also published in an issue of the Paris-Match magazine;
– within the Hachette Distribution Services division, the Relay sign regularly organizes the "Prix du Roman d'Évasion" which rewards the author and publisher of a selected work by granting them store space and promotion in the network of points of sale.
– Numerous other literary prizes are also organized by the companies in the Group, among which features the "Grand Prix des Lectrices de Elle", attributed each year to the novel chosen by several juries composed of readers of the magazine, and also the "Prix du Livre Europe 1";
– Lagardere Active helps promote young musical talents, particularly through its subsidiaries Europe 2 and MCM, by organizing music festivals such as the "Tremplins Backstage" (in association with the Institut Supérieur de Gestion), "Europe 2 Campus Tour", "Francofolies", "Vieilles Charrues", "Eurockéennes de Belfort", etc.;
– Lastly, in the course of 2004, the Group sponsored a number of exhibitions. Paris-Match, for instance, sponsored "*La France libérée*", an exhibition of 100 giant photographs of liberated France exhibited on the railings of the Luxembourg gardens in Paris, "*Les années 60: Montréal voit grand*", in witness of what the architecture of the 60s added to our contemporary world and "*Capa connu et inconnu*", tracing the life of the famous photographer.

B) Emancipation of women

Hachette Filipacchi Médias is an essential player in the women's press, particularly through the magazine Elle which, since its creation, has promoted the equality of women in society.

In December 2004, the group Hachette Filipacchi Médias created a company Foundation under the aegis of Elle magazine. This Foundation is an extension of the founding idea behind the magazine: to accompany the evolution, the emancipation and the place of women in society. It therefore aims to support projects originating from non-governmental organizations to promote the emancipation of women by giving priority to education for girls, the teachers training, women's education and their professional integration. In the future, it may also provide support for the creation of information media (newspapers, radios) intended for women.

The Elle company Foundation, endowed with starting capital of € 1,250,000, will mainly act outside France, in countries where girls' education provides fundamental leverage for sustainable development, but will also support projects in France.

In order to increase its reach, the Foundation may enlist the support of all the companies, organizations and international brand names who are the Group's regular partners. The first two projects to be given the Foundation's support were, firstly, the development of the Afghan women's magazine "Roz", published by the "Afghanistan Libre" association. Hachette Filipacchi Médias had already accompanied the launch of this magazine early in 2004. Secondly, "Elle Solidarité Mode", which organizes a competition in communities benefiting from the French government's policy of neighborhood development initiatives. The prizes are three years' fees for three young women in three reputable fashion schools (Berçot, ESMOD, Chambre Syndicale de la Couture Parisienne).

Similarly, Elle magazine organized a round table in 2004, as part of the "Visa pour l'image" festival. Leading journalists and major players in international current affairs discussed the theme of "Women in war, only victims?", to draw attention to the condition of women in the context of war.

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

C) Action in favor of "good causes"

Freedom of the press

In 2004, Lagardère Media continued to work in favor of press freedom. As part of these operations, the Group played a part in the institutional development of the Press, as illustrated by its involvement in a number of associations. One of these was the Association Presse-Liberté, which has the vocation of defending and promoting the freedom of the press, and is run by Hachette Filipacchi Médias.

Similarly, within the Hachette Distribution Services division, for more than ten years the Relay sign in France has been showing its attachment to freedom of expression and the liberty of the press by supporting "Reporters Sans Frontières" (RSF). This support takes the form of putting on sale the annual photographic work of the Association in its different points of sale, with the proceeds going entirely to the association. Other subsidiaries of the Group support RSF through donations, but also by allowing the use of their distribution network for the promotion of the Association's work or by the allocation of advertising space.

Public health

The theme of health constitutes another preferential domain in which the Group's initiatives are deployed. For example:

– in 2004, the MCM channel took part in a campaign to raise awareness of the fight against AIDS, in particular by broadcasting the campaign's "red ribbon";
– in partnership with Unesco, Paris-Match regularly organizes forums open to the public on public health issues, such as cancer, or AIDS in 2004. On this occasion, leading academics and celebrities in their respective fields were invited to take part in the discussions;
– Woman's Day Magazine, a subsidiary of Hachette Filipacchi Médias in the United States, is the long-term partner of the American Heart Association, an association which fights against heart disease; each year it helps to organize the "Red Dress Awards" to honor women who are actively involved in this domain;

– Within the Hachette Distribution Services division, Relais H, which is present in a large number of French hospitals, participates locally in frequent events in favor of sick children, or targeted at people in hospital beds. Furthermore, for the third year in succession, Relay supported the action of the *Fondation pour la Recherche sur le Cerveau* on the occasion of the "Neurodon" on March 20, 2004, as part of the national awareness raising campaign in the struggle against neurological diseases.

Protection of children

– Within the Hachette Distribution Services division, the points of sale under the Relay sign, in all the countries where they operate, participated in the campaign organized by Unicef for the demobilization of children in armed forces. A week of poster displays and a call for donations in favor of this association were part of the operations.
– Lagardere Active supported the International Children's rights day through the television channel Canal J. During the day, celebrities appearing in the programs broadcast by the channel reminded viewers of the ten major rights of children as recognized by the international community.

Support for the handicapped

– In 2004, Hachette Livre launched a campaign to retrieve used mobile phones. For each telephone retrieved, 4 euros were paid to the FNATH (National Foundation for people Injured at work and the Handicapped). The telephones were then sorted, re-conditioned, reprocessed and some were then resold in the emerging countries to populations who would otherwise not have been able to procure them.
– The company Images & Compagnie produced an institutional campaign for the National Handicap Committee on the theme of "Changing the way we see". As part of this campaign it delivered thirteen films 13 minutes in length on handicaps in France, to the associations.

D) Charitable actions

In the wake of the tsunami that devastated Asia at the end of December 2004, many of the companies in the Group immediately joined the efforts to help the victims by making donations and placing their resources at the service of the cause. Thus, for instance:
– The Relay sign, in France, implemented a display campaign in all its points of sale and on its network of plasma display screens, calling for donations in favor of the Red Cross;
– Nice Matin supported the children victims of the disaster in Asia by producing a special 32-page Asian edition sold for € 1, with the entire proceeds (€ 150,000) sent to Unicef;
– Paris-Match, Europe 1, Europe 2 and MCM stepped up their support for humanitarian organizations in the form of financial donations and the allocation of advertising space.

In addition to the Group's specific mobilization to help the victims of the Asian tsunami, Lagardère also gives regular support to people in difficulty generally. In this way:
– Hachette Livre took part in a collection of used spectacles for a humanitarian organization. The glasses collected from the staff were then distributed in various countries of Africa (Algeria, Morocco, Benin, Burundi, Cameroon, Chad and Togo, etc.).
– Several volunteer employees of Plurimedia, a subsidiary of Lagardere Active Broadband, have been involved for more than two years in "Cap Parrainage", an initiative of the *Mairie* of the 19th district of Paris, to facilitate sponsorship between the unemployed and enterprises established in the quarter. With the support of their Human Resources Division, these employees contributed to various actions to encourage integration.

Furthermore, Plurimedia supported the humanitarian mission carried out in Indonesia (Isle of Siberut) by one of their employees, within the framework of the non-government organization "Planète Urgence" which proposes humanitarian or environmental missions to employees during their holidays. Lagardere Active Broadband also intends to support other missions in the future.

4.2.3 The Group and environmental issues

Although practically all of its manufacturing processes are outsourced, the Group is very attentive to the consequences of its activities on the environment, in particular concerning the 450,000 tonnes of paper required annually to manufacture its books, magazines and daily newspapers.

In this respect, the Group has already launched several initiatives and numerous others will continue to be launched, with the aim of limiting the impact of the Group's business activities on the environment. This is the case, particularly, within the Book Publishing and Print Media divisions, where the work of monitoring and improvement is carried out on the different stages in the production cycle of its publications.

The paper cycle: from forest development to the recycling of recovered paper

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

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

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

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

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

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

4.2.3.1 A RESPONSIBLE PAPER MANAGEMENT POLICY – THE EXAMPLE OF HACHETTE FILIPACCHI MĒDIAS

A) Hachette Filipacchi Médias' main suppliers of paper

With more than 400,000 tonnes of paper purchased every year, Hachette Filipacchi Médias is one of the largest buyers of paper in the world. For the whole of the Hachette Filipacchi Médias division, paper procurement is placed under the authority of a single Division, which negotiates and manages the purchases of paper for the magazines published in France, and supervises all those made by the different foreign subsidiaries.

The procurement policy implemented is essentially based on global contracts with major paper suppliers, all of whom have a global reach. These companies are chosen according to a list of criteria at the top of which features their commitments with respect to the environment.

Hachette Filipacchi Médias also requires its main suppliers, through questionnaires, to state their policy and their environmental performances on issues such as the sustainable management of forestry resources, the traceability of supplies, recourse to technologies that do not require bleach, the manufacture of paper incorporating the use of recycled fibers and the use of a system of environmental management.

First of all, concerning the sustainable management of forestry resources, forestry certification is a means of guaranteeing that the wood used in paper manufacture comes from responsibly managed forests. It aims to ensure that the forests are exploited in such a manner and intensity that they maintain their biological diversity, capacity for regeneration, vitality and capacity to satisfy current and future needs in terms of ecological, economic and social functions that are pertinent at local, national and global level. Certification also aims to ensure that they do not cause damage to other ecosystems. The share of production of the Group's main paper suppliers that comes from certified forests has already reached an average of more than 50%.

As far as the traceability of supply is concerned, Hachette Filipacchi Médias' principal suppliers of paper have all stated that they have implemented a system which makes it possible to trace their supplies of wood, and some of them have even implemented certification of this tracking system.

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

All of Hachette Filipacchi Médias paper suppliers have implemented ECF or TCF processes throughout their production operations, with the respective share of each process depending on the type of paper produced.

The part of recycled fibers used for the manufacture of new paper varies depending on the quality of paper required; newspapers, for example, or certain wrapping papers can be manufactured wholly from recycled fibers, while the fine paper used to print magazines rarely contains any recycled fibers.

The use of papers incorporating a large proportion of recycled fibers in the production of the Group's magazines is rendered difficult by their intrinsic characteristics, particularly surface finish, color and printability. Nonetheless, for certain publications, Hachette Filipacchi Médias uses paper incorporating up to 20% recycled fibers and as far as the Group's newspapers are concerned, the paper used in their production is entirely produced from recycled fibers.

Environmental management systems (of the type ISO 14001 or the European Union's environmental management and audit system, EMAS) provide useful tools for the paper companies, allowing them to set environmental targets to be achieved, monitor the progress made and integrate an approach of continuous improvement.

In this way Hachette Filipacchi Médias' paper suppliers have all defined an environmental policy and five of the six largest suppliers have sought certification of their environmental management system from an independent third party.

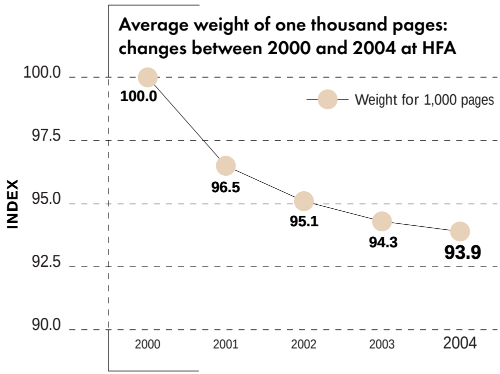
B) Actions in favor of reducing grammages and formats at Hachette Filipacchi Médias

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

To this first measure towards reducing paper consumption may be added a second one, related to decreasing the formats of several magazines over time, or producing variations in a smaller format (for example, "Télé 7 Jours", "Parents", "Elle à Table").

The graphic below gives a good illustration of the results of the policy implemented by Hachette Filipacchi Médias in France between 2000 and 2004, relating to magazines. These results are based on a sample of magazines representing 90% of the quantities of paper used by Hachette Filipacchi & Associés (HFA), the company which prints the magazines produced in France by Hachette Filipacchi Médias.

The combined efforts to use lower grammages of paper and reduce formats have therefore made it possible to reduce paper consumption by more than 6% for the same print run, over a period of four years.



4.2.3.2 RESPONSIBLE MANAGEMENT OF PAPER CONSUMPTION – MANUFACTURING AND ENVIRONMENTAL ISSUES

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

A) Limiting paper losses during the manufacturing process: the example of Hachette Livre

The rate of wastage corresponds to the percentage of paper lost in the course of the manufacturing process. It is calculated by comparing the quantity of paper input to the printing process with the quantity of paper delivered in the form of books to the various warehouses of Hachette Livre.

These losses, inherent to the manufacturing process, correspond particularly to paper lost during the printing phase –when the machines are "calibrated" (adjustement of the inks, alignment, etc.), during the print run– or when the books are shaped, through trimming during the final formatting of the work, or during binding and assembly.

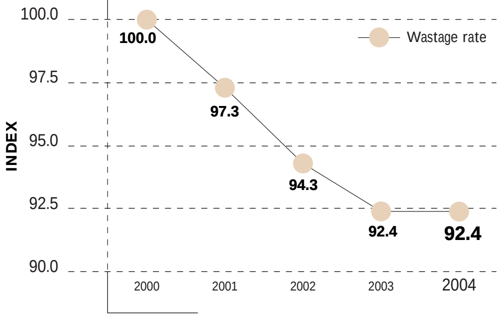
These losses can represent almost a quarter of the paper used each year by Hachette Livre.

As the rate of wastage varies greatly depending on the printing technology used (types of machine, colors) and on the number of units manufactured (print run), the teams at Hachette Livre determine the optimal choice of techniques and calculate precisely the quantity of paper to be allocated to the printer.

Periodic analyses are carried out on the consumption of materials and the rate of wastage, enabling the approval of the choice of printers, printing techniques, types of paper, etc. These analyses also make it possible to identify new technologies that can be used and inform the editorial managers of more economical formats in order to allow them to respond to the demands of the market in the best possible conditions.

Over the past few years the production mix has been relatively stable, and so the examination of changes in the global rate of wastage shows the gains obtained by means of the systematic tracking of paper consumption and the selection of more efficient means of printing. The rate of loss of paper during manufacture has been reduced by more than 7.5% over the last four years.

Wastage rate: changes between 2000 and 2004 at Hachette Livre in France



Measured on a comparable production scope, this reduction in the wastage rate is expected to continue, but will remain linked to the capacity of the suppliers to develop innovative technological solutions to allow the trend to continue.

B) Printing techniques and environmental issues

The printing of the entirety of the Group's magazines and books is performed by third parties. The Group has initiated an approach to its principal sub-contractors to make sure they are taking into account the environmental issues relating to the printing industry, and particularly to the emission of volatile organic components, the use of inks containing heavy metals, and the management of waste by-products. This approach is expected to produce its first results in the course of 2005.

4.2.3.3 THE MANAGEMENT AND RECYCLING OF RETURNS

Effective management of the rate of returns has positive repercussions on the environment since it can help to reduce the number of copies manufactured and the number of copies destroyed, thereby reducing both the consumption of paper and the volume of paper to be recycled. This is why Lagardère Médias gives a lot of importance to the management of its returns.

A) The management of the rate of returns in France at Hachette Filipacchi Médias

The management of sales and, consequently, of returns depends on how the distribution of the newspapers and magazines is organized in each country. We therefore have to analyze the action we take and our performance levels with respect to the specific features of each system.

In France, where almost half of Hachette Filipacchi Médias' sales are achieved, the return rate from newsstands varies considerably depending on the nature of the publications. For instance, in 2003, the return rate was in the order of 35% for women's magazines and "news" magazines, while it was over 50% for the category "interior décor and garden" (*source:* NMPP, Tendances de la Vente au Numéro, Marché et Réseau, 2003).

To improve the way returns are managed, Hachette Filipacchi Médias makes regular "adjustments" to the services by means of specialized software used by the magazines' Sales Directors.

In this way, 77% of the principal magazines published by Hachette Filipacchi Médias in France present return rates below the national average for their category (*source:* NMPP, Tendances de la Vente au Numéro, Marché et Réseau, 2003).

B) Destruction and recycling of returns

In France, on average 90% of the returns generated by the Print Media distribution system for newsstand sales are destroyed, and the remaining 10% are returned to the publishers at their request.

For daily newspapers and magazines, the express services (NMPP, Transport Presse, and MLP) hand over returns to collectors spread throughout France, who commit to sorting what they collect. The copies retrieved through this method are shredded to make paper pulp, which is in turn sold to the paper manufacturers to make cardboard or recycled paper.

At Hachette Livre, approximately 20% of the works put on sale are returned by the points of sale; half of these publications are sent back to the publishers or sorted to be put on sale again and the other half is sent to be pounded and used to make paper pulp.

The pounding of book returns

The pounding of book returns is carried out by external service providers. Unsold books are sorted, cut and shredded. The fragments of rejected pages are then compacted into balls of paper that are resold to paper manufacturers. The best sheets will provide paper for second editions of books and the pages of these second edition books will be used to make paper napkins or wrapping paper, while the remainder is used to make cardboard.

4.3 INVESTMENT AND INNOVATION POLICY

PURCHASES OF TANGIBLE AND INTANGIBLE ASSETS

Business segments (in millions €)	2000	2001	2002	2003	2004
Lagardère Media	197	268	228	206	341
Automobile	60	24	33	-	-
High Technologies	157*	332	349	445	554
Other Activities	8	3	1	1	12
TOTAL	**422**	**627**	**611**	**652**	**907**

* Aerospatiale Matra included on a 33% basis for the first half of 2000 and EADS on a 15.14% basis for the second half-year.

PURCHASES OF LONG-TERM INVESTMENTS

Business segments (in millions €)	2000	2001	2002	2003	2004
Lagardère Media	1,227	453	1,415([2])	55	453
Automobile	5	2	0	-	-
High Technologies	112([1])	169	284	190	127
Other Activities	23	9	14	8	4
TOTAL	**1,367**	**633**	**1,713**	**253**	**584**

([1]) Aerospatiale Matra included on a 33% basis for the first half of 2000 and EADS on a 15.14% basis for the second half-year.

([2]) Including € 1,180 million paid for the acquisition of Vivendi Universal Publishing.

While Lagardère holds leading positions worldwide in its core businesses, it is thanks to its expertise in creative know-how which has always been a top priority. The capacity for innovation will continue to be an area for major effort, helping the Group to go on developing its wealth potential and thus provide original solutions to the many challenges, whether technological or cultural, educational or informative, resulting from accelerated change.

4.4 RISKS

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

– market and credit risks;
– damage to property, industrial property rights and brand names owned by the Group or third parties, as well as to people or the environment;
– unforeseen losses of revenue, and
– civil liability resulting from the Group's products and activities.

Very special attention is paid to the management of these risks, both at the level of operating entities and at corporate level where the Group's risk management activities are reviewed centrally.
In particular, in 2004 Lagardère SCA and its divisions began mapping their general risks, in order to identify a hierarchy of the main risks to which the Group is exposed, in terms of seriousness, possible occurrence and degree of control.

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

4.4.1 Market risks (interest rate, exchange rate, equity and credit risks)

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

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

4.4.1.1 CREDIT RISK

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

Type of borrowing or loan	Interest rate	Amount (in millions €)	Maturities	Risk coverage
Bond borrowings	Variable rates	835	2006/2013	Conversion of foreign currencies into euros, and fixed rates into variable rates
	Fixed rates	767	2005*	None
Leasing commitments	Variable rates	90	Annual	None
Bank loans				None. (Loans maintained at variable rates in their original currencies)
Euro		1,154	2005/2008	
Sterling pound	Variable rates	8	2007	
Yen		32	2005/2007	
Other		12	2005	
Other borrowings	Variable rates	91	2005	None
Undrawn credit lines	-	1,549	2005/2006	None

* Bonds exchangeable for T-Online shares with an early exchange option (before June 22, 2005) granted to bondholders.

Not shown above are the perpetual subordinated notes issued in 1992 which are included under borrowings in the balance sheet for € 287 million. Per se, this debt has no maturity (see note 18 of the Notes to the consolidated financial statements, in Part 5).

At the end of 2004, bond borrowings accounted for 54% of the Group's total borrowings (excluding perpetual subordinated notes), down from 60% at the end of 2003, following the reimbursement of a € 99 million bond loan during the year.

The credit risk was minimal since debt with maturities within two years amounted to € 1,282 million (€ 1,125 million within one year including € 767 million of bonds exchangeable for T-Online securities), cash and marketable securities totaled € 1,963 million and unused credit line facilities € 1,549 million.

Risks arising from early redemption clauses included in certain contracts:
Bond borrowing or bank loan agreements may include financial ratio requirements. Most financial ratios establish limits in the form of minimum stockholders' equity, or maximum indebtedness calculated as a proportion of stockholders' equity or EBITDA. Failure to meet these ratio requirements enables the lenders to request immediate reimbursement of their loans.

Lagardère SCA is subject to such clauses in respect of:
– bonds issued in January 2001 for US$ 500 million and in July 2003 for € 150 million;
– syndicated bank loans obtained in June 2001 for € 1,350 million (undrawn at December 31, 2004) and in July 2003 for € 770 million.

In all cases, the ratios must be calculated every six months on the basis of the consolidated accounts as restated to include EADS by the equity method instead of the proportionate method of consolidation.

At December 31, 2004, stockholders' equity, gross indebtedness and net indebtedness calculated as defined in the contracts were below contractual limits, thus enabling the Group to raise new funds, if necessary, without the prior agreement of its lenders.

4.4.1.2 INTEREST RATE RISK

The Group's net cash surplus (cash in hand and in banks plus equivalent marketable securities) totals € 1,217 million. This surplus earns interest at variable rates thus providing natural coverage for the Group's € 2,507 million variable rate borrowings. Most of the risk deriving from a potential rise in the cost of borrowings therefore only concerns that portion of variable rate gross indebtedness not currently covered by the net cash surplus, i.e. € 1,290 million. An interest rate variation of 1 point up would result in an additional charge of € 13 million each year.

Fixed-rate borrowings are principally comprised of the 2.5% bonds exchangeable for T-Online securities.

4.4.1.3 EXCHANGE RATE RISK

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

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

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

Foreign currency hedging transactions are described in note 26 of the Notes to the consolidated financial statements, in Part 5. These transactions principally include forward currency sales agreements amounting to € 109 million, and forward currency purchases agreements amounting to € 14 million.

4.4.1.4 EQUITY RISK

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

Companies	Number of securities	Market price on December 31, 2004	Market capitalization at December 31, 2004
Lagardère SCA	4,733,103	53.10	251,327,769 €
EADS	122,223,852	21.39	2,614,368,194 €
T-Online (see below)	69,633,116	9.84	685,189,861 €

Changes in the value of treasury stock are taken to consolidated stockholders' equity. As a listed company, EADS is subject to stock market changes. However, in view of the consolidation method used (proportionate method; 15.10% interest), the value of this investment in Lagardère's consolidated financial statements is not affected by market changes.

T-Online securities are included in marketable securities for a net amount of € 626 million, or € 8.99 per share, the amount of the share purchase offer initiated by Deutsche Telekom on November 25, 2004.

4.4.2 Legal risks

4.4.2.1 SPECIAL REGULATIONS APPLYING TO THE GROUP

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

In its book publishing and distribution business activities, the Group is in particular subject to French regulations relative to single book pricing and to qualitative and quantitative discounts afforded to distributors, as well as the regulations applicable to works for young people.

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

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

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

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

4.4.2.2 RISKS ASSOCIATED WITH BRANDS

The Group pays particular attention to the protection of its portfolio of commercial trademarks (see E.4., in Part 6, paragraph 6.1.3.3). However, some of the countries in which the Group operates afford less effective protection of industrial property rights than Europe or North America.

4.4.2.3 DEPENDENCY OF THE COMPANY ON CERTAIN CONTRACTS – MAJOR CUSTOMERS

While operations in the area of high technology are extremely cyclical and are characterized by long start-up periods and large long-term contracts with high unit values, Lagardère Media's operations are highly sensitive to market conditions and have very short economic cycles. They are mass market oriented, and the customer base is widely diversified.

4.4.2.4 RISKS ASSOCIATED WITH PENDING LITIGATION

- **Construction of the Taipei VAL**

Within the framework of the VAL construction project in Taipei, the civil engineering works, for which DORTS (Department of Rapid Transit Systems) was responsible, were handed over to Matra Transport almost three years late.

This significant delay caused cost overruns which led Matra Transport to file a claim with a Taiwanese arbitration tribunal. The tribunal decided, on October 6, 1993, to award an amount in excess of FRF 200 million (€ 30.49 million), about 60% of the cost overruns claimed, and to postpone the contractual start-up date, initially planned for January 12, 1992.

On September 12, 1994, the District Court of Taipei, acting at the request of DORTS, canceled the arbitration tribunal's decision of October 6, 1993 on procedural grounds. Matra Transport, which had suffered significant damages and had a right to compensation, facts which were not denied, took appropriate action seeking reversal of the cancellation.

Following two unfavorable decisions rendered by the High Court of Taipei on April 2, 1996 and November 26, 1997, both of which were subsequently canceled by the Supreme Court of Taiwan in two decisions rendered on April 25, 1997 and September 11, 1998, the same High Court, acting at the request of Matra Transport, rendered a decision on July 28, 1999 by which it reversed the District Court's decision of September 12, 1994 on the grounds that there was no cause for canceling the arbitration tribunal's decision of October 6, 1993.

In a ruling of November 24, 2000, the Supreme Court rejected the appeal lodged by Dorts against the decision of July 28, 1999.

Matra Transport immediately began proceedings before the District Court for implementation of the arbitration tribunal's decision of October 6, 1993. However, Dorts applied to the same District Court for non-execution of the decision, mainly on the grounds that Matra Transport's rights had expired.

Contrary to all expectations, the District Court found in favor of Dorts on May 17, 2001. This ruling was confirmed on November 22, 2001 by the High Court, which decided that the term of limitation applicable in this case was five years from the announcement of the decision of October 6, 1993. It also criticized Matra Transport for not attempting to implement that decision, notwithstanding its cancellation on September 12, 1994.

Matra Transport lodged an appeal against this decision, and on August 14, 2003, the Supreme Court overturned the High Court ruling of November 22, 2001, sending the litigation between Matra Transport and Dorts back to the High Court for a new hearing.

This amounted to severe criticism of the November 22, 2001 ruling, and the Supreme Court firmly suggested the High Court should pay particular attention to the legal nature of Matra Transport's rights under the arbitration tribunal's decision of October 6, 1993 and the statute of limitations corresponding to the nature of the contract. Following this Supreme Court decision, the dispute was brought before the High Court for a second time.

On April 7, 2004, the High Court ruled in favor of Matra Transport, concluding that the company's rights under the arbitration tribunal's decision of October 6, 1993 were barred by limitation not after 2 years, as Dorts claimed, but after 15 years.

Dorts lodged an appeal against this decision before the Supreme Court.

Execution of the decision of October 6, 1993 will remain suspended until a final legal settlement is reached between Matra Transport and Dorts.

Matra Transport has also submitted a second claim to Dorts for amounts withheld by Dorts on the price payable to Matra Transport for construction of the VAL, and for delays attributable to Dorts, independent of those taken into account in the arbitration tribunal's decision of October 6, 1993. This claim has been filed with the District Court of Taipei and the case is still in process.

- **Acquisition of LV & Co by Lagardere Active Broadcast ("LAB")**

In the second half of 2002, LAB entered into agreements – initially involving acquisition of a 19.9% minority interest – with a view to gaining control of LV & Co, which owns the MFM radio network and the Paris radio station Voltage.

LAB was to take control of LV & Co subject to the prior sale of Voltage, due to anti-trust laws applicable to all radio broadcasters, and the approval of the CSA.

In late 2003, the CSA decided to suspend issuance of an opinion on the proposed acquisition of LV & Co by LAB and asked LAB to sell back the 19.9% minority interest already acquired.

Following this decision, the shareholders selling stakes in LV & Co and LAB signed new agreements on February 13, 2004 designed to reverse the original agreements (briefly, selling back the 19.9% interest in return for a repayment of the price via LAB's current account with LV & Co), and to redefine the basis for a subsequent takeover of LV & Co by LAB in the light of the comments issued with the CSA's initial refusal, such that LAB could make a new application for approval by the CSA. These agreements contained a clause under which the agreement would become null and void in certain circumstances, particularly if the CSA's approval had not been obtained by June 25, 2004.

The first requirement for the acquisition of control was fulfilled when Voltage was sold to third parties in March 2004. The proceeds of the sale were used to repay the current account advance by LAB to LV & Co, in compliance with the agreements of February 2004.

A new application for the CSA's approval was thus filed on April 5, 2004, with the said agreements attached. Given the duration of the CSA's procedure for examining applications, no positive decision was issued by June 25, 2004. Consequently, the agreements became null and void and the application was no longer relevant.

One former minority shareholder of LV&Co, disappointed at not having been able to purchase Voltage because of higher bids, started a series of legal proceedings to block the sale of Voltage and claim compensation for the alleged prejudice suffered. Some of this legal action was directly against LAB. To date, this minority shareholder has lost all cases.

• **Tax matters – Lagardère**

Tax audits were carried out by the French tax authorities concerning several companies and fiscal years. The tax audits resulted in additional tax assessments, all or part of which were contested. Provision has been made to take account of the additional assessments notified by the tax authorities and agreed by the companies, and also for the amount estimated as the risk corresponding to the disputes still pending.

• **Other matters**

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

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

4.4.3 Industrial and environmental risks

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

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

4.4.3.1 IDENTIFIED RISKS

With the exception of automobile manufacturing, which has now stopped, the Group's business activities fall mainly into the service category, and many of its assets are intangible. The Group is nevertheless exposed to industrial and environmental risks, related to certain businesses. The nature of the risks incurred (paper, solvents, waste products, etc.) is not specific to the Group and also relates to similar activities. These business activities include:

– Print Media: printing facilities for the regional daily newspapers, warehouses;
– Book Publishing: warehouses;
– Distribution Services: warehouses;
– Automobile: spare parts warehouses.

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

4.4.3.2 PREVENTION POLICY

The Group pays particular attention to the prevention of industrial risks and the protection of the environment, in order to limit the probability of an adverse event occurring.

The sites apply regulations and implement operational procedures, quality systems and a set of security measures specific to each individual business sector.

4.4.3.3 ASSESSMENT OF RISK IMPACT

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

The Group has no knowledge of any items or situations likely to have a significant impact on its assets or operating results. However, certain sites have an industrial past and there is always the possibility that soil or underground water may have been contaminated or that contamination may be discovered in the future.

More generally, the costs related to the evaluation and treatment of industrial and environmental risks are included in the investment and expense accounts concerned and their relative size does not require that they be identified separately.

4.4.4 Insurance – Risk coverage

Risks that cannot be eliminated totally are retained or transferred to the insurance market when their relative size justifies it, depending on the availability of coverage at reasonable conditions. The Group (excluding EADS) has a captive insurance company based in the USA for certain risks of the HDS division in North America. The relevant insurance policies are not substitutes for the insurance described in 4.4.4.1, but complementary to that insurance.

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

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

4.4.4.1 INSURANCE POLICIES

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

In 2004 and for the year 2005, Lagardère and its divisions were able to renew coverage for their activities throughout the world. A coordinated insurance procurement policy enables the Group in many cases to optimize budgets.

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

4.4.4.2 RISK COVERAGE

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

Insurance for losses and interruption of business

- **Risks insured**

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

• **Limits to coverage**

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

The highest insurance limits subscribed to in the Group are € 385 million to cover certain facilities of Hachette Livre and € 200 million for Daily Regional Newspapers. The other limits insured are less than or equal to € 100 million.

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

Legal liability

• **Risks insured**

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

• **Limits to coverage**

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

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

Amount of premiums

In 2005, the global budget of the main insurance policies subscribed to by the Group is an estimated € 13.5 million (excluding collective insurances) divided up as follows:

– Losses and interruptions of business: € 6.9 million.
– Legal liability: € 2.6 million.
– Other (mainly automobile, transport, exposure and insurance of people): € 4 million.

4.4.5 Other special risks, including labor relations

On a daily basis, the Group handles the management of labor relations with strict vigilance and impeccable integrity. Highly respectful of employees and labor regulations, the Group implements a voluntary policy of optimizing standards relating to health and safety at work.

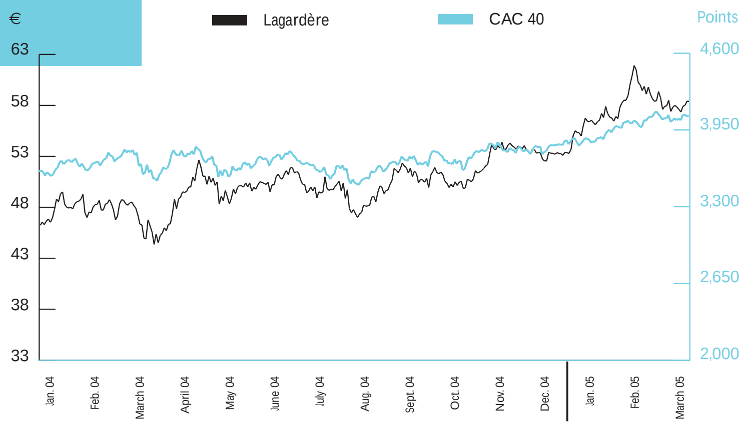
The Group is not exposed to labor risks but is nonetheless always attentive to new situations that could be potential sources of risk (see section 4.2 above – Social and environmental information).

5

NET ASSETS
FINANCIAL POSITION
RESULTS

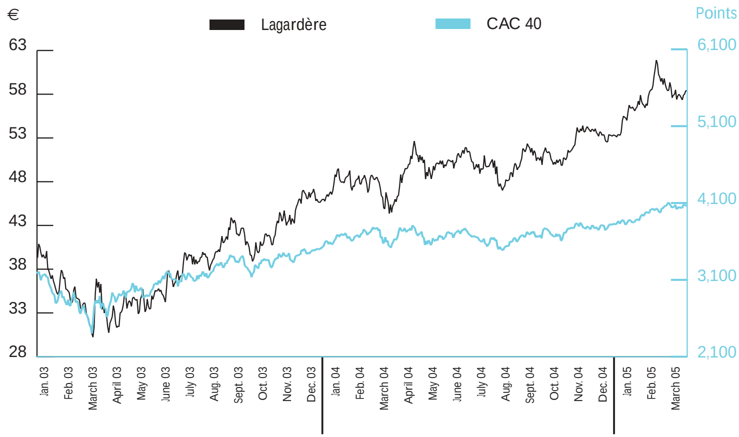
5.1 MOVEMENTS IN LAGARDÈRE SCA SHARE PRICES

5.1.1 Closing share prices – January 2004-March 2005



Source: GL Multimédia

5.1.2 Closing share prices – January 2003-March 2005



Source: GL Multimédia

5.2 PER SHARE DATA

	2000		2001		2002		2003		2004	
	non diluted	diluted ([1])	non diluted	diluted ([1])	non diluted	diluted ([1])	non diluted	diluted ([1])	non diluted	diluted ([1])
Net earnings per share	4.51	4.30	4.59	4.41	(2.16)	(2.16)	2.47	2.42	2.82	2.70
Net assets per share	28.80	27.46	30.63	29.08	27.32	27.31	28.75	28.86	29.71	30.66
Cash flow per share	5.40	5.15	4.26	4.04	4.41	4.34	6.02	5.88	7.48	7.13
Market price at Dec. 31	61.80		47.00		38.71		45.77		53.10	
Dividend	0.78		0.82		0.82		0.90		([2])	

([1]) Including new shares that may be created under stock options plans.
([2]) The Annual General Meeting to be held on May 10, 2005 will be asked to approve the payment of an ordinary dividend of € 1 per share for the year 2004 (payment date: May 19, 2005) and an exceptional dividend of € 2 per share (payment date: July 6, 2005).

5.3 CREATION OF SHAREHOLDER VALUE

5.3.1 External measure of value created

Return on investment for an investor having acquired one share in Lagardère SCA was 18% between January 1 and December 31, 2004. This return, which takes into account the unrealized capital gain and dividend received, is the simplest means of measuring the value created for shareholders.

5.3.2 Internal measure of shareholder value created

The economic value added may also be measured by comparing earnings before interest and taxes (EBIT), less theoretical tax, with cost of capital employed.

– EBIT represents operating income plus financial income items, other than interest income and expenses and income from short-term investments, and non-operating items, after deducting theoretical tax and incorporating results of companies accounted for by the equity method. This calculation does not include amortization of goodwill and other intangible assets.
EBIT also excludes the effect of the sale of Club-Internet and the valuation of T-Online securities that were received in exchange. In 2000, a gain of € 820 million before tax was recorded on this sale. In 2001 and 2002, provisions of € 157 million and € 278 million respectively were recorded on T-Online securities. Part of these provisions was released in 2003 (€ 121 million) and 2004 (€ 104 million).

– Capital employed represents fixed assets excluding premiums on perpetual subordinated notes and amortization and write-downs of goodwill and other intangible assets, to which working capital requirements are added. Averages of opening and closing balances are used for this purpose.

– Cost of capital employed was calculated using a rate equal to the weighted average of cost of capital stock – i.e. the discounting rate resulting in a present value of future cash surpluses equal to Lagardère SCA's share price on December 31, 2004 of € 53.10 per share – and cost of borrowings at the same date.

The calculation for the year 2004 is as follows:

Average capital employed (in millions €)	2003	2004
Fixed assets, net + working capital requirements	5,721	5,394
Amortization of publication titles and editorial & commercial assets	110	146
Amortization of goodwill	676	804
Premiums on perpetual subordinated notes	(625)	(643)
Capital employed at December 31	**5,882**	**5,701**
Average capital employed		5,791

EBIT after tax at the statutory rate (in millions €)	
Operating income	865
Income from companies accounted for by the equity method (1)	66
Non-operating expenses	(35)
Interest expense, excluding interest and income from short-term investments (2)	(24)
Tax at the statutory rate (35.43%)	(286)
EBIT after tax at the statutory rate	**586**

(1) Excluding amortization of intangible assets.
(2) Excluding release from T-Online provision (€ 104 million).

Creation of shareholder value (in millions €)	
Average capital employed	5,791
Annual interest rate	7.86%
Cost of capital	455
EBIT after tax at the statutory rate	**586**
Economic value added after tax	**131**

5.4 IFRS TRANSITION PLAN

The IFRS transition plan launched in 2003 will be completed during the first half of 2005, along with the Auditors' review procedures. Lagardère is required to prepare its consolidated financial statements in accordance with IFRS as from January 1, 2005 and to present 2004 comparative data prepared on the same basis. The effects of the changes of method applied retrospectively will be recognized in equity in the opening IFRS balance sheet at the transition date (January 1, 2004).

The financial information published by the Group in 2005 will therefore be prepared in accordance with IFRS, starting with:
– first quarter 2005 sales, with comparative IFRS figures for the same period of 2004;
– first-half 2005 accounts, with comparative IFRS accounts for 2004 (first-half income statements and balance sheets at December 31 and June 30).

The Group has chosen to publish its IFRS financial statements for 2004 on May 16, 2005, after the Annual General Meeting to be held on May 10, 2005, at which shareholders will be asked to approve the 2004 French GAAP accounts. The information published on May 16, 2005 will include a detailed analysis of the effects of the transition to IFRS on opening equity at January 1, 2004, as well as on the balance sheet at December 31, 2004 and on the income statement and statement of cash flows for 2004.

In February 2005, an analysis of the main effects of the transition was made available to shareholders on the Group's website at http://www.lagardere.com, Financial Information / Facts & Figures / Transition to IFRS.

These effects are summarized below. The comments do not concern the EADS Group, which already applies IFRS.

Exemptions allowed under IFRS

Lagardère has chosen to apply the following main exemptions available to first-time adopters of IFRS:

– Non application of the fair value option:
  • Business combinations carried out prior to the transition date (January 1, 2004) will not be restated.
  • Property, plant and equipment will be measured at the transition date at historical cost.

– No early adoption at the transition date of IAS 39-IAS 32 on financial instruments. These two standards will be adopted on January 1, 2005.

Main identified effects

Revenue recognition (income statement reclassifications)

The Group has reviewed its revenue recognition criteria based on the relevant IFRSs and related interpretations. Where necessary, the review also took into account the practices of European and US groups operating in the same industries.

As a result of the review, certain items will be reclassified. These reclassifications, which are summarized below, will have no impact on results of operations.
– Distribution fees (Print Media division, part books operations in the Book Publishing division) will be deducted from sales, whereas in the French GAAP accounts, they are included in operating expenses.

– Recognized revenues from national magazine distribution (Curtis at Hachette Distribution Services) and sales of advertising airtime (Lagardere Active) will only correspond to the fees received for these services. In the French GAAP accounts, these transactions are recognized as a purchase and a sale.
– Purchases and sales corresponding to similar exchange transactions will be cancelled.

These reclassifications will have the effect of reducing net sales by around 14% compared with the amount reported in the French GAAP accounts.

Interest revenue directly related to operations (income statement reclassification)

Under French GAAP, interest revenue arising on surplus cash is reported below the operating income line, in net interest income (expense).

Under IFRS, interest revenue generated by the investment of cash provided by operations is reported above the operating income line, in operating income. Accordingly, interest revenue from the Distribution Services division's positive working capital will be included in other income from ordinary activities in the IFRS income statement.

Share-based payment

Under French GAAP, no expense is recognized for stock option plans giving the option holders the right to purchase existing or newly-issued shares of the company at a price agreed as of the date of grant.

Under IFRS, the fair value of the equity instruments granted, as measured at the grant date, is recognized as an expense over the vesting period (two years in the case of Lagardère) and added to stockholders' equity. During the vesting period, the expense may be adjusted to take into account any options that may be forfeited. However, it is not adjusted for changes in the share price.

Lagardère will apply IFRS 2 as from the December 2003 stock option plan, as the earlier plans are excluded under the standard's transitional provisions. The expense related to this plan, representing approximately € 26 million, will be recognized in 2004 and 2005.

Recognition of this expense has no impact on cash and cash equivalents.

It is not currently possible to estimate the expense to be recognized in respect of future option plans.

Business combinations

In the French GAAP accounts, goodwill is amortized over a maximum of 20 years. Impairment tests are performed when there is an indication that the goodwill might be impaired and an impairment loss is recognized when its recoverable amount is less than its carrying amount.

Under IFRS, goodwill is not amortized but is tested for impairment at least once a year. Impairment losses are recognized in the same way as under French GAAP.

Goodwill amortization recorded in Lagardère's consolidated financial statements (excluding EADS) amounted to € 78 million in 2004.

Deferred taxes

IAS 12 requires deferred taxes to be recognized for all temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated balance sheet. Under French GAAP, no deferred tax liabilities were recognized for:
– intangible assets recognized in connection with business combinations that could not be sold separately from the acquired business;
– temporary differences between the tax base of investments accounted for by the equity method and their carrying amount.

In addition, deferred taxes may not be discounted under IAS 12.

In the Group's IFRS accounts, deferred tax liabilities will be recognized on the difference between the tax base and the carrying amount of intangible assets and investments accounted for by the equity method. The tax base of intangible assets is generally equal to zero.

The effect of this change of method will be recognized in opening equity at January 1, 2004.

Employee benefits

According to IAS 19, a provision must be booked for all unfunded defined benefit obligations under retirement and post-retirement benefit plans. IAS 19 also defines the method to be used to perform actuarial valuations; this method may differ in some respects from local GAAP methods applied in the various countries where the Group has defined benefit obligations.

The Group has identified all defined benefit plans in place within the organization and has performed an actuarial valuation of the related obligations by the method prescribed in IAS 19, leading to the recognition of additional provisions in the opening IFRS balance sheet at January 1, 2004.

Perpetual subordinated notes

The 1988 perpetual subordinated notes reported under Other permanent funds in the French GAAP balance sheet are covered by an agreement with a financial institution whereby the institution reimburses to the Group interest payable on the notes after the first fifteen years. The fifteen-year period ended in February 2004 and the effective interest cost to the Group is therefore now equal to zero.
These notes will be reclassified as borrowings in the opening IFRS balance sheet at January 1, 2004 for a net amount of € 2 million after deducting the related premium.

The 1992 perpetual subordinated notes were repackaged in 1996 and are carried in the accounts of a dedicated special purpose entity (SPE), which issued debt securities to outside investors to finance the purchase of the notes. Under IFRS, the SPE must be consolidated. The carrying amount of the 1992 notes and corresponding premium will therefore be canceled and replaced by the SPE's external debt (€ 62 million at January 1, 2004), recorded in borrowings.

These adjustments will have the effect of increasing net bank borrowings by € 64 million at January 1, 2004.

Leases

According to IFRS, payments under operating leases must be recognized on a straight-line basis. Any lease payments not recognized on a straight-line basis over the life of the lease will be adjusted in the IFRS accounts.

Summary of the main effects of the transition to IFRS (excluding IAS 39)

– Reduction in sales of around 14% (reclassifications leading to an equivalent reduction in expenses, with no effect on results).
– Reduction in stockholders' equity (provisions for deferred taxes and employee benefits).
– Increase in bank debt (change in accounting treatment of perpetual subordinated notes).
– Effect on net income of recognizing an expense on stock option plans and of terminating goodwill amortization.

5.5 REVIEW OF RESULTS AND CASH FLOWS

5.5.1 General

The consolidated financial statements of Lagardère are prepared in accordance with accounting methods and principles generally accepted in France.

All figures are expressed in millions of euros.
The consolidated income statements are summarized below.

	2000 Published	2000 Pro forma	2001	2002 Published	2002 Published	2003	2004	
Net sales	12,192	11,875	13,295	13,216	12,434	12,454	13,389	(appendix 1)
Operating income	572	474	514	440	432	671	865	(appendix 2)
Interest income (expense), net	(110)	(95)	(15)	(331)	(368)	42	(7)	
Operating income after interest	462	379	499	109	64	713	858	
Non-operating income (expenses), net	651	653	353	(371)	(98)	(79)	(100)	
Other items, net	(498)	(472)	(225)	(25)	(24)	(276)	(328)	
Net income (loss) before minority interests	615	560	627	(287)	(58)	358	430	
Net income (loss)	581	528	616	(291)	(62)	334	382	(appendix 3)

The above table shows the published results for 2000 together with pro forma results for 2000 restated to include 15.14% of EADS' results for the first half-year of 2000 (not adjusted for changes in group structure, especially the changes in Airbus) using the proportionate method, whereas 33% of Aerospatiale Matra's results for the same period were included in the published financial statements using the proportionate method of consolidation.

The Automobile segment is no longer consolidated in 2003. The costs of withdrawal from this activity were entirely provided for at December 31, 2002. Comparative amounts presented above for 2002 show the published results for 2002 together with pro forma results restated to exclude the Automobile segment's contribution.

Operations by main business segments are analyzed below.

5.5.2 Lagardère Media

The Media segment includes the operations of the Book Publishing, Print Media, Distribution Services and Lagardere Active divisions.

Significant changes in this segment's structure during 2004 were as follows:

Book Publishing

– Full consolidation as of January 1, 2004 of publishing houses Dalloz, Dunod, Armand Colin in France, Anaya in Spain and Larousse group in France and worldwide, all part of the Editis acquisition.

– Acquisition and full consolidation as of October 1, 2004 of Hodder Headline, fourth-largest publishing house in the United Kingdom.

Print Media

– Acquisition and full consolidation as of January 1, 2004 of the Russian print media group IMG.

– Acquisition and proportionate consolidation as of July 1, 2004 of the 49% interest acquired in Psychologies Magazine.

Distribution Services

– Full consolidation as of January 1, 2004 of Newslink, an Australian retailer, following the buy-out of outside shareholders. In 2003, the 40% interest held was consolidated proportionately.

Lagardere Active

– Full consolidation of the Russian radio broadcasting company Europa Plus Zao, now 100% held. In 2003, the 60% interest held was consolidated proportionately.

Summarized statements of income and cash flows of Lagardère Media are as follows:

Income statements	2002	2003	2004
Net sales	**8,095**	**7,944**	**8,594**
Operating income	385	427	516
Interest income (expense), net	(363)	55	44
Operating income after interest	**22**	**482**	**560**
Non-operating expenses, net*	(53)	(28)	(8)
Net income from companies accounted for by the equity method*	15	47	53
Income (loss) before tax	**(16)**	**501**	**605**

* Excluding exceptional write-downs of intangible assets.

Cash flows	2002	2003	2004
Cash flows from operations	357	428	555
Net change in working capital requirements	37	135	51
Net cash flows from operations	**394**	**563**	**606**
Investments:			
– purchases of fixed assets	(228)	(206)	(341)
– purchases of long-term investments	(1,415)	(55)	(452)
Sales of fixed assets and investments	26	89	739
Increase in marketable securities	-	-	(13)
Net cash flows from investments	**(1,617)**	**(172)**	**(67)**
Net cash flows from operations and investments	**(1,223)**	**391**	**539**

	2002	2003	2004
Capital employed*	**5,002**	**4,524**	**3,980**

* Fixed assets and working capital requirements.

RESULTS

Throughout 2004 the economic environment remained uncertain and varied. It was marked by a sustained level of business in Book Publishing and a favorable trend in radio and television advertising, while the advertising market in Print Media lacked vitality at a moment when the division was stepping up new launches and editorial investments in existing magazines. Over the last four months of the year, measures taken to favor price cuts in supermarket distribution troubled the advertising budgets of a large number of major buyers.

Lagardère Media's sales for 2004 increased by 8.2%, including changes in group structure and exchange rates. The strength of the euro penalized sales growth by 1.7%, but this was more than offset by the consolidation for the full year of assets acquired from Editis (€ 342 million) and the consolidation of Hodder Headline for the last quarter (€ 61 million).

Excluding the effect of changes in group structure and exchange rates, sales growth was 3.3%. Sales increased in all divisions, but were particularly strong in Book Publishing, and particularly in Lagardere Active which recorded two-digit internal growth in 2004.

Operating income rose by 21% over 2003 (including changes in group structure and exchange rates), to € 516 million. This increase is analyzed below:

– In Book Publishing, operating income for Hachette Livre increased by € 66 million, again reflecting a well-balanced development in all publishing and distribution activities in France and the excellent performance of part works in Europe. The newly consolidated activities of Editis and Hodder Headline contributed € 41 million and € 4 million respectively.

– The Print Media division launched several new titles in 2004 supported by heavy advertising campaigns. Costs incurred, combined with continuing unfavorable trends in exchange rates, penalized the division's profitability in the first half. Operating income returned to growth in the second part of the year (up € 4.1 million over second-half 2003), but this did not offset the fall recorded in the first part of the year (down € 8.8 million). Operating income for 2004 therefore decreased by € 4.7 million from 2003.

– Distribution Services registered an increase of € 6.2 million in operating income owing to good performances at Virgin and in Spain and to improved results in Germany.

– For the Lagardere Active division, operating income rose by € 21.6 million, primarily attributable to greatly improved results in Radio Broadcasting, Film & TV Production and airtime sales operations, in addition to benefits derived from the rationalization of Internet website activities.

Net interest income of € 44 million was recorded in 2004, a decrease of € 11 million on 2003. In 2004, this heading includes a € 104 million release from the provision to write down the investment in T-Online, so as to adjust the net book value to € 8.99 per share, the amount of the share purchase offer initiated by Deutsche Telekom in November 2004. In 2003, this heading included a similar release (€ 121 million) to adjust T-Online securities' net book value to € 7.50 per share, compared to € 5.76 at December 31, 2002.

Excluding these items, net interest expense of € 60 million and € 66 million would have been recorded by Lagardère Media in 2004 and 2003 respectively. This € 6 million improvement reflects the better average cash position.

A net non-operating loss of € 8 million was recorded in 2004 (excluding exceptional write-downs of intangible assets) This loss includes restructuring charges incurred in the Print Media division.

Income from companies accounted for by the equity method (excluding the impact of exceptional write-downs) amounted to € 53 million, an increase of € 6 million over 2003.

CASH FLOWS

Cash flows from operations totaled € 555 million in 2004, up € 127 million on 2003, primarily owing to the good performances achieved by Book Publishing and Lagardere Active.

With working capital requirements decreasing by € 51 million overall, funds provided by operations in 2004 amounted to € 606 million.

Purchases of fixed assets totaled € 341 million in 2004, up € 135 million over 2003, owing to purchases of new editorial assets by Hachette Livre, the acquisition of the Print Media division's head office premises near Paris (€ 63 million), increased investments in the retail outlets of the Distribution Services division, and higher investments in TV production.

Purchases of long-term investments totaled € 452 million and included principally the acquisition of Hodder Headline by the Book Publishing division, the interests acquired in Russia by the Print Media and Lagardere Active divisions, and Distribution Services's acquisition of the outstanding 60% of Newslink.

Sales of long-term investments amounted to € 739 million and included € 667 million received from Wendel Investissement on the sale of those Editis assets that Lagardère was not authorized to retain as a result of the decision of the European Commission.

Overall, net cash flows provided by operations and investments totaled € 539 million in 2004, an increase of € 148 million over 2003. In 2002, funds amounting to € 1,223 million were used in operations and investments as a result of the € 1,180 million advance paid for the acquisition of Editis.

Capital employed amounted to € 3,980 million at the end of 2004, a € 544 million decrease over 2003, principally the result of the sale of certain assets as part of the Editis transaction.

5.5.3 EADS

Lagardère's presence in the High Technology industry is represented by its interest in EADS, which is included in Lagardère's consolidated financial statements using the proportionate method of consolidation. As a result of a net reduction in capital, resulting from a cancellation of shares, partially offset by a capital increase reserved for employees in December 2004, Lagardère's interest in EADS rose to 15.10% at December 31, 2004, up from 15.04% at December 31, 2003.

Summarized statements of income and cash flows of EADS, without adjustments for changes in group structure and based on the share attributable to Lagardère, are as follows:

Income statements	2002	2003	2004
Net sales	**4,339**	**4,510**	**4,795**
Operating income	63	232	361
Interest expense, net	(29)	(20)	(51)
Operating income after interest	**34**	**212**	**310**
Non-operating expenses, net*	(8)	(49)	(22)
Net income from companies accounted for by the equity method	20	38	13
Income before tax	**46**	**201**	**301**
Income tax	(20)	(72)	(107)
Amortization and write-downs of intangible assets	(59)	(45)	(43)
Minority interests	4	(13)	(25)
Net income (loss)	**(29)**	**71**	**126**

* Excluding exceptional write-downs of goodwill.

Cash flows	2002	2003	2004
Cash flows from operations	261	372	465
Net change in working capital requirements	145	344	298
Net cash flows from operations	**406**	**716**	**763**
Investments:			
– purchases of fixed assets	(349)	(445)	(555)
– purchases of long-term investments	(284)	(190)	(127)
Sales of fixed assets and investments	185	81	114
Decrease (increase) in marketable securities	(63)	46	(11)
Net cash flows from investments	**(511)**	**(508)**	**(579)**
Net cash flows from operations and investments	**(105)**	**208**	**184**

The published consolidated financial statements of EADS prepared under International Financial Reporting Standards were restated in accordance with the French accounting standards applied by Lagardère. Up to and including the very early part of 2004, in view of the specificities of certain hedging instruments then used by EADS and now settled, EADS' sales and, consequently, operating and financial results were restated so that EADS' foreign currency transactions were translated using the rates of exchange at which the corresponding cash flows were hedged. Value adjustments resulting from acquisitions made by EADS in respect of the contributions received from Aerospatiale Matra and Dasa were eliminated, so that these contributions were included in Lagardère's consolidated financial statements at historical cost. Finally, EADS having ceased to amortize goodwill from January 1, 2004 in application of a new IFRS, an amortization charge has been reinstated for those amounts of goodwill which had not been restated at inception and which therefore had been maintained in Lagardère's consolidated financial statements.

Presented below is a reconciliation of EADS' published income statement figures with the restated amounts included in Lagardère's consolidated statement of income for 2004.

	EADS (15.10% of published accounts)	Restatements	Amounts consolidated by Lagardère
Net sales	**4,795**		**4,795**
Operating income	342	19	361
Interest expense, net	(51)	-	(51)
Operating income after interest	**291**	**19**	**310**
Non-operating expenses, net*	(18)	(4)	(22)
Income from companies accounted for by the equity method	13	-	13
Income before tax	**286**	**15**	**301**
Income tax	(100)	(7)	(107)
Amortization of goodwill	-	(43)	(43)
Minority interests	(31)	6	(25)
Net income before tax	**155**	**(29)**	**126**

* Excluding exceptional write-downs of intangible assets.

Results

EADS's sales contribution amounted to € 4,795 million in 2004, a 6% increase on the figure of € 4,510 million for 2003.
All divisions contributed to the increase. Major contributors to sales growth were Airbus, with a 6% increase in sales due to higher aircraft deliveries (320 aircraft delivered in 2004, compared to 305 in 2003), and defense-related activities at all other divisions.
The Military Transport Aircraft division, in particular, recorded a 40% sales increase owing to revenues related to the A400M aircraft. Other contributors to growth in the defense sector included MBDA's missiles, the Space division's Paradigm contract, and the NH90 and Tiger military helicopter programs.

At the end of 2004 the total order book stood at € 184 billion, an increase of 3% over the previous year.
Total orders received in 2004 amounted to € 44.1 billion and were lower than in 2003, a year that was marked by commercial successes (orders placed for 39 Airbus A380s, contract signed for 180 A400M aircraft for € 19.7 billion in total). Total orders received nevertheless were significantly higher than sales in 2004. Among the main commercial successes of the year were Arianespace's order for 30 launch vehicles (total value of approximately € 3 billion) and the order for the second tranche of the Eurofighter program (€ 3.9 billion). By the end of 2004, Airbus had received orders for 370 aircraft (including options), raising its market share to 57%. Airbus's order book at end 2004 totaled 1,500 aircraft, including 139 A380s. Eurocopter confirmed its leading position in the commercial helicopter market, with 312 new orders booked.

EADS's contribution to Lagardère's operating income rose sharply to € 361 million in 2004, from € 232 million in 2003. This outstanding performance was primarily attributable to Airbus and to the return to profitability of the Space division.

Airbus benefited from rising deliveries, a favorable product mix in terms of aircraft delivered, and savings achieved under its cost cutting plan. The merger between GIE Airbus and Airbus SAS also had a positive impact on results. In accordance with IFRS, development costs were capitalized for the first time in 2004.

Significant improvements were recorded in the Defense and Security Systems division despite the costs of the campaign for the Herkules project and expenses incurred for future programs such as Euromale (demonstrator for a versatile, long-endurance drone). Earnings were also favorably impacted by the release of a provision for litigation.

Non-operating expenses primarily comprise restructuring expenses incurred mainly in the Defense and Security Systems division. In 2003, non-operating expenses comprised principally restructuring expenses incurred in the Space division under its cost reduction program.

Income from companies accounted for by the equity method corresponds essentially to the contribution of Dassault Aviation.

In spite of a significant increase in cash flows from operations, net cash flows provided by operations and investments for 2004 were € 184 million, a small decrease over 2003, owing to large investments made under the A380 and other high-growth potential programs such as the A400M, NH90, Paradigm Secure Communications (part of the Skynet 5 project), and in-flight refuelling aircraft.

5.5.4 Overview of consolidated results

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

	2002 Published	2002 Pro forma	2003	2004
Total income (loss) of business segments	(199)	30	702	906
Other Activities	(9)	(9)	62	(18)
Income (loss) before tax, goodwill amortization and minority interests	**(208)**	**21**	**764**	**888**
Income tax (charge) credit	143	143	(193)	(258)
Amortization and write-down of goodwill and other intangibles	(222)	(222)	(213)	(200)
Net income (loss) before minority interests	**(287)**	**(58)**	**358**	**430**
Minority interests	(4)	(4)	(24)	(48)
Net income (loss)	**(291)**	**(62)**	**334**	**382**

• Other Activities comprise those operations not directly related to one of the business segments presented above:

	2002	2003	2004
Operating income (loss)	(15)	12	(12)
Interest income (expense), net including preferred remuneration	14	(1)	(1)
Non-operating income (expenses)	(8)	51	(5)
Total	**(9)**	**62**	**(18)**

Other Activities' operating results comprise corporate costs and the contributions of Banque Arjil and Matra Automobile Spare Parts whose results are included in Other operating revenues in the consolidated statement of income. Other Activities recorded an operating loss of € 12 million in 2004 as a result of a € 7 million loss recorded by Banque Arjil (2003: € 1 million loss), a lower contribution of Spare Parts activities and additional expenses incurred in connection with sponsorship activities.

Net interest expense amounted to € 1 million in 2004, nearly reaching breakeven.

In 2004, non-operating income (expenses) comprised releases of provisions recorded in past years in connection with the withdrawal from the auto industry (Matra Automobile) (+ € 39 million), reflecting more favorable cash outflow projections, and non-recurring expenses and provisions recorded on the occasion of the acquisition of Editis (– € 37 million). In December 31, 2004 Lagardère sold Banque Arjil's activities whose results were consolidated throughout the year. The € 5 million loss realized on this disposal was recorded at the end of the year.

Non-operating income in 2003 included the gain realized on the sale of shares held in Renault (€ 40 million).

- The consolidated income tax charge for 2004 amounted to € 258 million, up € 65 million on 2003, reflecting increased operating profits.
- Amortization and write-down of goodwill and other intangibles in 2004 totaled € 200 million compared with € 213 million in 2003, and included:
  - normal amortization of goodwill, which was unchanged from 2003, at € 122 million (2003: € 124 million);
  - exceptional write-downs of € 78 million in 2004 and € 89 million in 2003, recorded by the Lagardère Media segment for identified value impairments. Exceptional write-downs in 2004 relate to intangible assets in the Italian press group Rusconi (€ 40 million), the photograph portfolio of the Print Media division (€ 6 million), investments in film and TV production companies (€ 6 million) and the investment in multiThématiques (€ 13 million). In 2003, exceptional write-downs were recorded principally in respect of Virgin (€ 40 million) and multiThématiques (€ 36 million).
- Income attributable to minority interests rose by € 24 million in 2004 to € 48 million, and the increase was equally distributed between the Media division (up € 11 million to € 23 million) and EADS (up € 13 million to € 25 million).

5.5.5 Financing

5.5.5.1 CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash flows from operations amounted to € 1,303 million in 2004, compared with € 1,240 million in 2003, thanks to improvements at Lagardère Media and EADS.

Acquisitions of fixed assets and long-term investments increased by € 586 million, up from € 905 million in 2003 to € 1,491 million in 2004. Most of the increase was due to acquisitions made in the Media segment which rose by € 397 million over 2003.

Proceeds of sale of long-term investments were high in 2004 at € 850 million, including € 667 million from the sale of Editis assets. This represented an increase of € 538 million over 2003, a year in which proceeds of € 138 million were recorded on the sale of shares held in Renault.

Overall, net cash flows provided by operations and investments amounted to € 638 million in 2004, compared with € 714 million in 2003.

Net cash flows of € 200 million were used in financing activities in 2004 as a result of dividends paid (€ 151 million) and the reimbursement at maturity of a bond loan issued by Lagardère SCA in 1998 (€ 99 million).

As a result of the above cash flows, together with cash acquired on the consolidation of Editis assets retained by Lagardère (+ € 128 million), less other uses of funds totaling €118 million of which € 116 million arose from the reclassification and exclusion from cash of short-term financial investments of the American subsidiary Curtis (Distribution Services division), net cash increased by € 449 million to € 2,330 million at December 31, 2004.

5.5.5.2 CASH AND DEBT

At December 31, 2004, the Group's net indebtedness amounted to € 386 million, compared with € 882 million at December 31, 2003.

	December 31, 2002	December 31, 2003	December 31, 2004
Borrowings	(3,832)	(3,529)	(3,762)
Subordinated borrowings (excluding perpetual subordinated notes 1992)	(5)	(3)	(1)
Cash and marketable securities	2,443	2,650	3,377
Net indebtedness	**(1,394)**	**(882)**	**(386)**

Net indebtedness was reduced by € 496 million between December 31, 2003 and December 31, 2004, principally as a result of the following movements:

Funds provided by operations and investments in 2004 638
Cash acquired on Editis consolidation 128
Revaluation of T-Online shares, which are classified as marketable securities 104
Increase in capital stock 32
Borrowing resulting from the reinstatement in 2004
of receivables previously securitized .... (229)
Dividends paid .... (151)
Translation differences .... (22)
Other .... (4)

The perpetual subordinated notes issued in 1992 are included under borrowings in the balance sheet while perpetual subordinated notes issued in 1988 are classified as part of other permanent funds. Including perpetual subordinated notes issued in 1992, net indebtedness was thus as follows:

	December 31, 2002	December 31, 2003	December 31, 2004
Net indebtedness as above	(1,394)	(882)	(386)
Perpetual subordinated notes 1992 (less premiums and capitalized interest)	(91)	(76)	(59)
Net indebtedness in financial statements	**(1,485)**	**(958)**	**(445)**

From a financial standpoint, the 1992 notes are similar in nature to those issued in 1988, and the net amounts outstanding included in the balance sheet were as follows:

	December 31, 2002	December 31, 2003	December 31, 2004
Perpetual subordinated notes 1988	(416)	(416)	(416)
Premiums and capitalized interest	379	414	416
Net	**(37)**	**(2)**	**0**
Perpetual subordinated notes 1992	(287)	(287)	(287)
Premiums and capitalized interest	196	211	228
Net	**(91)**	**(76)**	**(59)**

The 1988 notes have arrived at the end of the 15-year period from their date of issue, and thus have a net value of zero in the 2004 financial statements. In application of the agreement concluded with the finance company which received the premium, the finance company is now reimbursing Lagardère for interest paid on the nominal value of € 416 million, so that Lagardère no longer has to support the future cost of this issue.

APPENDIX 1

Analysis of sales by business segment (in millions €)	2000 Published	2000 Pro forma	2001	2002	2003	2004
Book Publishing	830	830	846	950	959	1,431
Print Media	2,439	2,439	2,336	2,113	2,072	2,120
Distribution Services	3,294	3,294	3,853	4,464	4,333	4,366
Lagardere Active	640	640	633	568	580	677
Lagardère Media	**7,203**	**7,203**	**7,668**	**8,095**	**7,944**	**8,594**
EADS	3,806	3,489	4,486	4,339	4,510	4,795
Automobile	1,183	1,183	1,141	782	-	-
Total sales	**12,192**	**11,875**	**13,295**	**13,216**	**12,454**	**13,389**

APPENDIX 2

Analysis of operating income by business segment (in millions €)	2000 Published	2000 Pro forma	2001	2002	2003	2004
Book Publishing	58	58	65	91	107	173
Print Media	213	213	203	192	201	196
Distribution Services	61	61	81	88	92	98
Lagardere Active	(9)	(9)	4	14	27	49
Lagardère Media	**323**	**323**	**353**	**385**	**427**	**516**
EADS	166	68	104	63	232	361
Automobile	71	71	66	7	-	-
Other Activities	12	12	(9)	(15)	12	(12)
Total operating income	**572**	**474**	**514**	**440**	**671**	**865**

APPENDIX 3

Analysis of net income by business segment (in millions €)	2000 Published	2000 Pro forma	2001	2002	2003	2004
Book Publishing	36	36	40	60	78	113
Print Media	121	121	97	77	106	93
Distribution Services	42	42	68	57	63	71
Lagardere Active	475	475	(171)	(157)	87	113
Lagardère Media	**674**	**674**	**34**	**37**	**334**	**390**
EADS	17	(37)	508	26	129	194
Automobile	50	50	34	(245)	-	-
Total division income (loss) after tax	**741**	**687**	**576**	**(182)**	**463**	**584**
Other Activities	41	41	213	117	108	46
Income (loss) before goodwill amortization and minority interests	**782**	**728**	**789**	**(65)**	**571**	**630**
Amortization and write-down of goodwill and other intangibles	(167)	(168)	(162)	(222)	(213)	(200)
Net income (loss) before minority interests	**615**	**560**	**627**	**(287)**	**358**	**430**
Minority interests	(34)	(32)	(11)	(4)	(24)	(48)
Net income (loss)	**581**	**528**	**616**	**(291)**	**334**	**382**

5.6 CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been translated from those issued in French and have been restated in a format more familiar to readers of US financial statements. The Statutory Auditors' unqualified opinion on the official consolidated financial statements of Lagardère is included in the French documents which are submitted to Lagardère's shareholders at the Annual General Meeting. These documents are available from the Company's head office upon request.

For the purpose of this Reference Document in English, the Parent Company's balance sheet and statement of income are also included and presented in US format.

Consolidated statements of income for the years ended December 31

(in millions €)		2004	2003	2002 Pro forma*	2002 Published
Operating revenues					
Net sales	(notes 1, 24, 25)	13,389.4	12,454.4	12,434.1	13,216.5
Other operating revenues		587.8	614.3	586.9	593.3
Total operating revenues		**13,977.2**	**13,068.7**	**13,021.0**	**13,809.8**
Operating expenses					
Purchases and changes in inventories		(7,369.7)	(7,097.4)	(7,282.7)	(7,810.4)
Payroll costs		(2,717.5)	(2,521.8)	(2,514.3)	(2,656.9)
Depreciation, amortization and provisions		(584.1)	(522.4)	(537.0)	(570.5)
Other operating expenses		(2,441.0)	(2,255.8)	(2,254.7)	(2,332.4)
Total operating expenses		**(13,112.3)**	**(12,397.4)**	**(12,588.7)**	**(13,370.2)**
Operating income	(note 24)	**864.9**	**671.3**	**432.3**	**439.6**
Interest income (expense), net	(note 2)	(6.7)	41.9	(368.0)	(331.5)
Non-operating income (expenses), net	(note 3)	(100.4)	(78.9)	(98.0)	(370.9)
Preferred remuneration	(note 4)	(0.5)	(8.1)	(10.7)	(10.7)
Amortization of goodwill	(note 17)	(122.0)	(123.6)	(123.9)	(124.4)
Income taxes	(note 5)	(258.8)	(193.3)	143.0	143.0
Net income (loss) from companies accounted for by the equity method	(note 14)	53.4	49.1	(32.5)	(32.5)
Net income (loss) before minority interests		**429.9**	**358.4**	**(57.8)**	**(287.4)**
Minority interests	(note 6)	(48.0)	(24.5)	(3.7)	(3.7)
NET INCOME (LOSS)		**381.9**	**333.9**	**(61.5)**	**(291.1)**
Earnings per share:					
Non diluted	(note 7)	2.82	2.47	(0.46)	(2.16)
Diluted	(note 7)	2.70	2.42	(0.46)	(2.16)

* Pro forma amounts for 2002 exclude the Automobile segment which was deconsolidated as of January 1, 2003.

Consolidated balance sheets at December 31

Assets (in millions €)		2004	2003	2002 Pro forma*	2002 Published
Current assets					
Cash and cash equivalents	(note 8)	1,785.3	1,578.2	798.6	877.2
Marketable securities	(note 9)	1,591.4	1,071.5	1,337.3	1,565.4
Trade receivables, net	(notes 10, 11)	2,407.6	1,726.2	1,643.2	1,691.3
Inventories, net	(note 12)	2,100.3	2,089.0	2,089.8	2,143.2
Other receivables, prepayments and deferred charges	(notes 11, 13)	1,953.4	2,045.7	1,910.7	1,962.1
Total current assets		**9,838.0**	**8,510.6**	**7,779.6**	**8,239.2**
Investments accounted for by the equity method	(note 14)	1,522.9	1,502.9	1,484.8	1,484.8
Other investments and non-current assets	(note 15)	1,161.2	2,317.3	2,542.9	2,544.4
Property, plant and equipment, net	(note 16)	2,510.6	2,126.9	1,985.9	2,098.5
Intangible assets, net	(note 17)	4,003.8	3,498.8	3,798.5	3,803.2
Fixed and other non-current assets		**9,198.5**	**9,445.9**	**9,812.1**	**9,930.9**
TOTAL ASSETS		19,036.5	17,956.5	17,591.7	18,170.1
Liabilities and stockholders' equity					
Liabilities					
Trade payables		3,505.5	3,219.1	3,114.9	3,265.9
Advances on contracts		2,680.9	2,243.9	2,083.9	2,084.4
Borrowings	(note 18)	4,049.6	3,819.0	4,109.1	4,123.9
Other payables and provisions		1,865.2	1,921.7	1,796.2	2,004.6
Reserves for risks and charges	(notes 20, 21)	2,214.2	2,201.0	2,157.6	2,361.3
Total liabilities		**14,315.4**	**13,404.7**	**13,261.7**	**13,840.1**
Perpetual subordinated notes	(notes 18, 22)	415.8	415.8	415.8	415.8
Minority interests	(note 6)	274.3	254.5	230.5	230.5
Total permanent funds		**690.1**	**670.3**	**646.3**	**646.3**
Stockholders' equity					
Common stock		859.0	851.7	849.2	849.2
Additional paid-in capital and retained earnings		3,172.0	3,029.8	2,834.5	2,834.5
Total stockholders' equity	(note 23)	**4,031.0**	**3,881.5**	**3,683.7**	**3,683.7**
Total permanent funds and stockholders' equity		**4,721.1**	**4,551.8**	**4,330.0**	**4,330.0**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		19,036.5	17,956.5	17,591.7	18,170.1

Commitments and contingent liabilities (see note 26)

* Pro forma amounts for 2002 exclude the Automobile segment which was deconsolidated as from January 1, 2003.

Consolidated statements of cash flows for the years ended December 31

(in millions €)	2004	2003	2002 Pro forma*	2002 Published
Net income (loss)	**381.9**	**333.9**	**(61.5)**	**(291.1)**
Adjustments to reconcile net income to net cash flows from operating activities				
Minority interests in net income	48.0	24.5	3.7	3.7
Depreciation, amortization and provisions, net	473.4	553.5	839.9	1,041.8
Gains on disposals of fixed assets, net of tax	(6.8)	(54.3)	(25.3)	(23.7)
Share of (income) loss of companies accounted for by the equity method	(53.4)	(49.1)	32.5	32.5
Dividends received from companies accounted for by the equity method	41.6	24.5	9.4	9.4
Net change in deferred taxes (1)	130.5	(20.1)	(177.3)	(177.3)
Net change in working capital requirements	287.8	426.8	214.8	223.9
Net cash flows from operations	**1,303.0**	**1,239.7**	**836.2**	**819.2**
Acquisitions of fixed assets	(907.5)	(652.5)	(578.8)	(611.0)
Long-term financial investments	(583.8)	(252.5)	(1,712.8)	(1,713.2)
Proceeds from sales of fixed assets and investments	806.4	232.2	190.8	191.6
Decrease in other non-current assets	44.0	79.9	55.4	56.1
Decrease (increase) in marketable securities	(23.4)	67.5	(63.0)	(63.0)
Net cash flows from investments	**(664.3)**	**(525.4)**	**(2,108.4)**	**(2,139.5)**
Net cash flows from operations and investments	**638.7**	**714.3**	**(1,272.2)**	**(1,320.3)**
Increase (decrease) in borrowings	(61.5)	51.5	1,117.3	1,115.2
Issue of common stock in parent company	31.6	10.3	11.4	11.4
Adjustments of minority interests from capital reorganizations	1.2	2.4	(19.1)	(19.1)
Acquisition of treasury stock	(19.5)	-	-	-
Dividends paid to stockholders (2)	(125.7)	(110.7)	(116.4)	(116.4)
Dividends paid to minority interests	(25.6)	(19.0)	(10.9)	(10.9)
Net cash flows from financing activities	**(199.5)**	**(65.5)**	**982.3**	**980.2**
Effect on cash of deconsolidation of Matra Automobile	-	(301.6)	-	-
Effect on cash of acquisition of Editis	127.8	-	-	-
Effect on cash of exchange rate fluctuations	(3.9)	(43.0)	(53.0)	(53.0)
Effect on cash of other movements	(114.1)	(24.7)	(27.1)	(22.6)
Net increase (decrease) in cash	**449.0**	**279.5**	**(370.0)**	**(415.7)**
Net cash, beginning of year	**1,881.0**	**1,601.5**	**1,669.9**	**2,017.2**
Net cash, end of year	**2,330.0**	**1,881.0**	**1,299.9**	**1,601.5**

(1) Including release of the provision for taxes on T-Online capital gain.
(2) Including the portion of net income paid to the general partners.
* Pro forma amounts for 2002 exclude the Automobile segment which was deconsolidated as from January 1, 2003.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A SIGNIFICANT EVENT IN 2004: ACQUISITION OF EDITIS

1 HISTORICAL SUMMARY OF THE TRANSACTION

In September 2002, Lagardère made an offer to acquire the publishing sector of Vivendi Universal Publishing (VUP) in Europe (mainly in France) and Latin America (excluding Brazil), that Vivendi Universal (VU) had just decided to put up for sale at the same time as its USA publishing assets (Houghton Mifflin). In accordance with VU's requirement to complete the transaction and receive payment as soon as possible, Natexis Banques Populaires became a participant in the acquisition – at Lagardère's request and under the supervision of the European Commission – in compliance with article 3.5.a of EU regulation 4064/89 on the control of business concentrations. Natexis Banques Populaires thus acquired the assets concerned from Vivendi Universal on December 20, 2002.

On December 3, 2002, a firm sale agreement was signed between Ecrinvest 4, Segex and Lagardère (Ecrinvest 4 is a wholly-owned subsidiary of Segex, itself 100%-owned by Natexis Banques Populaires). In this agreement, Segex undertook to sell, and Lagardère undertook to buy, all the securities comprising the capital of Ecrinvest 4 and the current account advance from Segex to Ecrinvest 4, once the competition authorities had issued their opinion on the transaction. The current account advance served to finance the acquisition on December 20, 2002, of VUP's assets by Investima 10 (now renamed Editis), a wholly-owned subsidiary of Ecrinvest 4. The purchase price for these securities (€ 0.5 million) and the current account advance was paid immediately in advance by Lagardère to Segex. The amount advanced to Segex was included in Other investments and non-current assets in Lagardère's consolidated balance sheet (€ 1,166 million at December 31, 2003).

On April 14, 2003, Lagardère formally notified the European Commission of its proposed acquisition. The dossier was under examination in the light of EU anti-trust rules for the rest of the year.

The Commission considered that the proposed transaction was likely to be incompatible with the common market, and decided to open a wider investigation on June 5, 2003.

On October 27, 2003, it sent Lagardère a statement of objections, listing the market dominance problems identified.

On December 2, 2003, Lagardère submitted its response to the Commission, promising remedies to these problems. Certain practical terms and conditions of the remedies promised were amended in a further statement dated December 23, 2003 (together, the "Commitments").

2 DEVELOPMENTS IN 2004

a) Assets retained by Lagardère

Subject to the Commitments being honored, the Commission granted the Lagardère Group authorization on January 7, 2004 to purchase the following editorial assets from Editis' publishing business (the "Assets Retained") and declared the transaction compatible with the common market:

– Reference works: the publisher Larousse, with all of its businesses and publication rights in France and worldwide;
– School and Academic publishing:
  • the Spanish group Anaya with all of its businesses and publication rights;
  • the publisher Dalloz with all of its businesses and publication rights;
  • the publisher Dunod with all of its businesses and publication rights;
  • university titles comprising the Nathan Université, Armand Colin and Sedes lists, and academic journals.
– Distribution: the distribution center located at Ivry, near Paris.

The purchase applies to all assets, including the brands associated with the publishing houses concerned, and all personnel required to run the businesses.

All assets used by Editis' other businesses (the "Assets Transferred") will not be acquired by Lagardère.

b) Process for sale of the Assets Transferred

After examination of the offers received from potential buyers showing a strong interest in acquiring all the assets to be sold, Lagardère drew up a shortlist of five candidates and on May 19, 2004 started exclusive negotiations with a single buyer, Wendel Investissement, to ensure that all requirements for agreement were fulfilled. On May 28, 2004, Wendel Investissement and Lagardère reached a preliminary agreement for the sale of the Assets Transferred, which among other conditions requires final European Commission approval of Wendel Investissement as buyer.

The transfer of ownership of the Assets Transferred to a Wendel Investissement subsidiary that at the time of the transaction took the name Editis Holding, which it holds the rights to use, took place on September 30, 2004 once all national competition authorities had approved the transaction. The European Commission had approved Wendel Investissement as buyer earlier, on July 30, 2004.

3 TREATMENT OF THE TRANSACTION IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2004, in application of the agreements signed in December 2002 with Natexis Banques Populaires (see above), Lagardère purchased 100% of the capital of Ecrinvest 4 (Editis' parent company), and Segex's advance to Ecrinvest 4. Lagardère thus became the owner of the entire Editis group at that date.

The Assets Retained are fully consolidated in the consolidated financial statements as of January 1, 2004. The acquisition price has been reduced by the sale price to Wendel Investissement. The Assets Transferred were recorded directly at their sale price of € 667 million, corresponding to the enterprise value as fixed in the agreement (€ 660 million) plus cash transferred in the transaction, so that no gain or loss was recognized on the transfer. This price, which has been received, may be subject to future adjustment, mainly based on balance sheet items related to the cash position. An audit of these items was in process at the year-end.

B PRINCIPLES OF CONSOLIDATION

1 ACCOUNTING STANDARDS

Lagardère's consolidated financial statements have been prepared in accordance with the accounting methods and principles established by laws and accounting standards applicable in France. In particular, they comply with standard 99-02 issued on April 29, 1999 by *Comité de la Réglementation Comptable* (CRC - the French Accounting Standards Committee).

In application of CRC standard 2004-03 of May 4, 2004 concerning accounting for special purpose entities, the transfers of commercial receivables to securitization funds were restated with effect from January 1, 2004. The restatement consisted of reinstating the assigned receivables in balance sheet assets, canceling the security deposits paid to the funds and recognizing a corresponding financial liability. This led to an increase of € 229 million in consolidated indebtedness at January 1, 2004 and € 223 million at December 31, 2004.

2 BASIS OF CONSOLIDATION

Included in the consolidated financial statements are all companies in which Lagardère controls directly or indirectly over 20% of the voting rights, with the exception of:

– companies of insignificant size; and
– NMPP, a cooperative company which distributes print media. Lagardère's 49% interest in NMPP is fixed by law. Specific rules pertaining to the management of this company preclude its consolidation into Lagardère.

The following consolidation methods are used:

– All companies in which Lagardère holds, directly or indirectly, more than 50% of the voting rights, or 40% if Lagardère exercises management control and no other stockholder holds a higher ownership interest, are fully consolidated.
– Companies which are controlled jointly with other stockholders are accounted for by proportionate consolidation. All items are recorded in the consolidated financial statements in proportion to the Lagardère's percentage ownership.
– Companies in which Lagardère directly or indirectly exercises significant influence are consolidated under the equity method.

3 EADS

EADS was formed in July 2000 following an agreement signed on October 14, 1999 by DaimlerChrysler, Lagardère SCA and the French Government with a view to uniting Aerospatiale Matra's and Dasa's activities in the aeronautics, space and defense industries. Having regard to the intention and objectives of the three founding partners, embodied in the agreements that led to the formation of EADS, to establish long-term joint control over the new group, EADS is included in the consolidated financial statements of Lagardère using the proportionate method of consolidation, based on Lagardère's interest of 15.10% in 2004. In 2003, EADS' statement of income was included in Lagardère's consolidated financial statements based on a 15.07% interest, while its balance sheet was consolidated on the basis of the percentage of 15.04% prevailing at December 31, 2003.

For the purposes of the consolidation, EADS' consolidated financial statements are restated in accordance with the accounting methods used by Lagardère.

Presented in note 29 is a reconciliation of EADS' published income statement figures with the restated amounts included in Lagardère's consolidated statements of income for the years 2004 and 2003, as well as a description of the restatements.

4 CHANGES IN CONSOLIDATED COMPANIES

LAGARDÈRE MEDIA

Significant changes in this segment's structure during 2004 were as follows:

Book Publishing

– Full consolidation as of January 1, 2004 of publishing houses Dalloz, Dunod, Armand Colin in France, Anaya in Spain and Larousse group in France and worldwide, all part of the Editis acquisition.

The contributions of this new sub-group to the Book Publishing division's consolidated financial statements for 2004 were as follows:

Income statement

Sales	341.6
Operating income	40.8
Interest expense, net	(1.4)
Non-operating loss	(0.1)
Income taxes	(16.0)
Net income	**23.3**

Balance sheet

Goodwill and other intangible assets	380.7
Other fixed assets	63.6
Working capital requirements	16.5
Capital employed	**460.8**

– Acquisition and full consolidation as of October 1, 2004 of Hodder Headline, fourth-largest publishing house in the United Kingdom.

Print Media

– Acquisition and full consolidation as of January 1, 2004 of the Russian print media group IMG.

– Acquisition and proportionate consolidation as of July 1, 2004 of the 49% interest acquired in Psychologies Magazine.

Distribution Services

– Full consolidation as of January 1, 2004 of Newslink, an Australian retailer, following the buy-out of outside shareholders. In 2003, the 40% interest held was consolidated proportionately.

Lagardere Active

– Full consolidation of the Russian radio broadcasting company Europa Plus Zao, now 100% held. In 2003, the 60% interest held was consolidated proportionately.

EADS

– As a result of a reduction in capital by cancellation of shares and a capital increase reserved for employees in December 2004, Lagardère's interest in EADS rose to 15.10% at December, 31, 2004, up from 15.04% at December 31, 2003.

5 CLOSING DATES

The financial statements of all consolidated subsidiaries were closed at December 31.

6 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 except for items relating to stockholders' equity where historical rates are used;
– income statement items are translated using average exchange rates for the year;
– translation gains or losses arising from the above are taken to stockholders' equity.

7 INTER-COMPANY BALANCES AND TRANSACTIONS

All such items are eliminated on consolidation. Provisions attached to inter-company stockholdings and receivables are also eliminated and included in consolidated stockholders' equity. Changes for the year are taken to income.

8 GOODWILL

Goodwill represents the difference between the purchase price of acquired businesses and Lagardère's share of their revalued net assets at the date of acquisition. The value of acquired assets and liabilities is considered definitive at the end of the financial year following the first consolidation.

Goodwill is included in intangible assets and is amortized over a period of 20 years, except in those circumstances where a shorter period is considered more appropriate.

C ACCOUNTING PRINCIPLES AND VALUATION METHODS

1 MARKETABLE SECURITIES

Marketable securities are shown at the lower of cost and market value. Unrealized gains are not recorded.

2 RECEIVABLES

Receivables are accounted for at their nominal value. Where there are risks of non-recovery, their value is reduced by provisions.

3 INVENTORIES

Inventories are stated at purchase cost or at cost of production, according to methods appropriate to each activity.

Provisions are made for all inventories where realizable value is lower than cost, or where inventory rotation statistics indicate that write-downs are necessary.
Inter-company profits included in the cost of inventories are eliminated where material.

4 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

Accounts receivable and payable in foreign currencies are translated into euros at year-end rates. Unrealized exchange gains or losses are credited or charged to income.

However, hedged transactions are translated at contracted rates.

Perpetual subordinated notes, together with the corresponding premiums on their issue, are translated at historical rates (see note 22).

5 INVESTMENTS

Investments in non-consolidated companies are stated at cost, less provisions determined by reference to their value in use.

The following elements in particular are taken into account to determine value in use:
– the strategic interest of the holding in relation to the activities of consolidated companies;
– stock market prices, net assets, profitability;
– possible changes in the portfolio.

Also included in Investments are premiums paid when issuing perpetual subordinated notes (see notes 18 and 22).

6 PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets as follows:

– Buildings	$6^{2/3}$ to 40 years
– Specialized installations and infrastructure	$6^{2/3}$ to 20 years
– Machinery and industrial equipment	3 to 10 years
– Other equipment, furniture, general installations and improvements	3 to 10 years

All significant financial leases have been restated and accounted for as assets purchased on credit.

7 INTANGIBLE ASSETS

Intangible assets are recorded at historical purchase cost.

The values of intangible assets recorded on consolidation of acquired businesses are determined having regard to:
– sales, gross margins and future cash flows;
– market share and audience ratings;
– the on-going values of editorial assets and other intangibles.

Patents and licenses are amortized over their useful lives.

Capitalized research and development costs represent R&D costs financed by conditional advances recorded as liabilities.

Lagardère Media – Impairment tests

Publication titles, editorial assets and other intangibles (including goodwill) are reviewed for impairment at each year-end by comparing net book value to economic value. An exceptional provision is recorded when economic value is below the carrying amount.

Economic value is determined using two methods:
– present value of future cash flows expected from the asset concerned;
– comparable stock market indicators, or, failing this, reference to recent transactions involving comparable assets.

Future cash flows are determined using latest budgets and forecasts prepared by the company, generally for periods of three to five years. For subsequent periods, long-term growth rates in the industry concerned are used.

Discount rates used are calculated after tax and are specific to the business segment in question. The rates used by Lagardère at December 31, 2004 were as follows:
– Discount rate (risk-free interest rate, plus market risk premium) .... 8 to 10%
– Growth rate .... 2 to 5%

8 SPECIAL ACCOUNTING PRINCIPLES AND VALUATION METHODS APPLICABLE TO EADS OPERATIONS

8.1 AIRCRAFT SALES CONTRACTS

Sales of aircraft that include guarantees of residual values are accounted for as operating leases when the risk associated with the value guarantee is considered significant, in which case the aircraft are included in fixed assets and depreciated over their estimated useful lives.

8.2 PROVISIONS FOR AIRCRAFT SALES FINANCING

Sales contracts for Airbus and ATR aircraft may include financial guarantees. Guarantees may be sole, joint (with engine manufacturers for example) or restricted to a ceiling defined in the contract.

There are three main categories of financial guarantees:
– guarantees for lease payments;
– guarantees of the residual value of aircraft, or the repayment of the balance of outstanding borrowings;
– guarantees to contribute to financing the sale of certain aircraft.

Provisions for risks are recorded to cover future expenses considered probable within the scope of commitments corresponding to aircraft delivered. These guarantees may be provided by the consortiums or their subsidiaries in cases where the subsidiaries are counter-guaranteed by the consortiums.

8.3 REFUNDABLE ADVANCES

Refundable advances are recorded under Other payables and provisions.

8.4 REVENUE RECOGNITION ON LONG-TERM CONTRACTS

Results on long-term contracts are recognized on the percentage of completion basis by applying the estimated profit margin on each contract to revenue earned to date. Revenue is generally recognized at the date of transfer of ownership determined by contract. However, if there is a significant gap between work-in-process accumulated to date and the contractual date of transfer, revenue is recorded according to the percentage of completion method using pre-defined technical criteria.

Provisions to write down work-in-process and provisions for risks to cover the additional amount of expected future losses are made as soon as they are known.

Sales and profits from aviation contracts (aircraft and helicopters) are therefore recognized when aircraft are delivered. All subsequent support costs are provided for.

8.5 RESEARCH AND DEVELOPMENT COSTS

Research costs are expenses as incurred.

Development costs are capitalized under intangible assets when the following criteria are met:
– they relate to clearly identified projects whose technical and commercial feasibility can be demonstrated;
– the company can demonstrate the availability of adequate technical, financial and other resources to complete the development project;
– the expenditure attributable to the intangible asset during its development can be measured reliably.

9 TREASURY STOCK

Shares in Lagardère SCA whose future use is not clearly defined at the time of purchase are recorded as long-term investments in the Parent Company accounts, and deducted from stockholders' equity in the consolidated financial statements. Gains or losses realized on the sale of treasury stock to third parties are included in consolidated stockholders' equity, net of tax.

10 INCOME TAXES

Deferred taxes are booked for temporary differences between book and tax values of assets and liabilities.

When tax rates change, deferred tax balances are recalculated at the new rates, the adjustments being reflected in the year's tax charge (liability method). Deferred taxes are calculated using the tax rates defined in the law applicable to the years in which deferred taxes are expected to reverse. The ordinary tax rate in France is 34.93% in 2005 and 34.43% in subsequent years.

Deferred tax assets are not recorded unless their recovery is probable in the foreseeable future. This assessment is made separately for each fiscal entity.

11 RETIREMENT AND SIMILAR BENEFITS

Retirement and similar benefits are systematically provided for by all group companies.

For French companies, the reserve covers lump sum payments made under industry-wide agreements which are not covered by periodic contributions to dedicated funds.

Reserves are estimated using an actuarial formula which takes into consideration:
– mortality risks;
– expected rises and promotions;
– employee turnover;
– a financial discount rate.

Differences arising from changes in actuarial estimates are generally amortized over the average estimated remaining employment period of the employees concerned.

Provisions are similarly established for foreign companies to cover benefits granted to employees on retirement, using the same principles adapted to local legislation and regulations.

Provisions are also made for specific advantages acquired by personnel employed by certain subsidiaries:
– seniority bonuses;
– benefits other than pensions granted to the retirees of US companies.

D OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All figures are stated in millions of euros, except where otherwise specified).

1 NET SALES

	2004			2003		
	Excluding EADS*	EADS	Total Group	Excluding EADS	EADS	Total Group
France	3,675	502	4,177	3,439	527	3,966
Outside France	4,919	4,293	9,212	4,505	3,983	8,488
Total	**8,594**	**4,795**	**13,389**	**7,944**	**4,510**	**12,454**

* Excluding changes in group structure (+ 6.6%) and exchange rates (– 1.7%), net sales increased by 3.3% between 2003 and 2004.
Sales increases or decreases, excluding changes in group structure and exchange rates, are calculated by comparing:
– sales for 2004 excluding newly consolidated companies, with sales for 2003 as restated to exclude companies deconsolidated in 2004,
– sales for 2004 with sales for 2003 as restated using exchange rates applicable in 2004.

2 INTEREST INCOME (EXPENSE), NET

	2004			2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Interest and similar expenses, net	(75)	(45)	(120)	(51)	(50)	(101)
Income from marketable securities	33	-	33	13	7	20
Net exchange gain (loss)	(4)	(4)	(8)	(2)	27	25
Other financial income (expense), net	90	(2)	88	102	(4)	98
Total interest income (expense), net	**44**	**(51)**	**(7)**	**62**	**(20)**	**42**

Other financial income (expense) includes recurring items such as interest on customer receivables. It also includes dividends received from non-consolidated companies and increases or decreases in provisions.

This item in particular includes releases of provisions made against T-Online securities amounting to € 104 million in 2004 and € 121 million in 2003 (see note 9).

3 NON-OPERATING INCOME (EXPENSES), NET

	2004			2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Net capital gains	7	1	8	54	4	58
Restructuring and withdrawal costs	(9)	(19)	(28)	(23)	(54)	(77)
Amortization and write-down of goodwill and other intangibles	(65)	-	(65)	(53)	-	(53)
Other non-operating items	(11)	(4)	(15)	(8)	1	(7)
Non-operating expenses, net	**(78)**	**(22)**	**(100)**	**(30)**	**(49)**	**(79)**

Exceptional amortization of intangible assets results from impairment tests conducted in accordance with the method described in note 7 under C – Accounting principles and valuation methods. Exceptional amortization totaling € 65 million in 2004 includes € 40 million in respect of intangible assets in the Italian press group Rusconi, € 6 million in respect of the photograph portfolio (Print Media division), and € 6 million in respect of the goodwill which arose on the acquisition of film and TV production companies. The balance is comprised of individually small amounts recorded in the different divisions of the Lagardère Media segment.

Exceptional amortization recorded in respect of Rusconi was due to the increased competition in the sector in 2004, particularly related to the multiplication of bundled offers and discount merchandise supplements and the launch of rival magazines on the celebrity gossip segment on the Italian market. The company changed its medium-term plans in order to take account of this new market trend in its forecasts for its distribution operations. The new assumptions included in the revised business plan resulted in the exceptional amortization of goodwill in 2004 of € 40 million.

In 2004 restructuring costs were mostly incurred in the Print Media division of Lagardère Media and the Defense division of EADS.

In 2004, other non-operating income and expenses resulted in a net expense of € 11 million, comprised principally of:
– releases of provisions recorded in past years in connection with the withdrawal from the auto industry (Matra Automobile) (+ € 39 million), reflecting favorable future cash outflow projections;
– non-recurring expenses and provisions recorded on the occasion of the acquisition of Editis (– € 37 million).

In 2003, the principal non-operating items were the gain realized on the sale of shares held in Renault (€ 40 million), restructuring costs incurred in the Space division (EADS) and the Print Media division (Lagardère Media), and exceptional amortization of goodwill which arose on the acquisition of Virgin (€ 40 million).

4 PREFERRED REMUNERATION

The remuneration on the 1988 perpetual subordinated notes is conditional, and consequently interest thereon (less adjustment to premiums included in assets) is shown separately in the income statement as Preferred remuneration.

Interest on perpetual subordinated notes issued in 1992 is included under interest expense as those notes were not issued under the same conditions.

5 INCOME TAXES

The reported charge for income tax consists of the following:

	2004			2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Current tax charge	(105)	(19)	(124)	(145)	(92)	(237)
Deferred tax (charge) credit	(46)	(88)	(134)	24	20	44
Total income tax charge	**(151)**	**(107)**	**(258)**	**(121)**	**(72)**	**(193)**

The income tax charge in 2004 includes a credit of € 4 million resulting from the reduction in the provision for taxes payable in future years in respect of unrealized gains on T-Online securities. Of the amount released, € 20 million resulted from the recalculation of this provision using the reduced tax rate (15.72% instead of 20.2%) which will apply to capital gains from 2005, and € 16 million reflected the tax effect of the € 104 million release in 2004 from the provision recorded in respect of T-Online securities.

In 2003, the income tax charge included a € 24 million charge arising from the € 121 million release of the provision for T-Online securities.

Balance sheet movements on deferred taxes in the period were as follows:

	January 1, 2004	Credit (charge) to income	Other movements	December 31, 2004
Deferred tax assets	178	(47)	81	212
Deferred tax liabilities	(276)	1	(55)	(330)
Total excluding EADS	**(98)**	**(46)**	**26**	**(118)**
EADS	328	(88)	28	268
Net deferred tax assets	**230**	**(134)**	**54**	**150**

At December 31, 2004, unrecognized deferred tax assets arising from timing differences amounted to € 226 million, including € 78 million within EADS and € 148 million for the Lagardère Group excluding EADS. At December 31, 2003, the corresponding amounts were € 110 million and € 99 million. Of the € 148 million deferred tax assets unrecognized by the Group excluding EADS, € 144 million related to net deferred tax assets of Lagardère SCA's tax group which includes 92 of its subsidiaries. At December 31, 2004, the tax group had tax losses which may be carried forward indefinitely amounting to some € 280 million in respect of which tax assets of € 44 million were recognized in 2004, corresponding to the probable future utilization of tax losses, prudently determined, within the time-frame of the three-year plan.

In the case of EADS, unrecognized tax assets relate to entities making tax losses.

At December 31, 2004 and 2003, deferred tax assets and liabilities were as follows:

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Timing differences	(203)	78	(125)	(99)	259	160
Tax credits	3	28	31	1	19	20
Deferred tax assets on tax loss carry-forwards	82	162	244	-	50	50
Total	**(118)**	**268**	**150**	**(98)**	**328**	**230**

The following table presents a reconciliation of the effective tax charge for 2004 with the theoretical tax charge calculated using the French standard rate.

	Excluding EADS	EADS	Total Group
Net income excluding companies accounted for by the equity method	239	137	376
Amortization and write-down of goodwill and other intangible assets	143	44	187
Income tax	151	107	258
Net income before tax and amortization of intangible assets	**533**	**288**	**821**
Theoretical tax charge ([1])	(189)	(102)	(291)
Effect on theoretical tax charge of:			
Results taxed (deducted) at reduced rates	20	-	20
Tax loss carry-forward used in the year ([2])	35	5	40
Tax loss carry-forward arising in the year ([2])	(23)	(4)	(27)
Tax differentials on foreign subsidiary earnings	7	(2)	5
Limitation on deferred taxes	(4)	(3)	(7)
Changes in tax rates	20	(3)	17
Tax credits and similar	1	12	13
Permanent differences and other	(18)	(10)	(28)
Effective tax charge	**(151)**	**(107)**	**(258)**

([1]) At the French standard rate.
([2]) The tax effect of these tax loss carry-forwards was not recorded.

6 MINORITY INTERESTS

Minority interests in equity and income were as follows:

	Minority interests in equity		Minority interests in income	
	December 31, 2004	December 31, 2003	2004	2003
Lagardere Active Broadcast	59	61	(2)	(7)
Hachette Filipacchi Médias	43	36	10	5
Other	61	50	15	13
Total excluding EADS	**163**	**147**	**23**	**11**
EADS	111	108	25	13
Total minority interests	**274**	**255**	**48**	**24**

7 EARNINGS PER SHARE

Non diluted earnings per share

Non diluted earnings per share are computed by dividing consolidated net income by the weighted average number of Lagardère SCA shares outstanding during the year, after deduction of treasury stock held by Group companies. Changes in the number of shares as a result of employees exercising their share subscription options (shares issued throughout the year), are included using the average of opening and closing balances for the year.

Diluted earnings per share

The only category of potentially diluting shares relates to unexercised employee subscription options with exercise prices lower than the listed price of Lagardère SCA shares at year-end (7,461,624 share options at December 31, 2004). Consolidated net income used in the calculation is also adjusted to reflect the after-tax impact of resulting financial income.

8 CASH AND CASH EQUIVALENTS

This item of the consolidated statement of cash flows includes cash (less bank overdrafts) and marketable securities considered equivalent to cash. It excludes investment in equities.

Cash and cash equivalents were as follows:

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Marketable securities*	748	-	748	447	2	449
Cash	469	1,316	1,785	465	1,113	1,578
Bank overdrafts	(203)	-	(203)	(146)	-	(146)
Cash and cash equivalents	**1,014**	**1,316**	**2,330**	**766**	**1,115**	**1,881**

* Excluding shares and other marketable securities not considered cash equivalents.

9 MARKETABLE SECURITIES

Marketable securities are stated at the lower of cost and market value. Unrealized gains on marketable securities are not recorded.

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
At cost	1,704	97	1 801	1 286	100	1,386
Provision for write-down	(210)	-	(210)	(315)	-	(315)
Net book value	**1,494**	**97**	**1,591**	**971**	**100**	**1,071**
Market value at December 31	**1,497**	**97**	**1,594**	**972**	**100**	**1,072**
Unrealized gains at December 31	**3**	**0**	**3**	**1**	**0**	**1**

The net book value of marketable securities is analyzed in the table below.

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Shares and other marketable securities not considered cash equivalents*	746	97	843	524	98	622
Other marketable securities	748	-	748	447	2	449
Net book value	**1,494**	**97**	**1,591**	**971**	**100**	**1,071**

* Including T-Online securities: € 626 million in 2004 and € 522 million in 2003.

Marketable securities include T-Online securities recorded at cost for € 836 million, or € 12.01 per share. At December 31, 2003, a provision was recorded on these securities and their net value was € 522 million, or € 7.50 per share.

At December 31, 2004, an amount of € 104 million was released from this provision, resulting in a net book value of € 8.99 per share, the amount of the share purchase offer initiated by Deutsche Telekom in November 2004.

On December 31, 2004, the closing market price of T-Online securities was € 9.84.

10 TRADE RECEIVABLES

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Trade receivables	1,376	1,203	2,579	874	1,005	1,879
Provision for doubtful accounts	(106)	(65)	(171)	(97)	(56)	(153)
Trade receivables, net	**1,270**	**1,138**	**2,408**	**777**	**949**	**1,726**

Excluding EADS, the increase relates primarily to the reinstatement as assets of receivables transferred to special purpose securitization funds (€ 321 million) and the receivables of newly acquired Editis and Hodder Headline (€ 115 million).

11 LIQUIDITY OF RECEIVABLES

Analysis of liquidity of receivables at December 31, 2004 by due date:

	Less than 1 year	1 to 5 years	Over 5 years	Total
Long-term receivables	96	109	820	1,025
Advance payments to suppliers	282	11	-	293
Trade and other receivables	2,172	236	-	2,408
Other debtors (excluding deferred tax assets)	774	82	-	856
At December 31, 2004	**3,324**	**438**	**820**	**4,582**
At December 31, 2003*	**4,039**	**287**	**805**	**5,131**

* Of which: advance payment for Editis € 1,166 million.

Excluding EADS, the analysis was as follows:

	Less than 1 year	1 to 5 years	Over 5 years	Total
Long-term receivables	59	24	656	739
Advance payments to suppliers	21	-	-	21
Trade and other receivables	1,251	19	-	1,270
Other debtors (excluding deferred tax assets)	559	38	-	597
At December 31, 2004	**1,890**	**81**	**656**	**2,627**
At December 31, 2003*	**2,668**	**51**	**628**	**3,347**

* Of which: advance payment for Editis € 1,166 million.

12 INVENTORIES, NET

Inventories by division were:

	December 31, 2004	December 31, 2003
Book Publishing ([1])	348	243
Print Media	52	52
Distribution Services	283	293
Lagardère Active	4	4
EADS	1,734	1,776
Other ([2])	25	25
Total, at cost	**2,446**	**2,393**
Less: write-downs*	(346)	(304)
Total inventories, net	**2,100**	**2,089**
* Of which: EADS	(144)	(148)

([1]) The change in Book Publishing reflects principally the acquisition of Editis (€ 74 million).
([2]) Spare parts activities of Matra Manufacturing & Services (formerly Matra Automobile).

Provisions mainly relate to Book Publishing and EADS.

13 OTHER RECEIVABLES, PREPAYMENTS AND DEFERRED CHARGES

	December 31, 2004	December 31, 2003
Advances to suppliers	293	291
Prepayments and deferred charges*	209	224
Other debtors	1,451	1,531
Total	**1,953**	**2,046**

* At December 31, 2004, this heading principally includes prepayments of a recurring nature totalling € 202 million, of which € 114 million were made by EADS.

14 INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

These were as follows:

	Group share of equity		Group share of income (loss)	
	December 31, 2004	December 31, 2003	2004	2003
CanalSatellite	967	955	39	27
Marie-Claire	228	225	6	9
multiThématiques	71	76	(12)	(32)
Amaury group	54	50	6	4
S.E.T.C.	12	12	1	1
Éditions J'ai lu	10	10	1	1
SFEJIC	4	6	(2)	-
HRIC group	5	5	-	-
Other	8	10	1	1
Total excluding EADS	**1,359**	**1,349**	**40**	**11**
EADS*	164	154	13	38
Total investments accounted for by the equity method	**1,523**	**1,503**	**53**	**49**
* Of which: Dassault Aviation	162	155	12	38

The Group share of income (loss) from these investments is determined after deducting goodwill amortization and exceptional write-downs of intangible assets related to these investments.

An exceptional amortization of € 13 million was recorded in 2004 (2003: € 36 million) to write down the investment in multiThématiques.

15 OTHER INVESTMENTS AND NON-CURRENT ASSETS

15.1 OTHER INVESTMENTS

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Other investments, at cost	371	102	473	378	121	499
Write-downs	(305)	(32)	(337)	(304)	(46)	(350)
Other investments, net	**66**	**70**	**136**	**74**	**75**	**149**

Non-consolidated investments were analyzed as follows:

	December 31, 2004	December 31, 2003
La Dépêche du Midi	11	11
Midi Libre	10	10
Autofin	6	6
Other	39	47
Excluding EADS	**66**	**74**
EADS*	70	75
Total non-consolidated investments, net	**136**	**149**

* Investments not consolidated by EADS.

15.2 OTHER NON-CURRENT ASSETS

Other non-current assets consist of:

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Other non-current assets, at cost	904	362	1,266	2,020	368	2,388
Write-downs	(165)	(76)	(241)	(148)	(72)	(220)
Other non-current assets, net	**739**	**286**	**1,025**	**1,872**	**296**	**2,168**

Excluding EADS

This heading principally comprises premiums and capitalized interest on perpetual subordinated notes issued in 1988 and 1992 (see notes 18 and 22). Also included in 2003 was the € 1,166 million advance paid to Natexis Banques Populaires in connection with the acquisition of Editis. In 2004, this advance was eliminated from Other non-current assets, following the consolidation of Editis assets retained and the sale of the remaining assets of Editis.

EADS

This heading principally comprises receivables, loans and deposits under aircraft rental and sales financing agreements. Maturities are determined in relation to the expected operating lives of the aircraft for the customers concerned.

16 PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment during 2004 were:

At cost	January 1, 2004	Translation differences	Changes in group structure	Acquisitions	Disposals	Reclassifications	December 31, 2004
Land	101	-	17	31	(1)	3	151
Buildings	425	1	38	59	(24)	31	530
Machinery and equipment	372	-	20	31	(26)	(24)	373
Fixed assets in progress	13	-	1	10	(1)	(12)	11
Other	391	(1)	54	49	(27)	1	467
Total excluding EADS	**1,302**	**0**	**130**	**180**	**(79)**	**(1)**	**1,532**
Land and buildings	786	(1)	6	38	(13)	62	878
Machinery and equipment	1,387	(12)	7	109	(40)	50	1,501
Fixed assets in progress	675	(31)	3	99	(87)	(1)	658
Other	346	(2)	1	254	(2)	(111)	486
Total EADS	**3,194**	**(46)**	**17**	**500**	**(142)**	**0**	**3,523**
Total, at cost	**4,496**	**(46)**	**147**	**680**	**(221)**	**(1)**	**5,055**

Depreciation	January 1, 2004	Translation differences	Changes in group structure	Acquisitions	Disposals	Reclassifications	December 31, 2004
Land	0	-	-	-	-	-	0
Buildings	(239)	-	(3)	(21)	14	(6)	(255)
Machinery and equipment	(267)	-	(12)	(35)	23	5	(286)
Fixed assets in progress	(267)	2	(37)	(45)	24	(2)	(325)
Other	0	-	-	-	-	-	0
Total excluding EADS	**(773)**	**2**	**(52)**	**(101)**	**61**	**(3)**	**(866)**
Land and buildings	(432)	-	(2)	(12)	-	(3)	(449)
Machinery and equipment	(901)	5	(6)	(81)	-	2	(981)
Fixed assets in progress	(4)	-	-	-	-	-	(4)
Other	(259)	12	(1)	(4)	-	8	(244)
Total EADS	**(1,596)**	**17**	**(9)**	**(97)**	**0**	**7**	**(1,678)**
Total depreciation	**(2,369)**	**19**	**(61)**	**(198)**	**61**	**4**	**(2,544)**

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Land and buildings	426	429	855	287	354	641
Machinery and equipment	87	520	607	105	486	591
Fixed assets in progress	142	414	556	124	416	540
Other	11	482	493	13	342	355
Total, net	**666**	**1,845**	**2,511**	**529**	**1,598**	**2,127**

Fixed assets at December 31, 2004 include assets purchased under financial leases, which mainly relate to land and buildings, for € 196 million (2003: € 196 million). The net book value of these assets was € 99 million (2003: € 104 million).

17 INTANGIBLE ASSETS

17.1 INTANGIBLE ASSETS OTHER THAN GOODWILL

At cost	January 1, 2004	Translation differences	Changes in group structure	Acquisitions	Disposals	Reclassifications	December 31, 2004
Research and development costs	2	-	-	-	-	(1)	1
Patents, licenses, trademarks and audiovisual rights	867	-	18	110	(11)	6	990
Publication titles and editorial assets	1,529	(58)	586	-	-	-	2,057
Other	366	(3)	162	63	(16)	(57)	515
Total excluding EADS	**2,764**	**(61)**	**766**	**173**	**(27)**	**(52)**	**3,563**
EADS	103	-	1	55	(3)	1	157
Total, at cost	**2,867**	**(61)**	**767**	**228**	**(30)**	**(51)**	**3,720**

Amortization	January 1, 2004	Translation differences	Changes in group structure	Acquisitions	Disposals	Reclassifications	December 31, 2004
Research and development costs	(1)	-	-	-	-	-	(1)
Patents, licenses, trademarks and audiovisual rights	(837)	-	(18)	(124)	11	46	(922)
Publication titles and editorial assets	(83)	5	-	(43)	-	-	(121)
Other	(129)	2	(113)	(41)	13	9	(259)
Total excluding EADS	**(1,050)**	**7**	**(131)**	**(208)**	**24**	**55**	**(1,303)**
EADS	(54)	-	-	(21)	1	(1)	(75)
Total amortization	**(1,104)**	**7**	**(131)**	**(229)**	**25**	**54**	**(1,378)**

Net value	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Research and development costs	-	25	25	1	-	1
Patents, licenses, trademarks and audiovisual rights	68	56	124	30	47	77
Publication titles and editorial assets	1,936	-	1,936	1,446	-	1,446
Other	256	1	257	237	2	239
Total	**2,260**	**82**	**2,342**	**1,714**	**49**	**1,763**

Research and development costs for EADS charged to income in 2004 amounted to € 321 million (2003: € 330 million).

Publication titles and editorial assets, representing a total net value of € 1,936 million at December 31, 2004 (2003: € 1,446 million), mainly derive from the allocation of the excess cost of acquisitions over the net assets of the following companies acquired:

	December 31, 2004	December 31, 2003
Hachette Filipacchi Magazines Inc. (1)	658	710
Editis group	358	-
Hodder Headline group	204	-
Rusconi group (2)	164	204
Hachette Filipacchi UK	111	111
Nice Matin	76	76
Hachette Fujin Gaho (1)	60	61
Hachette Livre (Hatier group)	50	50
Hachette Filipacchi Médias	32	32
Quillet group	29	29
Salvat group	27	27
Hachette Filipacchi SA (Spain)	27	27

(1) Decrease resulting from the fall in the US dollar and the Japanese yen.
(2) € 40 million exceptional amortization recorded in 2004.

17.2 GOODWILL

	December 31, 2004	December 31, 2003
Gross value	2,466	2,412
Amortization	(804)	(676)
Total goodwill, net	**1,662**	**1,736**

No goodwill is charged directly to stockholders' equity. Goodwill relates to the following subsidiaries:

	Net book value		Amortization charge (excluding exceptional write-downs)	
	December 31, 2004	December 31, 2003	2004	2003
Lagardère*	29	35	6	6
Hachette Filipacchi Médias	559	596	37	37
Lagardere Active Broadcast group	146	155	14	13
Octopus group	48	50	3	3
Hatier group	32	35	3	3
Virgin SA	31	34	2	4
Orion group	29	31	2	2
Newslink	23	7	-	-
Nice Matin	19	20	2	2
Lapker group	16	16	1	1
Editis group	11	-	-	-
HDS France and Furet du Nord	11	11	-	-
DFA	7	8	-	-
SGEL (Coedis)	7	8	-	-
Gamma Presse group	3	7	4	4
Other	22	27	5	4
Total excluding EADS	**993**	**1,040**	**79**	**79**
EADS	669	696	43	45
Total goodwill, net and amortization charge	**1,662**	**1,736**	**122**	**124**

* Goodwill arising from the acquisition of Matra Hachette shares prior to the merger with Lagardère.

18 BORROWINGS

Maturities at December 31, 2004 were:

	Less than 1 year	1 to 5 years	Over 5 years	Total
Perpetual subordinated notes 1992	-	-	287	287
Bonds	788	331	732	1,851
Bank borrowings	27	846	207	1,080
Leasing contracts	10	83	29	122
Other long-term	168	124	106	398
Short-term borrowings	312	-	-	312
At December 31, 2004	**1,305**	**1,384**	**1,361**	**4,050**
At December 31, 2003	**478**	**2,093**	**1,248**	**3,819**

Excluding borrowings of the EADS segment, maturities were:

	Less than 1 year	1 to 5 years	Over 5 years	Total
Perpetual subordinated notes 1992	-	-	287	287
Bonds	788	310	504	1,602
Bank borrowings	27	807	-	834
Leasing contracts	10	58	22	90
Other long-term	168	87	5	260
Short-term borrowings	203	-	-	203
At December 31, 2004	**1,196**	**1,262**	**818**	**3,276**
At December 31, 2003	**330**	**1,938**	**834**	**3,102**

By currency, borrowings are analyzed as follows:

Currency	Excluding EADS			EADS		Total
	Rate of exchange	Currencies borrowed	Euro equivalents	Currencies borrowed	Euro equivalents	Euro equivalents
Euro zone	1.000	3,203	3 203	358	358	3,561
US $	1.362	7	6	444	326	332
Yen	139.650	4,469	32			32
Swiss francs	1.543	6	4			4
Pounds sterling	1.418	13	18	61	87	105
Other	-	-	13	-	3	16
Total			**3,276**		**774**	**4,050**

Excluding EADS, 76% of Group borrowings bear interest at variable rates.

18.1 BOND BORROWING EXCHANGEABLE FOR T-ONLINE SHARES

On July 1, 2002, Lagardère SCA issued bonds exchangeable for T-Online shares for € 767 million. The bonds have a maturity of three years and bear interest at 2.5% per year.

On July 1, 2005, the bonds will be redeemed, at the choice of the bondholder, either in cash at the issue price of € 1,000 per bond, or in T-Online shares if this option was chosen before June 22, 2005.

If the bondholder opts for shares, he will receive for each bond of € 1,000, 78.4314 shares in T-Online, which implicitly prices the T-Online shares at € 12.75 each.
The maximum number of T-Online shares which could be exchanged was therefore 60,202,688 at the date of issue, 86.5% of the total number of T-Online shares held by Lagardère.

At December 31, 2004, the market price of T-Online shares was € 9.84.
They are included in the financial statements at December 31, 2004 at a net book value of € 8.99 per share, the amount of the share purchase offer initiated by Deutsche Telekom on November 25, 2004 (see note 9 – Marketable securities).

18.2 RISKS ARISING FROM EARLY REDEMPTION CLAUSES INCLUDED IN CERTAIN CONTRACTS

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

Lagardère SCA is subject to such clauses in respect of:
– the US$ 500 million bonds issue of January 2001 and the € 150 million bond issue of July 2003;
– the syndicated bank loans obtained in June 2001 for € 1,350 million (not drawn down at December 31, 2004), and in July 2003 for € 770 million.

In all cases, the ratios are calculated every six months on the basis of the consolidated financial statements restated to include EADS by the equity method.

At December 31, 2004, stockholders' equity, gross indebtedness and net indebtedness calculated as defined in the contracts were within contractual limits, thus enabling Lagardère to raise new borrowings, if necessary, without the prior agreement of the existing lenders.

18.3 PERPETUAL SUBORDINATED NOTES ISSUED IN 1992

Matra Hachette SA issued a loan in this form in December 1992 for € 287 million.

The interest on this loan is at 6 months' Euribor plus 1.45%.

This loan differs from the 1988 perpetual subordinated loan (see note 22) for the following reasons:
– an agreement was made 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 payment of interest is exercisable if:
  • dividends are not paid to stockholders; and if
  • consolidated results show a loss higher than a quarter of net equity plus perpetual subordinated debt.

For these reasons, this loan has not been classified as part of Other permanent funds.

Interest expense thereon is not shown under Preferred remuneration but is included under Interest expense.

Premiums paid are included under Other investments and non-current assets, as are the premiums paid for perpetual subordinated notes issued in 1988. Premiums are adjusted annually for interest calculated actuarially.

19 FOREIGN EXCHANGE AND INTEREST RATE RISKS

19.1 EXCHANGE RATE RISKS

Lagardère, excluding EADS

The Group's exposure to foreign exchange rate risks arises from the conduct of its business in foreign countries or from commercial and investment transactions carried out in foreign currencies. It is Lagardère's policy to reduce this exposure by using foreign currency hedging instruments.

Whenever possible, foreign operations are financed through borrowings denominated in the subsidiary's local currency. In addition, major foreign subsidiaries, principally in the US, may use currency options during the year to cover expected earnings for the year, so as to guarantee the exchange rate at which their net income will be translated for inclusion in the consolidated financial statements.

For financial transactions, the only major risk of currency fluctuations relates to the servicing in US dollars of bond borrowings issued in 2001 and 2003. This exchange risk has been covered by forward purchases of US dollars.

EADS

For commercial transactions made by EADS, cash flows resulting from purchases and sales in foreign currencies are hedged through the use of foreign currency forward and option contracts.

19.2 INTEREST RATE RISKS

Lagardère, excluding EADS

Net cash surplus (cash in hand and current account deposits, plus marketable securities considered cash equivalents) earns interest at short-term interest rates. The significant amount of such surplus (€ 1,217 million) provides an effective cover against interest rate fluctuations for over 48% of the Group's variable rate borrowings (€ 2,507 million).

Lagardère's exposure to interest rate risks therefore only concerns the remaining € 1,290 million. An interest rate change of 1 point would result in a € 13 million change in interest expense.

Variable rate borrowings include loans initially contracted at variable rates, in particular bank loans, and loans initially contracted at fixed rates subsequently converted into variable rate loans.

Fixed rate borrowings principally include the bonds issued in 2002 for € 767 million; these bonds are exchangeable for T-Online securities and bear interest at 2.5%.

Lagardère does not make use of interest rate derivatives other than to hedge interest rate risks on financial assets and liabilities.

EADS

EADS aims to reduce its exposure to interest rate risks by using different types of financial instruments, including interest rate derivatives.

20 RESERVES FOR RISKS AND CHARGES

Reserves for risks and charges were as follows:

	December 31, 2004			December 31, 2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
Loss at completion and market risks	26	105	131	25	107	132
Restructuring and withdrawal costs	142	22	164	188	47	235
Litigation	170	61	231	211	68	279
Warranties	-	24	24	-	24	24
Retirement and similar benefits	114	615	729	81	587	668
Deferred tax liabilities	330	115	445	276	80	356
Other	251	239	490	215	292	507
Total reserves for risks and charges	**1,033**	**1,181**	**2,214**	**996**	**1,205**	**2,201**

The reserve for litigation covers risks identified at year-end, based on estimates of potential losses to the Group.

Warranty reserves include specific provisions for guarantees, as well as statistical estimates appropriate to each sector of activity.

Other reserves cover risks on financial commitments and subsidiary company risks.

Changes in reserves for risks and charges during 2004 are analyzed below:

Excluding EADS	January 1, 2004 (1)	Translation differences	Changes in group structure	Provisions for the year	Reserves used in the year	Reserves no longer required (2)	Reclassifications	December 31, 2004
Loss at completion and market risks	25	-	-	1	-	-	-	26
Restructuring and withdrawal costs	182	-	14	13	(28)	(40)	1	142
Litigation	204	-	1	32	(59)	(5)	(3)	170
Warranties	-	-	-	-	-	-	-	-
Retirement and similar benefits	81	(1)	32	11	(7)	(2)	-	114
Deferred tax liabilities	276	(14)	15	7	(7)	-	53	330
Other	228	-	9	127	(74)	(12)	(27)	251
Total excluding EADS	**996**	**(15)**	**71**	**191**	**(175)**	**(59)**	**24**	**1,033**
Operating income	-	-	-	(134)	84	16	-	-
Interest income	-	-	-	(8)	4	-	-	-
Non-operating income and taxes	-	-	-	(49)	87	43	-	-

(1) Certain provisions presented in the notes to the 2003 financial statements have been reclassified in the opening balance sheet at January 1, 2004 to be consistent with the presentation of movements for the year and year-end balances.
(2) Reserves no longer required relates for € 39 million to reserves booked in relation to the closing of the activity of Matra Automobile (see note 3 - Non-operating income (expenses), net).

EADS	January 1, 2004	Translation differences	Changes in group structure	Provisions for the year	Reserves used in the year	Reserves no longer required	Reclassifications	December 31, 2004
Loss at completion and market risks	107	-	-	26	(18)	(6)	(4)	105
Restructuring and withdrawal costs	47	-	-	6	(29)	(2)	-	22
Litigation	68	-	-	21	(25)	(3)	-	61
Warranties	24	-	-	11	(8)	(3)	-	24
Retirement and similar benefits	587	-	-	51	(25)	(2)	4	615
Deferred tax liabilities	80	-	-	35	-	-	-	115
Other	292	(1)	-	45	(61)	(36)	-	239
Total EADS	**1,205**	**(1)**	**0**	**195**	**(166)**	**(52)**	**0**	**1,181**
Operating income	-	-	-	(148)	137	47	-	-
Non-operating income and taxes	-	-	-	(47)	29	5	-	-

21 RESERVES FOR RETIREMENT AND SIMILAR BENEFITS

Total commitments for retirement and similar benefits, calculated as described in note 11 under C – Accounting principles and valuation methods, as compared to amounts provided for in the balance sheet were as follows:

	December 31, 2004	December 31, 2003
Reserves for retirement and similar benefits included in the balance sheet*	729	668
Incremental cost arising from the recalculation of actuarial present values of accumulated benefits *	100	58
Total commitments	**829**	**726**
* Of which: EADS		
– Balance sheet reserve	615	587
– Incremental cost	100	58
Total charges for the year	60	60
– of which: EADS	49	54

Total charges recorded in the income statement amounted to € 60 million in 2004 and 2003 (of which EADS: € 49 million in 2004 and € 54 million in 2003).

Assumptions used by French companies for the determination of their commitments were as follows:

	December 31, 2004	December 31, 2003
Discount rate	4.5%	4.5%
Projected wage increases	3%	3%

22 PERPETUAL SUBORDINATED NOTES

In December 1988, Matra SA and Hachette SA issued perpetual subordinated notes for US$ 250 million and US$ 200 million respectively, recorded in the balance sheet at historical rates for € 231 million and € 185 million. The notes were issued for an unlimited period, the interest rate being 6 months' Libor plus 1.10%. Interest is deferred if no dividend is paid to stockholders.

Following an agreement with a finance company, premiums of US$ 65 million and US$ 52 million were paid in exchange for the transfer of the servicing of the debt to the finance company, from year sixteen until the liquidation of the company. The agreement came into force in December 2003 for the notes issued by Matra, and February 2004 for those issued by Hachette.

The premiums are classified under Other investments and non-current assets. Interest income therefrom, calculated actuarially, is added each year to these premiums so that, at the end of the fifteenth year, premiums paid plus interest capitalized equal the nominal amount issued (€ 416 million since February 2004).

Interest expense, less interest capitalized, is shown under Preferred remuneration in the consolidated statement of income, together with reimbursement of interest received from the finance company. The net expense of € 0.5 million booked in 2004 corresponds to the net interest on the Hachette issue through February 2004. From that date, the reimbursement of interest received from the finance company for the two issues compensates the costs of service of the notes, so that the net expense in the income statement is nil.

Given their perpetual nature, the notes and corresponding premiums are translated into euros at historical rates.

23 STOCKHOLDERS' EQUITY

	Common stock	Additional paid in capital and retained earnings	Translation differences	Treasury stock	Total
Equity at January 1, 2003	**849**	**2,903**	**126**	**(194)**	**3,684**
Dividends paid	-	(111)	-	-	(111)
Capital increase ([1])	3	7	-	-	10
Translation difference	-	-	(35)	-	(35)
2003 net income	-	334	-	-	334
Equity at December 31, 2003	**852**	**3,133**	**91**	**(194)**	**3,882**
Dividends paid	-	(126)	-	-	(126)
Capital increase ([1])	7	25	-	-	32
Change in treasury stock ([2])	-	-	-	(16)	(16)
Translation difference	-	-	(123)	-	(123)
2004 net income	-	382	-	-	382
Equity at December 31, 2004	**859**	**3,414**	**(32)**	**(210)**	**4,031**

([1]) Options exercised.
([2]) In 2004, Lagardère purchased 562,609 of its own shares for a total cost of € 27 million, and sold 230,000 shares to its employees who exercised their stock options for a total price of € 11 million. The gain on sale of € 3 million was credited to stockholders' equity. At December 31, 2004, Lagardère held 4,733,103 of its own shares.

24 INFORMATION BY BUSINESS SEGMENT

Net sales	2004	2003
Book Publishing	1,431	959
Print Media	2,120	2,072
Distribution Services	4,366	4,333
Lagardere Active	677	580
Lagardère Media	**8,594**	**7,944**
EADS	4,795	4,510
Total net sales	**13,389**	**12,454**

Operating income	2004	2003
Book Publishing	173	107
Print Media	196	201
Distribution Services	98	92
Lagardere Active	49	27
Lagardère Media	**516**	**427**
EADS	361	232
Other Activities	(12)	12
Total operating income	**865**	**671**

Capital employed ([1])	December 31, 2004	December 31, 2003
Book Publishing ([2])	588	77
Print Media	2,185	2,092
Distribution Services	4 40	55
Lagardere Active	1,167	1,134
Advance paid (Editis)	-	1,166
Lagardère Media	**3,980**	**4,524**
EADS	534	648
Other Activities	237	(76)
Premiums on perpetual subordinated notes	643	625
Total capital employed	**5,394**	**5,721**

([1]) Fixed assets and working capital requirements.
([2]) Increase principally due to the acquisition of Editis.

Calculation of capital employed	December 31, 2004	December 31, 2003
Fixed and other non-current assets	9,198	9,446
Inventories	2,100	2,089
Prepayments	293	291
Trade receivables	2,408	1,726
Other receivables	1,451	1,531
Deferred charges	209	224
Reserves for risks and charges	(2,214)	(2,201)
Advances on contracts	(2,681)	(2,244)
Trade payables	(3,505)	(3,219)
Tax and social security payable	(712)	(716)
Deferred income	(721)	(710)
Total capital employed	(432)	(496)
Total	**5,394**	**5,721**

Cash flows in 2004	Book Publishing	Print Media	Distribution Services	Lagardere Active	Lagardère Media	EADS	Other Activities	Total Group
Gross cash flows from operations	155	127	123	150	**555**	465	(5)	**1,015**
Net change in working capital requirements	18	(5)	36	2	**51**	298	(61)	**288**
Net cash flows from operations	**173**	**122**	**159**	**152**	**606**	**763**	**(66)**	**1,303**
Acquisitions:								
– Fixed assets	(26)	(90)	(71)	(154)	**(341)**	(555)	(12)	**(908)**
– Long-term investments	(315)	(28)	(22)	(87)	**(452)**	(127)	(4)	**(583)**
Proceeds from sales of fixed assets and long-term investments	681	15	21	22	**739**	114	(3)	**850**
(Increase) decrease in marketable securities	-	-	(13)	-	**(13)**	(11)	-	**(24)**
Net cash flows from investments	**340**	**(103)**	**(85)**	**(219)**	**(67)**	**(579)**	**(19)**	**(665)**
Net cash flows from operations and investments	**513**	**19**	**74**	**(67)**	**539**	**184**	**(85)**	**638**

Cash flows in 2003	Book Publishing	Print Media	Distribution Services	Lagardere Active	Lagardère Media	EADS	Other Activities	Total Group
Gross cash flows from operations	83	136	112	97	**428**	372	13	**813**
Net change in working capital requirements	24	51	35	25	**135**	344	(52)	**427**
Net cash flows from operations	**107**	**187**	**147**	**122**	**563**	**716**	**(39)**	**1,240**
Acquisitions:								
– Fixed assets	(9)	(28)	(55)	(114)	**(206)**	(445)	(2)	**(653)**
– Long-term investments	(9)	(15)	(4)	(27)	**(55)**	(190)	(7)	**(252)**
Proceeds from sales of fixed assets and long-term investments	27	15	5	42	**89**	81	142	**312**
Decrease in marketable securities	-	-	-	-	-	46	21	**67**
Net cash flows from investments	**9**	**(28)**	**(54)**	**(99)**	**(172)**	**(508)**	**154**	**(526)**
Net cash flows from operations and investments	**116**	**159**	**93**	**23**	**391**	**208**	**115**	**714**

25 INFORMATION BY GEOGRAPHIC AREA

Net sales	2004			2003		
	Excluding EADS	EADS	Total Group	Excluding EADS	EADS	Total Group
France	3,675	502	4,177	3,439	527	3,966
European Union	2,813*	1,619	4,432	2,035	1,294	3,329
Other European countries	465	72	537	773	298	1,071
USA and Canada	1,338	1,316	2,654	1,465	1,206	2,671
Middle East	7	345	352	4	430	434
Asia-Pacific	233	746	979	197	577	774
Other countries (Africa, Latin America)	63	195	258	31	178	209
Total net sales	**8,594**	**4,795**	**13,389**	**7,944**	**4,510**	**12,454**

* Of which € 409 million for the countries which entered the European Union in 2004.

Fixed and other non-current assets	December 31, 2004	December 31, 2003
France	4,125	4,957
European Union	1,077	667
Other European countries	88	125
USA and Canada	694	745
Middle East	-	-
Asia-Pacific	97	84
Other countries (Africa, Latin America)	1	-
Total excluding EADS	**6,082**	**6,578**
EADS	3,116	2,868
Total fixed and other non-current assets	**9,198**	**9,446**

26 COMMITMENTS AND CONTINGENT LIABILITIES

26.1 LAGARDÈRE AND ITS SUBSIDIARIES, EXCLUDING EADS

Off-balance sheet commitments

Commitments under ordinary contracts:

– guarantees and performance guarantees 57

– guarantees on behalf of third parties or non-consolidated companies 61

Mortgages and pledges of assets 4

Commitments arising from transactions in securities:

– commitment to repurchase securities at fixed prices 1

Under certain circumstances, Lagardère may be compelled to acquire non-Group interests in consolidated subsidiaries, at prices to be determined by contradictory or expert valuations carried out at the time of the transaction.

Owing to stock purchase options granted to employees, Lagardère SCA is committed to remit the following shares to the beneficiaries:

– 1,219,500 shares at a contractual exercise price of € 47.00 each;
  options exercisable between December 19, 2003 and December 19, 2008;
– 1,299,000 shares at a contractual exercise price of € 52.02 each;
  options exercisable between December 19, 2004 and December 19, 2009;
– 1,429,650 shares at a contractual exercise price of € 52.02 each;
  options exercisable between December 19, 2005 and December 19, 2013;
– 1,568,750 shares at a contractual exercise price of € 52.50 each;
  options exercisable between November 21, 2006 and November 20, 2014.

Commitments arising from currency or interest rates hedging transactions:

Financial hedges, excluding perpetual subordinated notes	Amount*	Market value
Exchange rate risks		
Forward sales of currencies	109	(2)
Forward purchases of currencies	14	(1)
Interest rate risks		
Interest rate swaps	286	9
Currency/interest hedges		
Currency and interest rate swaps	598	(169)

Financial hedges relating to perpetual subordinated notes issued in 1992	Amount*	Market value
Interest rate swaps, for notional amount of notes issued in 1992	481	-

* Euro equivalent of the contracts for exchange rate risk hedging instruments, and notional amount of the contracts for other instruments.

Amounts shown above in respect of hedging contracts correspond to:
– for currency hedges, the amount of forward purchases or sales of currencies, translated into euros at the contracted rates;
– for interest rate hedges, the notional amount of the contracts.

As indicated in note 19, the above derivatives are used solely to hedge financial assets and liabilities. Market values shown above are therefore not recorded in the financial statements.

Commitments received:

– counter guarantees for commitments given 1
– other commitments received 19

Other information

Future lease payments under operating leases:

Future lease payments due under non-cancelable operating leases, including guaranteed minimum payments under leases of press distribution shops, were as follows at December 31, 2004:

2005	148
2006	129
2007	109
2008	83
2009	64
2010 and beyond	121
Total	**654**
Unused lines of credit:	1,549

26.2 EADS

Except for a € 23 million guarantee for lease payments granted to a subsidiary of EADS (reported under 26_1 above), there is no other guarantee or commitment given by Lagardère to the benefit of the EADS group that is not counter guaranteed by EADS NV or by another entity in the EADS group.

EADS' commitments are described below (figures indicated are based on Lagardère's percentage interest).

Commitments for aircraft sales financing

As a result of its investments in Airbus and ATR, EADS is engaged in sales financing transactions on behalf of selected customers.

Certain sales transactions include the sale and lease back of the aircraft with a third party lessor under an operating lease. At December 31, 2004, undiscounted future lease payments amounted to:

(in millions €)	2004
Due in 2005	26
After 2005 but not later than 2009	109
After 2009	141
Total	**276**

A substantial part of these commitments is backed by lease income receivable by EADS in the amount of € 208 million, of which € 170 million was sold without recourse.

Credit sales are generally guaranteed by a lien on the aircraft thus financed and by protective covenants included in the sales contracts, and the resulting net exposure is estimated using an internal risk-pricing model. At December 31, 2004, the net risk associated with credit sales was estimated at:

– Total risk	556
– Estimated value of liens and similar sureties	(335)
– Net risk	221

In order to provide for potential losses likely to arise from credit sales, specific provisions are made to reduce the net book value of the asset in question (€ 151 million at December 31, 2004), or general provisions for risks are increased (€ 70 million at December 31, 2004). Other commitments consist of asset value guarantees with exercise periods limited in time and not extending beyond 2018. At December 31, 2004, the amount outstanding under such guarantees was € 184 million, including € 62 million in respect of guarantees for which the risk of exercise is considered to be nil. The balance, i.e. € 122 million, was covered by provisions totaling € 71 million.

Commitments to finance aircraft on order

While EADS also has commitments to provide financing related to aircraft on order at Airbus and ATR, such commitments are not considered to be part of its gross exposure to credit risks insofar as the financing terms and conditions are generally only known when the aircraft are delivered and, based on past experience, it is considered that such financing is unlikely actually to be put in place.

Pension commitments

EADS has several common investments with BAe Systems (BAES), of which the most significant in terms of employees are Airbus and MBDA. In respect of each investment, for so long as BAES remains a shareholder, UK employees may stay in the BAES pensions schemes, which currently qualify as defined benefit plans. According to UK Accounting Standard FRS 17, BAES has disclosed for its pension schemes in UK and US a net (after tax) pension liability as of December 31, 2004 in a total amount of £ 2,990 million. As participants in the BAES schemes, EADS investments are potentially affected by any shortfall of BAES schemes. However, the agreements between EADS and BAES have the effect of capping the contributions that the investment has to make to the pension scheme for a certain period of time (e.g. until 2011 for Airbus). Any additional contribution would be paid by BAES. EADS is therefore not exposed to increased contribution payments resulting from the pension underfunding during the period of the contribution caps. At present, EADS has only limited information about how the underfunding could impact the investments after the period of contribution caps has expired. Consequently, EADS expenses the contributions made to the pension scheme as if the plans were defined contribution plans.

Future lease payments

Future lease payments due by EADS under non-cancelable leases (office premises, vehicles, etc.) amounted to € 147 million at December 31, 2004. Maturities were as follows:

(in millions €)	2004
Due in 2005	14
After 2005 but not later than 2009	45
After 2009	88

Other guarantees

EADS has granted various guarantees to reimburse advances and performance guarantees extended in connection with orders received under long-term contracts. It also has commitments to purchase property, plant and equipment.

Unused lines of credit

At December 31, 2004, the EADS group had unused authorized lines of credit totaling € 302 million.

27 EMPLOYEES

Average number of employees in 2004 and 2003:

	2004	2003
Book Publishing	6,433	3,720
Print Media	9,488	7,723
Distribution Services	12,032	12,603
Lagardere Active	2,287	2,193
Lagardère Media	**30,240**	**26,239**
EADS	16,707	16,409
Other Activities	340	361
Total operating income	**47,287**	**43,009**

In the above table, employees of companies proportionately consolidated are included at the percentage interest held by Lagardère.

28 REMUNERATION PAID TO MANAGING PARTNERS AND TO MEMBERS OF THE SUPERVISORY BOARD

In 2004, a total gross remuneration of € 6,355,950 was paid to Lagardère SCA's managing partners and members of the Supervisory Board for the functions held by them in Group companies (including EADS group).

Attendance fees paid to members of the Supervisory Board in 2004 totaled € 425,000.

29 CONTRIBUTION OF EADS TO LAGARDĒRE'S CONSOLIDATED FINANCIAL STATEMENTS

Presented below is a reconciliation of EADS' published income statement figures with the restated amounts included in Lagardère's consolidated statement of income for the years 2004 and 2003. It should be noted that:

– reclassifications were made in order to present under Lagardère's format the amounts initially published by EADS using different accounting policies;

– restatements were also made for the purposes of adjusting EADS' consolidated financial statements in accordance with the accounting methods used by Lagardère. Foreign currency transactions were translated using the rates of exchange at which the corresponding cash flows were hedged. In consequence, fair value adjustments recorded by EADS on certain of its foreign exchange instruments were eliminated. This applied up to and including the very early part of 2004 in view of the specificities of certain hedging instruments then used by EADS and now settled. Value adjustments resulting from acquisitions, made by EADS in respect of the contributions received from Aerospatiale Matra and Dasa were also eliminated, so that these contributions were included in Lagardère's consolidated financial statements at historical cost. Finally, EADS having ceased to amortize goodwill from January 1, 2004 in application of a new IFRS, an amortization charge has been reinstated for those amounts of goodwill which had not been restated at inception and which therefore had been maintained in Lagardère's consolidated financial statements.

(in millions €)	Reclassifications – 2004					
	EADS 100% published	Capital gains on disposals	Restructuring costs	Contribution of companies taken at equity	Provisions on financial assets	EADS 100% in Lagardère's format
Net sales	**31,761**	**-**	**-**	**-**	**-**	**31,761**
Operating income	2,143	(7)	128	-	2	2,266
Interest expense, net	(246)	-	-	(88)	(2)	(336)
Operating income after interest	**1,897**	**(7)**	**128**	**(88)**	**0**	**1,930**
Non-operating income (expenses), net	-	7	(128)	-	-	(121)
Income taxes	(664)	-	-	-	-	(664)
Amortization of goodwill	-	-	-	-	-	0
Share in net income of companies taken at equity	-	-	-	88	-	88
Minority interests	(203)	-	-	-	-	(203)
Net income	**1,030**	**0**	**0**	**0**	**0**	**1,030**

(in millions €)	Reclassifications – 2003						
	EADS 100% published	Capital gains on disposals	Restructuring costs	Amortization of goodwill	Contribution of companies taken at equity	Provisions on financial assets	EADS 100% in Lagardère's format
Net sales	**30,133**	**-**	**-**	**-**	**-**	**-**	**30,133**
Operating income	561	(28)	361	567	-	96	1,557
Interest expense, net	131				(224)	(96)	(189)
Operating income after interest	**692**	**(28)**	**361**	**567**	**(224)**	**0**	**1,368**
Non-operating income (expenses), net	-	28	(361)	-	-	-	(333)
Income taxes	(474)	-	-	-	-	-	(474)
Amortization of goodwill	-	-	-	(567)	-	-	(567)
Share in net income of companies taken at equity	-	-	-	-	224	-	224
Minority interests	(66)	-	-	-	-	-	(66)
Net income	**152**	**0**	**0**	**0**	**0**	**0**	**152**

(in millions €)	Restatements to Lagardère's accounting policies - 2004						
	EADS 100% (in Lagardère's format)	Foreign exchange	Amortization of goodwill	EADS 100% (restated)	EADS 15.10%	Dilution effect	EADS 15.10% (as consolidated by Lagardère)
Net sales	**31,761**	**-**	**-**	**31,761**	**4,795**	**-**	**4,795**
Operating income	2,266	(9)	137	2,394	361	-	361
Interest expense, net	(336)	-	-	(336)	(51)	-	(51)
Operating income after interest	**1,930**	**(9)**	**137**	**2,058**	**310**	**-**	**310**
Non-operating expenses, net	(121)	-	-	(121)	(18)	(4)	(22)
Income taxes	(664)	3	(53)	(714)	(107)	-	(107)
Amortization of goodwill	0	-	(289)	(289)	(43)	-	(43)
Share in net income of companies taken at equity	88	-	-	88	13	-	13
Minority interests	(203)	-	38	(165)	(25)	-	(25)
Net income	**1,030**	**(6)**	**(167)**	**857**	**130**	**(4)**	**126**

(in millions €)	Restatements to Lagardère's accounting policies - 2003					
	EADS 100% (in Lagardère's format)	Foreign exchange	Amortization of goodwill	Fair value adjustment*	EADS 100% (restated)	EADS 15.07% (as consolidated by Lagardère)
Net sales	**30,133**	**(197)**	**-**	**-**	**29,936**	**4,510**
Operating income	1,557	(161)	149	-	1,545	232
Interest expense, net	(189)	9	-	41	(139)	(20)
Operating income after interest	**1,368**	**(152)**	**149**	**41**	**1,406**	**212**
Non-operating loss	(333)	-	6	-	(327)	(49)
Income taxes	(474)	55	(56)	-	(475)	(72)
Amortization of goodwill	(567)	-	271	-	(296)	(45)
Share in net income of companies taken at equity	224	-	26	-	250	38
Minority interests	(66)	20	(41)	-	(87)	(13)
Net income	**152**	**(77)**	**355**	**41**	**471**	**71**

* Release of provision for write-down of EADS' treasury stock reclassified to marketable securities, following the increase in market value.

Consolidated statements of income for the years ended December 31

(in millions €)	2004			2003		
	Excluding EADS	EADS 15.10%	Lagardère Group	Excluding EADS	EADS 15.07%	Lagardère Group
Operating revenues						
Net sales	8,594.3	4,795.1	13,389.4	7,944.0	4,510.4	12,454.4
Other operating revenues	584.5	3.3	587.8	604.1	10.2	614.3
Total operating revenues	**9,178.8**	**4,798.4**	**13,977.2**	**8,548.1**	**4,520.6**	**13,068.7**
Operating expenses						
Purchases and changes in inventories	(4,426.6)	(2,943.1)	(7,369.7)	(4,267.6)	(2,829.8)	(7,097.4)
Payroll costs	(1,519.9)	(1,197.6)	(2,717.5)	(1,377.2)	(1,144.6)	(2,521.8)
Depreciation, amortization and provisions	(312.5)	(271.6)	(584.1)	(245.3)	(277.1)	(522.4)
Other operating expenses	(2,416.3)	(24.7)	(2,441.0)	(2,219.5)	(36.3)	(2,255.8)
Total operating expenses	**(8,675.3)**	**(4,437.0)**	**(13,112.3)**	**(8,109.6)**	**(4,287.8)**	**(12,397.4)**
Operating income	**503.5**	**361.4**	**864.9**	**438.5**	**232.8**	**671.3**
Interest income (expense), net	44.0	(50.7)	(6.7)	62.8	(20.9)	41.9
Non-operating income (expenses), net	(78.4)	(22.0)	(100.4)	(29.7)	(49.2)	(78.9)
Preferred remuneration	(0.5)	-	(0.5)	(8.1)	-	(8.1)
Amortization of goodwill	(78.4)	(43.6)	(122.0)	(79.0)	(44.6)	(123.6)
Income taxes	(151.0)	(107.8)	(258.8)	(121.7)	(71.6)	(193.3)
Net income (loss) from companies accounted for by the equity method	40.1	13.3	53.4	11.5	37.6	49.1
Net income (loss) before minority interests	**279.3**	**150.6**	**429.9**	**274.3**	**84.1**	**358.4**
Minority interests	(23.0)	(25.0)	(48.0)	(11.3)	(13.2)	(24.5)
NET INCOME	**256.3**	**125.6**	**381.9**	**263.0**	**70.9**	**333.9**

Consolidated balance sheet at December 31

	2004			2003		
Assets (in millions €)	Excluding EADS	EADS 15.10%	Lagardère Group	Excluding EADS	EADS 15.04%	Lagardère Group
Current assets						
Cash and cash equivalents	469.2	1,316.1	1,785.3	464.9	1,113.3	1,578.2
Marketable securities	1,494.1	97.3	1,591.4	971.1	100.4	1, 071.5
Trade receivables, net	1,270.2	1,137.4	2,407.6	777.2	949.0	1,726.2
Inventories, net	510.3	1,590.0	2,100.3	460.9	1,628.1	2,089.0
Other receivables, prepayments and deferred charges	895.4	1,058.0	1,953.4	956.0	1,089.7	2,045.7
Total current assets	**4,639.2**	**5,198.8**	**9,838.0**	**3,630.1**	**4,880.5**	**8,510.6**
Investments accounted for by the equity method	1,358.8	164.1	1,522.9	1,349.2	153.7	1,502.9
Other investments and non-current assets	805.6	355.6	1,161.2	1,945.9	371.4	2,317.3
Property, plant and equipment	665.5	1,845.1	2,510.6	528.3	1,598.6	2,126.9
Intangible assets, net	3,252.2	751.6	4,003.8	2,753.9	744.9	3,498.8
Fixed and other non-current assets	**6,082.1**	**3,116.4**	**9,198.5**	**6,577.3**	**2,868.6**	**9,445.9**
TOTAL ASSETS	**10,721.3**	**8,315.2**	**19,036.5**	**10,207.4**	**7,749.1**	**17,956.5**
Liabilities and stockholders' equity						
Liabilities						
Trade payables	1,631.4	1,874.1	3,505.5	1,522.6	1,696.5	3,219.1
Advances on contracts	32.1	2,648.8	2,680.9	15.9	2,228.0	2,243.9
Borrowings	3,275.8	773.8	4,049.6	3,102.3	716.7	3,819.0
Other payables and provisions	1,202.0	663.2	1,865.2	1,164.3	757.4	1,921.7
Reserves for risks and charges	1,032.8	1,181.4	2,214.2	995.6	1,205.4	2,201.0
Total liabilities	**7,174.1**	**7,141.3**	**14,315.4**	**6,800.7**	**6,604.0**	**13,404.7**
Perpetual subordinated notes	415.8	-	415.8	415.8	-	415.8
Minority interests	162.7	111.6	274.3	146.8	107.7	254.5
Total permanent funds	**578.5**	**111.6**	**690.1**	**562.6**	**107.7**	**670.3**
Stockholders' equity						
Capital stock	859.0	-	859.0	851.7	-	851.7
Additional paid-in capital and retained earnings	2,109.7	1,062.3	3,172.0	1,992.4	1,037.4	3,029.8
Total stockholders' equity	**2,968.7**	**1,062.3**	**4,031.0**	**2,844.1**	**1,037.4**	**3,881.5**
Total permanent funds and stockholders' equity	**3,547.2**	**1,173.9**	**4,721.1**	**3,406.7**	**1,145.1**	**4,551.8**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**10,721.3**	**8,315.2**	**19,036.5**	**10,207.4**	**7,749.1**	**17,956.5**

Consolidated statements of cash flows for the years ended December 31

(in millions €)	2004			2003		
	Excluding EADS	EADS	Lagardère Group	Excluding EADS	EADS	Lagardère Group
Net income	**256.3**	**125.6**	**381.9**	**263.0**	**70.9**	**333.9**
Adjustments to reconcile net income to net cash flows from operating activities						
Minority interests in net income	23.0	25.0	48.0	11.3	13.2	24.5
Depreciation, amortization and provisions, net	238.6	234.8	473.4	208.8	344.7	553.5
Gains on disposals of fixed assets, net of tax	(5.6)	(1.2)	(6.8)	(50.0)	(4.3)	(54.3)
Share of (income) loss of companies accounted for by the equity method	(40.1)	(13.3)	(53.4)	(11.5)	(37.6)	(49.1)
Dividends received from companies accounted for by the equity method	36.1	5.5	41.6	18.7	5.8	24.5
Net change in deferred taxes [1]	41.9	88.6	130.5	0.4	(20.5)	(20.1)
Net change in working capital requirements	(10.1)	297.9	287.8	83.2	343.6	426.8
Net cash flows from operations	**540.1**	**762.9**	**1,303.0**	**523.9**	**715.8**	**1,239.7**
Acquisitions of fixed assets	(352.9)	(554.6)	(907.5)	(207.9)	(444.6)	(652.5)
Long-term financial investments	(456.6)	(127.2)	(583.8)	(62.2)	(190.3)	(252.5)
Proceeds from sales of fixed assets and investments	709.0	97.4	806.4	163.8	68.4	232.2
Decrease in other non-current assets	27.4	16.6	44.0	67.3	12.6	79.9
Decrease (increase) in marketable securities	(12.7)	(10.7)	(23.4)	21.5	46.0	67.5
Net cash flows from investments	**(85.8)**	**(578.5)**	**(664.3)**	**(17.5)**	**(507.9)**	**(525.4)**
Net cash flows from operations and investments	**454.3**	**184.4**	**638.7**	**506.4**	**207.9**	**714.3**
Increase (decrease) in borrowings	(133.1)	71.6	(61.5)	(119.1)	170.6	51.5
Issue of common stock in parent company	31.6	-	31.6	10.3	-	10.3
Adjustments of minority interests from capital reorganizations	1.2	-	1.2	2.4	-	2.4
Acquisition of treasury stock	(19.5)	-	(19.5)	-	-	-
Dividends paid to stockholders [2]	(76.6)	(49.1)	(125.7)	(74.0)	(36.7)	(110.7)
Dividends paid to minority interests	(15.9)	(9.7)	(25.6)	(13.3)	(5.7)	(19.0)
Net cash flows from financing activities	**(212.3)**	**12.8**	**(199.5)**	**(193.7)**	**128.2**	**(65.5)**
Effect on cash of deconsolidation of Matra Automobile	-	-	-	(301.6)	-	(301.6)
Effect on cash of acquisition of Editis	127.8	-	127.8	-	-	-
Effect on cash of exchange rate fluctuations	(1.6)	(2.3)	(3.9)	(40.7)	(2.3)	(43.0)
Effect on cash of other movements	(120.2)	6.1	(114.1)	(0.7)	(24.0)	(24.7)
Net increase (decrease) in cash	**248.0**	**201.0**	**449.0**	**(30.3)**	**309.8**	**279.5**
Net cash, beginning of year	**765.8**	**1,115.2**	**1,881.0**	**796.1**	**805.4**	**1,601.5**
Net cash, end of year	**1,013.8**	**1,316.2**	**2,330.0**	**765.8**	**1,115.2**	**1,881.0**

([1]) Including release of the provision for taxes on T-Online capital gain.
([2]) Including the portion of net income paid to the general partners.

FULLY CONSOLIDATED COMPANIES AT DECEMBER 31, 2004

BOOK PUBLISHING

Company	Head Office	Registration number	% holding	% control
HACHETTE LIVRE	43, quai de Grenelle 75015 PARIS, France	602 060 147	100.00	100.00
AIQUE GRUPO EDITOR SA ARGENTINE	MADRID, Spain		100.00	100.00
ARMAND COLIN SAS	21, rue du Montparnasse 75006 PARIS, France	415 344 162	99.94	99.94
BIBLIO PARTICIPATIONS	43, quai de Grenelle 75015 PARIS, France	377 627 583	100.00	100.00
CALMANN LEVY	3, rue Auber 75009 PARIS, France	572 082 279	69.57	69.57
CHAMBERS HARRAPS PUBLISHER	EDINBURGH, Scotland		100.00	100.00
DIFFULIVRE	SAINT SULPICE, Switzerland		100.00	100.00
DILIBEL	ALLEUR, Belgium		100.00	100.00
DISTRIBUCION AIQUE SA	BUENOS AIRES, Argentina		100.00	100.00
DUNOD EDITEUR SA	5, rue Laroniguère 75005 PARIS, France	316 053 628	99.99	99.99
EDDL	5, rue du Pont de Lodi 75006 PARIS, France	403 202 252	100.00	100.00
EDITION N°1	43, quai de Grenelle 75015 PARIS, France	312 285 745	100.00	100.00
EDITIONS DALLOZ SA	31/35, rue Froidevaux 75014 PARIS, France	572 195 550	99.51	99.51
EDITIONS GRASSET ET FASQUELLE	61, rue des Saints Pères 75006 PARIS, France	562 023 705	95.00	95.37
EDITIONS JEAN-CLAUDE LATTES	17, rue Jacob - 75006 PARIS, France	682 028 659	100.00	100.00
EDITIONS LAROUSSE	21, rue du Montparnasse 75006 PARIS, France	451 344 170	99.94	99.95
EDITIONS LAROUSSE MEXIQUE	MEXICO CITY, Mexico		100.00	100.00
EDITIONS STOCK	27, rue Cassette - 75006 PARIS, France	612 035 659	100.00	100.00
EDUCATION MANAGMENT SA	58, rue Jean Bleuzen 92170 VANVES, France	582 057 816	100.00	100.00
FERNAND HAZAN EDITEUR	64, quai Marcel Cachin 94290 VILLENEUVE LE ROI, France	562 030 221	99.94	100.00
GIE NORMA	103, avenue des Champs-Elysées 75008 PARIS, France	389 487 562	99.80	100.00
GROUPE HATIER INTERNATIONAL	31, rue de Fleurus - 75006 PARIS, France	572 079 093	100.00	100.00
H.L. 93	43, quai de Grenelle 75015 PARIS, France	390 674 133	100.00	100.00
H.L. FINANCES	58, rue Jean Bleuzen 92170 VANVES, France	384 562 070	99.90	100.00
HACHETTE COLLECTIONS	43, quai de Grenelle 75015 PARIS, France	395 291 644	100.00	100.00
HACHETTE COLLECTIONS JAPON	TOKYO, Japan		100.00	100.00
HACHETTE FASCICOLI	MILAN, Italy		100.00	100.00
HACHETTE JD (formerly DISNEY HACHETTE EDITION)	43, quai de Grenelle 75015 PARIS, France	384 094 769	100.00	100.00

BOOK PUBLISHING (continued)

Company	Head Office	Registration number	% holding	% control
HACHETTE LIVRE UK (formerly HL 99)	LONDON, United Kingdom		100.00	100.00
HACHETTE PARTWORKS Ltd	LONDON, United Kingdom		100.00	100.00
HATIER DEVELOPPEMENT	1, avenue Gutemberg 78316 MAUREPAS CEDEX, France	302 655 089	100.00	100.00
JURIS SERVICE	12, quai André Lassagne 69001 LYON, France	325 909 380	99.99	99.99
LAROUSSE SA	21, rue du Montparnasse 75006 PARIS, France	401 457 213	100.00	100.00
LE LIVRE DE PARIS	58, rue Jean Bleuzen 92170 VANVES, France	542 042 114	100.00	100.00
LIBRAIRIE ARTHEME FAYARD	75, rue des Saints Pères 75006 PARIS, France	562 136 895	99.89	99.89
LIBRAIRIE GENERALE FRANCAISE (L.G.F.)	43, quai de Grenelle 75015 PARIS, France	542 086 749	79.99	80.00
SAMAS SA	58, rue Jean Bleuzen 92170 VANVES, France	775 663 321	99.80	99.80
SPES EDITORIAL SL	BARCELONA, Spain		100.00	100.00
SYLEMMA ANDRIEU	Place du Moulin-Wette 60120 BONNEUIL-LES-EAUX, France	711 720 458	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 EDITIONS DIDIER	13, rue de l'Odéon 75006 PARIS, France	313 042 541	100.00	100.00
LES EDITIONS FOUCHER	31, rue de Fleurus - 75006 PARIS, France	352 559 066	100.00	100.00
LES EDITIONS HATIER	8, rue d'Assas - 75006 PARIS, France	352 585 624	100.00	100.00
LIBRAIRIE PAPETERIE NATIONALE	CASABLANCA, Marocco		99.99	100.00
RAGEOT EDITEUR	6, rue d'Assas - 75006 PARIS, France	572 022 978	100.00	100.00
S.C.I. ASSAS RASPAIL	8, rue d'Assas - 75006 PARIS, France	315 844 431	100.00	100.00
S.C.I. DU 63 BOULEVARD RASPAIL	63, boulevard Raspail 75006 PARIS, France	315 830 034	100.00	100.00
S.C.I. DU 8/8bis RUE D'ASSAS	8, rue d'Assas - 75006 PARIS, France	315 844 423	100.00	100.00
SALVAT GROUP				
SALVAT EDITORES S.A.	BARCELONA, Spain		100.00	100.00
EDITORIAL SALVAT SL	BARCELONA, Spain		100.00	100.00
GRUPO EDITORIAL BRUNO SL	MADRID, Spain		100.00	100.00
HACHETTE LATINOAMERICA	MEXICO CITY, Mexico		100.00	100.00
PAG SL	BARCELONA, Spain		100.00	100.00
SALVAT EDITORES PORTUGAL	LISBON, Portugal		100.00	100.00
ORION GROUP				
ORION PUBLISHING GROUP LTD	LONDON, United Kingdom		98.75	98.75
LITTLE HAMPTON BOOK SERVICE LTD	LONDON, United Kingdom		98.75	100.00

BOOK PUBLISHING (continued)

Company	Head Office	Registration number	% holding	% control
OCTOPUS GROUP				
OCTOPUS PUBLISHING LTD	LONDON, United Kingdom		100.00	100.00
CONRAN OCTOPUS LTD	LONDON, United Kingdom		100.00	100.00
HODDER HEADLINE GROUP				
HODDER HEADLINE LTD	LONDON, United Kingdom		100.00	100.00
ALLIANCE DISTRIBUTION SERVICES PTY LTD	TUGGERA, Australia		50.00	50.00
BOOKPOINT LTD	ABINGDON, United Kingdom		100.00	100.00
HEADLINE BOOK PUBLISHING LTD	LONDON, United Kingdom		100.00	100.00
HODDER & STOUGHTON LTD	LONDON, United Kingdom		100.00	100.00
HODDER & STOUGHTON HOLDINGS LTD	LONDON, United Kingdom		100.00	100.00
HODDER HEADLINE AUSTRALIA PTY LTD	SYDNEY, Australia		100.00	100.00
HODDER MOA BECKETT PUBLISHER LTD	AUCKLAND, New Zealand		100.00	100.00
JOHN MURRAY (PUBLISHER) LTD	LONDON, United Kingdom		100.00	100.00
ANAYA GROUP				
GRUPO ANAYA SA	MADRID, Spain		100.00	100.00
ALGAIDA EDITORES SA	SEVILLE, Spain		100.00	100.00
ALIANZA EDITORIAL SA	MADRID, Spain		99.20	99.20
ALIANZA EDITORIAL MEXICANA	MEXICO CITY, Mexico		99.20	99.20
COMERCIAL GRUPO ANAYA SA	MADRID, Spain		100.00	100.00
EDITORIAL BARCANOVA SA	BARCELONA, Spain		100.00	100.00
EDICIONES TORMES SA	MADRID, Spain		100.00	100.00
EDICIONES XERAIS DE GALICIA SA	VIGO, Spain		100.00	100.00

PRINT MEDIA

Company	Head Office	Registration number	% holding	% control
HACHETTE FILIPACCHI MEDIAS	151, rue Anatole France 92300 LEVALLOIS-PERRET, France	642 015 440	100.00	100.00
HACHETTE FILIPACCHI PRESSE	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	582 101 424	99.97	99.97
BEIJING HACHETTE ADVERTISING	HONG KONG, China		99.97	100.00
COLOMBIER 58	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	351 183 611	99.94	99.98
COMPAGNIE IMMOBILIERE EUROPA	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	407 662 329	99.98	100.00
COMPAGNIE INTERNATIONALE DE PRESSE ET DE PUBLICITE (C.I.P.P.)	MONTE-CARLO, Monaco		50.98	51.00
COMUNICACION Y PUBLICACIONES	BARCELONA, Spain		73.37	74.00
CORSE PRESSE	214, route de Grenoble 06200 NICE, France	423 375 922	88.61	99.99
DIVERSIFED MEDIA COMPANY LTD	NICOSIA, Cyprus		50.98	100.00
EDITORAS DE REVISTAS Y SUPLEMENTOS SL	MADRID, Spain		99.97	100.00

PRINT MEDIA (continued)

Company	Head Office	Registration number	% holding	% control
EDIZIONI ITALO FRANCESI (EDIF)	MILAN, Italy		99.97	100.00
EUROSUD PUBLICITE	248, avenue Roger Salengro 13015 MARSEILLE, France	071 800 098	88.49	99.89
F.E.P. U.K. LTD	LONDON, United Kingdom		99.97	100.00
FENGISTONE HOLDING LTD	NICOSIA, Cyprus		50.98	100.00
FINANCIERE COMBOUL	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	423 101 971	99.96	100.00
GROUPE HACHETTE FILIPACCHI PHOTOS (formerly Hafimage)	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	431 716 513	99.85	99.88
H.F PRESSE UKRAINE	KIEV, Ukraine		50.98	51.00
HACHETTE DECORATION PUBLICATION (formerly BHP)	20, rue de Billancourt 92100 BOULOGNE-BILLANCOURT, France	432 087 724	99.97	100.00
HACHETTE EDITION VENTURES	BRUSSELS, Belgium		50.98	100.00
HACHETTE FILIPACCHI 2000 SPOL	PRAGUE, Czech Republic		50.98	51.00
HACHETTE FILIPACCHI ASSOCIES	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	324 286 319	99.97	100.00
HACHETTE FILIPACCHI EXPANSION	MEXICO CITY, Mexico		51.00	100.00
HACHETTE FILIPACCHI FILM	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	572 028 959	99.97	100.00
HACHETTE FILIPACCHI HOLDINGS US	NEW YORK, USA		99.97	100.00
HACHETTE FILIPACCHI HONG KONG Ltd	HONG KONG, China		99.97	100.00
HACHETTE FILIPACCHI INTERDECO	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	321 376 600	99.97	100.00
HACHETTE FILIPACCHI INVESTISSEMENTS	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	339 257 172	99.98	99.99
HACHETTE FILIPACCHI NORGE AS	OSLO, Norway		99.97	100.00
HACHETTE FILIPACCHI POLSKA	WARSAW, Poland		99.97	100.00
HACHETTE FILIPACCHI PRESSE AUTOMOBILE	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	393 471 461	99.91	100.00
HACHETTE FILIPACCHI PRESSE FINANCES	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	410 208 136	99.97	100.00
HACHETTE FILIPACCHI PROSPECTIVE	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	300 938 826	99.97	100.00
HACHETTE FILIPACCHI PUBLICACOES LDA	LISBON, Portugal		99.11	100.00
HACHETTE FILIPACCHI S.A.	MADRID, Spain		99.11	99.14
HACHETTE FILIPACCHI SVERIGE AB	STOCKHOLM, Sweden		99.97	100.00
HACHETTE FILIPACCHI TAIWAN	TAIPEH, Taiwan		99.97	100.00
HACHETTE FILIPACCHI UK LTD	LONDON, United Kingdom		99.97	100.00
HACHETTE FUJIN GAHO	TOKYO, Japan		99.97	100.00
HACHETTE INTERDECO S.A.	MADRID, Spain		99.32	100.00
HACHETTE MAGAZINE VDB	AMSTERDAM, Netherlands		50.98	51.00
HACHETTE PHOTOS PRESSE (formerly GAMMA PRESSE)	13, rue d'Enghien 75010 PARIS, France	379 412 000	99.85	100.00
AGENCE PHOTOGRAPHIQUE RAPHO	13, rue d'Enghien 75010 PARIS, France	562 032 490	99.95	100.00

PRINT MEDIA (continued)

Company	Head Office	Registration number	% holding	% control
H F DUTCH TRADEMARK HOLDING BV (formerly PACIFIC MAGAZINES AND PRINTING)	AMSTERDAM, Netherlands		99.97	100.00
HACHETTE PHOTOS ILLUSTRATION (formerly HOA QUI)	13, rue d'Enghien 75010 PARIS, France	582 053 393	99.85	100.00
HACHETTE RUSCONI EDITORE	MILAN, Italy		100.00	100.00
HACHETTE RUSCONI PUBBLICITA	MILAN, Italy		100.00	100.00
IMEDIA PRESSE	14, avenue Pierre Mendès France 67300 SCHILTIGHEIM, France	339 301 467	99.91	99.94
INTERDECO	23, rue Baudin 92300 LEVALLOIS-PERRET, France	345 404 040	99.97	100.00
INTERDECO GLOBAL ADVERTISING	23, rue Baudin 92300 LEVALLOIS-PERRET, France	350 277 059	99.72	100.00
INTERDECO HACHETTE ADVERTISING POLSKA	WARSAW, Poland		99.97	100.00
INTERDECO SCANDINAVIA	STOCKHOLM, Sweden		99.97	100.00
INTERMAG	23, rue Baudin 92300 LEVALLOIS-PERRET, France	382 841 930	99.97	100.00
INTERNATIONAL MEDIA HOLDING BV (IMH)	AMSTERDAM, Netherlands		99.97	100.00
INTERNATIONAL PUBLICATIONS HOLDING (IPH)	AMSTERDAM, Netherlands		99.97	100.00
KATZ	LONDON, United Kingdom		99.95	100.00
KEYSTONE	13, rue d'Enghien - 75010 PARIS, France	692 021 371	99.80	100.00
LA PROVENCE	248, avenue Roger Salengro 13015 MARSEILLE, France	056 806 813	99.78	99.82
LA REPUBLIQUE	11, rue Mirabeau 83000 TOULON, France	549 500 635	77.42	99.68
LES EDITIONS FILIPACCHI	151, rue Anatole France 92300 LEVALLOIS-PERRET, France	712 003 516	99.97	100.00
MAISON D'EDITION HFS	MOSCOW, Russia		50.98	100.00
MARSEILLE PRESSE	248, avenue Roger Salengro 13015 MARSEILLE, France	440 993 871	99.78	100.00
METROPOLE MEDIA PRESSE	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	424 798 577	73.35	73.38
MONTREUX PUBLICATIONS	MONTREUX, Switzerland		50.09	50.10
MULTIEDICIONES UNIVERSALES	MADRID, Spain		99.97	100.00
NICE MATIN	214, route de Grenoble 06290 NICE CEDEX 3, France	955 801 204	77.46	99.00
NOU. MAG. SRL	MILAN, Italy		100.00	100.00
PRESSINTER	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	407 679 026	99.97	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	99.96
PUBLICATIONS GROUPE LOISIRS (P.G.L.)	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	338 195 720	99.97	100.00
QUILLET S.A.	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	542 043 971	99.96	99.73
REGISCOPE	133, avenue des Champs Elysées 75008 PARIS, France	662 025 451	100.00	100.00

PRINT MEDIA (continued)

Company	Head Office	Registration number	% holding	% control
REVISTAS HISPANO AMERICANAS	MADRID, Spain		99.11	100.00
SOCIETE DE CONCEPTION DE PRESSE ET D'EDITION (S.C.P.E.)	149-151, rue Anatole France 92300 LEVALLOIS-PERRET, France	431 876 499	79.97	79.97
SOCIETE DE TRAITEMENT DES PRODUITS DE PRESSE (S.T.P.P.)	10, rue Thierry Le Luron 92592 LEVALLOIS-PERRET CEDEX, France	732 053 491	99.97	100.00
SOCIETE D'EXPLOITATION DES AGENCES DE PRESSE	7/9, rue de la Bourse 75002 PARIS, France	391 817 467	99.97	100.00
SOCIETE D'INFORMATION ET DE PUBLICATION	151, rue Anatole France 92300 LEVALLOIS-PERRET, France	324 864 172	99.92	99.93
SODIPHO (formerly MPA)	13, rue d'Enghien - 75010 PARIS, France	382 799 245	99.85	100.00
SOGIDE	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	311 845 226	59.98	60.00
TELEPHONE PUBLISHING GROUP				
TELEPHONE PUBLISHING	MADRID, Spain		71.75	72.40
GABINETE ASTROLOGICO	MADRID, Spain		71.75	100.00
SISTEMAS TELEFONICOS AUXILIARES	MADRID, Spain		71.75	100.00
TELEFONIA DE FUTURO	MADRID, Spain		71.75	100.00
VALOR ANADIDO TELEFONICO	MADRID, Spain		71.75	100.00
IMG GROUP				
I.M.G.	MOSCOW, Russia		43.30	85.00
AGENTSTVO V KAZHDY DOM N	NIZHNIY NOVGOROD, Russia		39.00	90.00
ANTENNA (MINSK)	MINSK, Russia		23.83	55.00
EDITORIAL OFFICE OF NEWSPAPER	MOSCOW, Russia		47.16	100.00
EDITORIAL OFFICE TELESEM	ASTRAKHAN, Russia		22.10	51.00
EXPRESS-SOCTCHI	SOTCHI, Russia		24.70	57.00
GAZETA NIZHEGORODSKI RABOCHI	NIZHNIY NOVGOROD, Russia		22.33	51.54
GAZETA PRIZYV	VLADIMIR, Russia		20.80	48.00
GAZETA TELENEDELYA	YEKATERINBURG, Russia		43.33	100.00
GAZETA TELENEDELYA	PERM, Russia		23.40	54.00
GAZETA TELESEM	MAGNITOGORSK, Russia		22.10	51.00
GAZETA V KAZHDY DOM	YEKATERINBURG, Russia		43.33	100.00
GAZETA VA-BANK	YEKATERINBURG, Russia		43.33	100.00
MEDIA RESERVE (VLADIMIR)	VLADIMIR, Russia		43.33	100.00
MEDIA RESERVE (VOLGOGRAD)	VOLGOGRAD , Russia		43.33	100.00
MEDIA RESERVE (CHISINAU)	CHISINAU, Russia		22.10	51.00
MEDIA RESERVE (KAZAN)	KAZAN, Russia		21.67	50.00
MEDIA RESERVE (KURSK)	KURSK, Russia		43.33	100.00
MEDIA RESERVE (RYAZAN)	RYAZAN, Russia		29.90	69.00
MEDIA RESERVE (SAMARA)	SAMARA, Russia		43.33	100.00
MEDIA RESERVE (SOTCHI)	SOTCHI, Russia		43.33	100.00
MIG	MOSCOW, Russia		43.33	100.00
RG PRESS -SERVICE	YEKATERINBURG, Russia		43.33	100.00
TELESEM V ASTRAKHANI	ASTRAKHAN, Russia		43.33	100.00

PRINT MEDIA (continued)

Company	Head Office	Registration number	% holding	% control
TELESEM IRKUTSK	IRKUTSK, Russia		22.10	51.00
TELESEM V SARANSKE	SARANSK, Russia		35.97	83.00
TELESEM - CHELIABINSK	CHELYABINSK, Russia		35.97	83.00
TELESEM - TYUMEN	TYUMEN, Russia		22.10	51.00
TELESEM - KEMEROVO	KEMEROVO, Russia		28.60	66.00
TELESEM (BARNAUD)	BARNAUL, Russia		28.60	100.00
TELESEM (KRASNODAR)	KRASNODAR, Russia		43.33	100.00
TELESEM (KRASNOYARSK)	KRASNOYARSK, Russia		43.33	100.00
TELESEM (LIPETSK)	LIPETSK, Russia		22.10	51.00
TELESEM (NOVOSIBIRSK)	NOVOSIBIRSK, Russia		28.60	66.00
TELESEM (OMSK)	OMSK, Russia		28.60	100.00
TELESEM (RYAZAN)	RYAZAN, Russia		22.10	51.00
TELESEM (STAVROPOL)	STAVROPOL, Russia		43.33	100.00
TELESEM (SURGUT)	SURGUT, Russia		22.10	51.00
TELESEM (YAROSLAVl)	YAROSLAVL, Russia		43.33	100.00
TELESEM V CHEBOKSARAKH	CHEBOKSARY, Russia		26.96	90.00
TELESEM V KAZANI	KAZAN, Russia		22.10	51.00
TELESEM V KIROVE	KIROV, Russia		18.34	51.00
TELESEM V ROSTOVE	ROSTOV-ON-DON, Russia		43.33	100.00
TELESEM V TVERI	TVER, Russia		22.10	51.00
TELESEM V UFE	UFA, Russia		22.10	51.00
TELESEM V ULIANOVSKE	ULIANOVSK, Russia		28.17	65.00
TELESEM VB VOLGOGRADE	VOLGOGRAD, Russia		42.90	99.00
TELESEM VN. NOVGORODE	NIZHNIY NOVGOROD, Russia		35.97	83.00
TELESEM VO VLADIVOSTOKE	VLADIVOSTOK, Russia		14.59	51.00
TELESEM. TOMSK	TOMSK, Russia		17.16	60.00
TELESEM-ORENBURG	ORENBURG, Russia		39.00	90.00
TELESEM-PENZA	PENZA, Russia		18.34	51.00
TELESEM-SAMARA	SAMARA, Russia		21.67	50.00
TELESEM-SARATOV	SARATOV, Russia		39.00	90.00
TELESEM-VLADIMIR	VLADIMIR, Russia		32.50	75.00
VA BANK (PERM)	PERM, Russia		33.37	77.00
VA-BANK V NOVOSIBIRSKE	NOVOSIBIRSK, Russia		43.33	100.00
VA-BANK-KAZAN	KAZAN, Russia		22.10	51.00

DISTRIBUTION SERVICES

Company	Head Office	Registration number	% holding	% control
HACHETTE DISTRIBUTION SERVICES	2, rue Lord Byron - 75008 PARIS, France	330 814 732	100.00	100.00
AELIA	114, avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE, France	380 253 518	79.50	100.00
AELIA UK	LONDON, United Kingdom		79.50	100.00
AEROBOUTIQUE FRANCE	114, avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE, France	380 193 938	79.50	100.00
AEROBOUTIQUE INFLIGHT RETAIL	ZAC du Parc 12, rue St Exupéry - BP 301 77 290 COMPANS, France	408 053 809	52.37	65.88
AEROBOUTIQUE INFLIGHT RETAIL UK	LONDON, United Kingdom		52.39	100.00
AEROBOUTIQUE RETAIL GROUPE	LONDON, United Kingdom		52.39	100.00
AEROBOUTIQUE SALES GROUPE	CASABLANCA, Marocco		41.84	79.87
AMP	BRUSSELS, Belgium		92.60	92.20
ALVADIS	BRUSSELS, Belgium		92.60	100.00
CHAUSSEM	BRUSSELS, Belgium		92.59	99.99
CURTIS CIRCULATION COMPANY	PENNSAUKEN, USA		90.00	90.00
DIPRENSA	MADRID, Spain		66.86	66.86
DISTRIDIJLE	MALINES, Belgium		92.42	100.00
DISTRILIM	HASSELT, Belgium		92.42	100.00
DISTRINEWS	BRUSSELS, Belgium		92.42	100.00
DISTRISUD	LIEGE, Belgium		92.18	99.74
DISTRIVESDRE	VERVIERS, Belgium		78.56	85.00
DISTRIWEST NV	REKKEM, Belgium		92.42	100.00
DUTY FREE ASSOCIATES	114, avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE, France	423 402 312	79.50	100.00
DYNAPRESSE	CAROUGE, Switzerland		62.28	100.00
EURODIS	114, avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE, France	428 705 982	79.34	99.80
HACHETTE DISTRIBUTION & SERVICES	BRUSSELS, Belgium		92.42	100.00
HACHETTE DISTRIBUTION SERVICES FRANCE	2, rue Lord Byron - 75008 PARIS, France	389 540 378	100.00	100.00
HACHETTE DISTRIBUTION INC.	PENNSAUKEN, USA		100.00	100.00
H.D.S. AUSTRALIA PTY	SYDNEY, Australia		100.00	100.00
H.D.S. CANADA	MONTREAL, Canada		100.00	100.00
H.D.S. DEUTSCHLAND	HUERTH HERMUELHEIM, Germany		100.00	100.00
H.D.S. EINZELHANDEL	DIETZENBACH, Germany		100.00	100.00
H.D.S. POLSKA	WARSAW, Poland		100.00	100.00
H.D.S. RETAIL NORTH AMERICA	NEW YORK, USA		100.00	100.00
INMEDIO	GDANSK, Poland		100.00	100.00
INTERNATIONALE PRESSE	DIETZENBACH, Germany		75.10	100.00
I.B.D.	OSTENDE, Belgium		92.60	100.00
LE FURET DU NORD	37, Rue Jules Guesde 59160 LOMME, France	459 500 864	99.83	99.85
MARKEDIS	MADRID, Spain	451 199 947	100.00	100.00

DISTRIBUTION SERVICES (continued)

Company	Head Office	Registration number	% holding	% control
MEDICOM SANTE	126, rue Jules Guesde 92300 LEVALLOIS-PERRET, France			
MUSIC RAILWAY	52, avenue des Champs-Elysées 75008 PARIS, France	414 434 431	99.99	100.00
NAVILLE	CAROUGE, Switzerland		62.34	100.00
NEWSLINK	SYDNEY, Australia		100.00	100.00
O.L.F.	FRIBOURG, Switzerland		62.34	100.00
PAYOT NAVILLE DISTRIBUTION	FRIBOURG, Switzerland		62.34	65.00
PAYOT S.A.	LAUSANNE, Switzerland		62.32	99.97
PRESSE IMPORT SA	CORMINBOEUF, Switzerland		62.34	100.00
PRESS RELAY LOGAN	NEW YORK, USA		87.00	87.00
PRESS RELAY / RMD - DELTA	NEW YORK, USA		83.00	83.00
PRESS RELAY WASHINGTON NATIONAL	NEW YORK, USA		90.00	90.00
PRESS-SHOP ALG	BRUSSELS, Belgium		75.69	81.75
RELAIS H	126, rue Jules Guesde 92300 LEVALLOIS-PERRET, France	542 095 336	100.00	100.00
SAARBACH	HUERTH HERMUELHEIM, Germany		75.10	75.10
SARESCHRI	114, avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE, France	418 459 566	39.75	50.00
SCHULZE GMBH	DIETZENBACH, Germany		100.00	100.00
SCSC	126, rue Jules Guesde 92300 LEVALLOIS-PERRET, France	431 960 004	100.00	100.00
SECJ	126, rue Jules Guesde 92300 LEVALLOIS-PERRET, France	447 707 571	60.00	60.00
SIGMA	MADRID, Spain		100.00	100.00
SOCIEDAD GENERAL ESPANOLA DE LIBRERIA (SGEL)	MADRID, Spain		100.00	100.00
SPECIAL INTEREST	DIETZENBACH, Germany		75.10	100.00
VIRGIN CAFE	15 boulevard du Général Leclerc 92110 CLICHY, France	309 481 158	100.00	100.00
VIRGIN IMMOBILIER PLACEMENT	16 boulevard du Général Leclerc 92110 CLICHY, France	377 977 269	100.00	100.00
VIRGIN STORES	17 boulevard du Général Leclerc 92110 CLICHY, France	344 260 286	100.00	100.00
ZENDIS ESPANA	MADRID, Spain		100.00	100.00
LAPKER GROUP				
LAPKER	BUDAPEST, Hungary		80.01	80.01
BAKONYHIR	BUDAPEST, Hungary		80.01	100.00
BUVIHIR	BUDAPEST, Hungary		80.01	100.00
DELHIR	BUDAPEST, Hungary		80.01	100.00
ESZAKHIR	BUDAPEST, Hungary		80.01	100.00
HIRKER	BUDAPEST, Hungary		80.01	100.00
KISKER	BUDAPEST, Hungary		80.01	100.00
KOROSHIR	BUDAPEST, Hungary		80.01	100.00

DISTRIBUTION SERVICES (continued)

Company	Head Office	Registration number	% holding	% control
PANNONHIR	BUDAPEST, Hungary		80.01	100.00
PELSOHIR	BUDAPEST, Hungary		80.01	100.00
RABAHIR	BUDAPEST, Hungary		80.01	100.00
RONAHIR	BUDAPEST, Hungary		80.01	100.00

LAGARDERE ACTIVE

Company	Head Office	Registration number	% holding	% control
LAGARDERE ACTIVE BROADCAST GROUP				
LAGARDERE ACTIVE BROADCAST	57, rue Grimaldi 98000 MONACO, Monaco	775 751 779	99.18	99.32
13 PRODUCTION	6 A, rue Crinas Prolongée 13007 MARSEILLE, France	332 148 303	66.20	100.00
AKA FILMS	64, rue du Château 92100 BOULOGNE, France	434 096 293	34.37	51.49
AMAYA-TECHNISONOR	1, rond-point Victor Hugo 92130 ISSY LES MOULINEAUX, France	542 088 604	66.20	100.00
ATLANTIQUE DROITS AUDIOVISUELS	28, rue François 1er - 75008 PARIS, France	388 301 079	66.20	100.00
ATLANTIQUE PRODUCTIONS	27, rue Marbeuf - 75008 PARIS, France	324 873 421	66.20	100.00
AUBES PRODUCTIONS	27, rue Marbeuf - 75008 PARIS, France	429 138 019	30.04	45.00
BELVEDERE PRODUCTIONS	25, rue François 1er - 75008 PARIS, France	350 492 757	66.20	100.00
BR COM	28, rue François 1er - 75008 PARIS, France	421 379 108	100.00	100.00
C.E.R.T.	SAAREBRUCKEN, Germany		99.81	99.81
CANAL J	78, rue Olivier de Serres 75015 PARIS, France	343 509 048	32.87	100.00
CANAL J INTERNATIONAL	78, rue Olivier de Serres 75015 PARIS, France	342 059 466	32.87	100.00
COMPAGNIE DES CHAINES THEMATIQUES	78, rue Olivier de Serres 75015 PARIS, France	392 810 263	64.46	99.99
D.M.L.S. J	20, rue Pergolèse - 75016 PARIS, France	431 280 460	33.15	50.00
D.M.L.S. TV	20, rue Pergolèse - 75016 PARIS, France	413 155 524	66.20	100.00
DEMD PRODUCTIONS (formerly PATHE TELEVISION)	27, rue Marbeuf - 75008 PARIS, France	377 608 377	66.20	100.00
EDI POLOGNE	28, rue François 1er - 75008 PARIS, France	420 304 180	59.50	100.00
EDI ROMANIA	BUCHAREST, Romania		79.94	80.00
EDITIONS MUSICALES FRANCOIS 1er	14, rue Pergolèse - 75 016 PARIS, France	381 649 771	66.82	100.00
EUROPA PLUS FRANCE	26 bis, rue François 1er - 75008 PARIS, France	354 076 176	77.35	85.60
EUROPA PLUS NIJNI NOVGOROD	NIZHNIY NOVGOROD, Russia		98.00	100.00
EUROPA PLUS ST PETERSBOURG ZAO	St-PETERSBOURG, Russia		96.43	98.40
EUROPA PLUS ZAO	MOSCOW, Russia		98.00	100.00
EUROPE 1 IMMOBILIER	26 bis, rue François 1er - 75008 PARIS, France	622 009 959	89.16	90.00
EUROPE 1 TELECOMPAGNIE	26 bis, rue François 1er - 75008 PARIS, France	542 168 463	99.04	100.00
EUROPE 2 COMMUNICATION	26 bis, rue François 1er - 75008 PARIS, France	339 696 072	99.13	100.00
EUROPE 2 ENTREPRISES	28, rue François 1er - 75008 PARIS, France	352 819 577	99.13	100.00

LAGARDERE ACTIVE (continued)

Company	Head Office	Registration number	% holding	% control
EUROPE 2 PARIS	28, rue François 1er - 75008 PARIS, France	331 100 446	99.13	100.00
EUROPE 2 PRAGUE	PRAGUE, Czech Republic		99.17	100.00
EUROPE AUDIOVISUEL	26 bis, rue François 1er - 75008 PARIS, France	309 001 477	66.20	100.00
EUROPE AUDIOVISUEL DEVELOPPEMENT	57, rue Grimaldi 98000 - MONACO, Monaco		66.20	100.00
EUROPE DEVELOPPEMENT CZECH REPUBLIC	PRAGUE, Czech Republic		99.17	100.00
EUROPE FM	28, rue François 1er - 75008 PARIS, France	405 188 871	99.16	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	99.00	100.00
FRANKFURT BUSINESS RADIO GmbH & Co KG	FRANKFURT, Germany		60.14	60.26
GMT PRODUCTIONS	64, rue du Château 92100 BOULOGNE, France	342 171 667	66.20	100.00
HACHETTE PREMIERE & CIE	25, rue François 1er - 75008 PARIS, France	334 805 686	66.20	100.00
IMAGE & COMPAGNIE	14, rue Pergolèse - 75 016 PARIS, France	334 027 620	66.20	100.00
IMAGES ET SON CONSEIL	57, rue Grimaldi 98000 - MONACO, Monaco		99.17	100.00
INFINITIV	PRAGUE, Czech Republic		99.17	100.00
INTEGRATED NETWORKS	MOSCOW, Russia		49.98	51.00
IRS FRANCE	28, rue François 1er - 75008 PARIS, France	378 394 258	99.15	100.00
ANGEL PRODUCTIONS	1, rond-point Victor Hugo 92130 ISSY LES MOULINEAUX, France	384 015 491	66.20	100.00
KANOKO BV	AMSTERDAM, Netherlands		59.50	60.00
LA CHAINE METEO	78, rue Olivier de Serres 75015 PARIS, France	393 326 285	64.46	100.00
LAGARDERE ACTIVE FM	28, rue François 1er - 75008 PARIS, France	441 942 760	99.14	100.00
LAGARDERE ACTIVE PUBLICITE	28, rue François 1er - 75008 PARIS, France	383 085 883	99.17	100.00
LAGARDERE ACTIVE PUBLICITE INTERNET	28, rue François 1er - 75008 PARIS, France	407 529 320	99.17	100.00
LAGARDERE ACTIVE PUBLICITE REGIONS	28, rue François 1er - 75008 PARIS, France	329 209 993	99.16	100.00
LAGARDERE ACTIVE RADIO INTERNATIONAL	28, rue François 1er - 75008 PARIS, France	388 404 717	99.17	100.00
LAGARDERE ACTIVE RESSOURCES	28, rue François 1er - 75008 PARIS, France	353 057 854	99.17	100.00
LAGARDERE IMAGES	28, rue François 1er - 75008 PARIS, France	334 595 881	64.46	65.00
LAGARDERE IMAGES INTERNATIONAL	1, rond-point Victor Hugo 92130 ISSY LES MOULINEAUX, France	612 039 164	66.20	100.00
LAGARDERE NETWORKS INTERNATIONAL	1, rond-point Victor Hugo 92130 ISSY LES MOULINEAUX, France	381 651 744	66.30	100.00
LAGARDERE THEMATIQUES	32, rue François 1er - 75008 PARIS, France	350 787 594	32.87	51.00
LARI DEUTSCHLAND GMBH	SAARBRUCKEN, Germany		100.00	100.00
LAROCCO GROUP	MOSCOW, Russia		98.00	100.00
LEO VISION	27, rue Jean Bleuzen 92170 VANVES, France	383 160 942	66.75	100.00
LES FILMS D'ICI	12, rue Clavel - 75019 PARIS, France	329 460 448	48.32	73.00
LES PRODUCTIONS 22	50, Rue Marcel Dassault 92100 BOULOGNE, France	423 324 862	66.20	100.00

LAGARDERE ACTIVE (continued)

Company	Head Office	Registration number	% holding	% control
M5	1, rond-point Victor Hugo 92130 ISSY LES MOULINEAUX, France	329 641 872	66.20	100.00
MATCH TV	28, rue François 1er - 75008 PARIS, France	438 604 738	64.44	99.97
MAXIMAL NEWS TELEVISION	28, rue François 1er - 75008 PARIS, France	384 316 907	33.10	100.00
MAXIMAL PRODUCTIONS	28, rue François 1er - 75008 PARIS, France	432 608 313	66.20	100.00
MAYAK PLUS	MOSCOW, Russia		61.74	63.00
MCM	78, rue Olivier de Serres 75015 PARIS, France	384 939 484	32.87	100.00
MCM BELGIQUE	BRUSSELS, Belgium		32.87	99.98
MEDIA PLUS ZAO	MOSCOW, Russia		98.00	100.00
MEZZO	78, rue Olivier de Serres 75015 PARIS, France	418 141 685	19.80	60.00
PALETTE PRODUCTION	140, rue de Rivoli - 75001 PARIS, France	398 762 955	49.50	74.80
PARIS NEWS	1, rond-point Victor Hugo 92130 ISSY LES MOULINEAUX, France	417 778 727	66.20	100.00
PERFORMANCES	28, rue François 1er - 75008 PARIS, France	327 655 551	94.05	100.00
PROMOTION ET SPECTACLES d'EUROPE 1	26 bis, rue François 1er - 75008 PARIS, France	632 042 495	99.50	100.00
RADIO 4 IN 1	FRANKFURT, Germany		99.81	100.00
RADIO MERCHANDISING COMPANY	PRAGUE, Czech Republic		99.17	100.00
RADIO RETRO ZAO	MOSCOW, Russia		98.00	100.00
REGIE 1	28, rue François 1er - 75008 PARIS, France	383 154 663	50.37	51.00
REGIE RADIO MUSIC	26 bis, rue François 1er - 75008 PARIS, France	341 949 923	99.20	100.00
RFM ENTREPRISES	28, rue François 1er - 75008 PARIS, France	400 283 768	100.00	100.00
RG FREKVENCE 1	PRAGUE, Czech Republic		93.47	100.00
RRM BUCAREST	BUCHAREST, Romania		89.25	100.00
RRM PRAGUE	PRAGUE, Czech Republic		99.17	100.00
SATELJ	78, rue Olivier de Serres 75015 PARIS, France	380 200 485	66.20	100.00
EUROPE 2 NORMANDIE	10, rue Sadi Carnot - 14000 CAEN, France	347 736 597	99.13	100.00
SOFINEUROPE	25, rue François 1er - 75008 PARIS, France	404 213 126	96.45	96.45
SOLOVEICIK & Cie	1, rond-point Victor Hugo 92130 ISSY LES MOULINEAUX, France	424 230 225	66.20	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
LAGARDERE ACTIVE BROADBAND				
LAGARDERE ACTIVE	121, avenue de Malakoff 75016 PARIS, France	428 705 537	100.00	100.00
CYBERTERRE	43, quai de Grenelle - 75015 PARIS, France	434 661 419	100.00	100.00
EUROPE 1 INTERACTIVE	11, rue de Cambrai - 75019 PARIS, France	415 096 502	100.00	100.00
HACHETTE BOOK GROUP Inc	NEW YORK, USA		100.00	100.00
HACHETTE PRODUCTIONS Inc.	NEW YORK, USA		100.00	100.00
HACHETTE MUTIMEDIA	11, rue de Cambrai - 75019 PARIS, France	390 287 407	100.00	100.00
LAGARDERE ACTIVE BROADBAND	11, rue de Cambrai - 75019 PARIS, France	343 611 208	100.00	100.00

LAGARDERE ACTIVE (continued)				
Company	Head Office	Registration number	% holding	% control
LAGARDERE ACTIVE BROADBAND MANAGEMENT	11, rue de Cambrai - 75019 PARIS, France	420 442 428	100.00	100.00
L.A.N.A.	NEW YORK, USA		100.00	100.00
MEDIACAST	11, rue de Cambrai - 75019 PARIS, France	428 706 170	99.80	99.80
PLURIMEDIA	11, rue de Cambrai - 75019 PARIS, France	420 919 904	99.80	99.80
PLURIMEDIA SPECTACLES	11, rue de Cambrai - 75019 PARIS, France	334 937 563	99.96	99.96
TELEVISION HOLDINGS	121, avenue de Malakoff 75016 PARIS, France	401 570 502	100.00	100.00
LEGION GROUP				
LEGION GROUP SA	121, avenue de Malakoff 75016 PARIS, France	388 581 555	100.00	100.00
FABIAN HOLDINGS BV	AMSTERDAM, Netherlands		100.00	100.00
GREENLAND INTERACTIVE Ltd	LONDON, United Kingdom		50.00	50.00
LEGION UK Ltd	LONDON, United Kingdom		100.00	100.00
LEGION TELEKOMMUNIKATION GmbH	DUSSELDORF, Germany		100.00	100.00
WAP TOO	8, rue de Hanovre 75002 PARIS, France	431 411 016	100.00	100.00

OTHER ACTIVITIES

Company	Head Office	Registration number	% holding	% control
LAGARDERE SCA	4, rue de Presbourg - 75116 PARIS, France	320 366 446		
ARLIS	6, rue Laurent Pichat - 75016 PARIS, France	400 231 056	100.00	100.00
DARIADE	121, avenue de Malakoff 75016 PARIS, France	400 231 072	100.00	100.00
DESIRADE	121, avenue de Malakoff 75016 PARIS, France	402 345 268	100.00	100.00
ECRINVEST 4	121, avenue de Malakoff 75016 PARIS, France	434 211 793	100.00	100.00
ECRINVEST 7	121, avenue de Malakoff 75016 PARIS, France	451 291 371	100.00	100.00
EDIFINANCE PARTICIPATION	121, avenue de Malakoff 75016 PARIS, France	440143741	100.00	100.00
HACHETTE S.A.	4, rue de Presbourg - 75116 PARIS, France	402 345 128	100.00	100.00
HELIOS	121, avenue de Malakoff 75016 PARIS, France	433 436 870	100.00	100.00
HOLPA	121, avenue de Malakoff 75016 PARIS, France	572 011 526	100.00	100.00
LAGARDERE NORTH AMERICA, Inc	NEW YORK, USA		100.00	100.00
LAGARDERE RESSOURCES	121, avenue de Malakoff 75016 PARIS, France	348 991 167	100.00	100.00
M N C	121, avenue de Malakoff 75016 PARIS, France	345 078 927	100.00	100.00
M.P. 55	121, avenue de Malakoff 75016 PARIS, France	344 646 021	100.00	100.00
M.P. 65	121, avenue de Malakoff 75016 PARIS, France	348 971 854	99.42	99.42
M.P. 98	121, avenue de Malakoff 75016 PARIS, France	387 941 636	99.42	100.00
MATRA MANUFACTURING & SERVICES - DEP (formerly MATRA AUTOMOBILE - DEP)	8, avenue Jean d'Alembert - B.P. 2 78191 TRAPPES, France		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
PROMOTEC 5000 SL	MADRID, Spain		100.00	100.00
SOFRIMO	121, avenue de Malakoff 75016 PARIS, France	569 803 687	100.00	100.00
SOPREDIS	5, place des Marseillais 94220 CHARENTON-LE-PONT, France	602 020 455	100.00	100.00

OTHER ACTIVITIES (continued)

Company	Head Office	Registration number	% holding	% control
ARJIL & CIE GROUP				
ARJIL & CIE	43, rue Vineuse - 75116 PARIS, France	320 366 453	99.92	99.92
ARJIL & ASSOCIES BANQUE	43, rue Vineuse - 75116 PARIS, France	418 883 203	99.92	100.00
TRANSPORT SYSTMEMS 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
MATRA TRANSIT Inc	ILLINOIS, USA		100.00	100.00
SOFIMATRANS	4, rue de Presbourg - 75116 PARIS, France	325 646 388	100.00	100.00

COMPANIES CONSOLIDATED USING THE PROPORTIONATE METHOD AT DECEMBER 31, 2004

BOOK PUBLISHING

Company	Head Office	Registration number	% holding	% control
HARLEQUIN S.A.	83/85, boulevard Vincent Auriol 75013 PARIS, France	318 671 591	50.00	50.00

PRINT MEDIA

Company	Head Office	Registration number	% holding	% control
DECOREVISTAS	MADRID, Spain		49.99	50.00
DISNEY HACHETTE PRESSE	10, rue Thierry Le Luron 92300 LEVALLOIS-PERRET, France	380 254 763	49.99	50.00
ELLE VERLAG	MUNICH, Germany		49.99	50.00
HACHETTE FILIPACCHI MAG. SP. Z00	WARSAW, Poland		49.00	49.00
HACHETTE MARIE-CLAIRE ITALIA	MILAN, Italy		49.00	49.00
HACHETTE MARIE-CLAIRE RUSSIE	MOSCOW, Russia		49.00	49.00
HACHETTE NEXT MEDIA	SEOUL, South Korea		49.99	50.00
INTERQUOT SNC	23, rue Baudin 92300 LEVALLOIS-PERRET, France	439 758 509	49.99	50.00
SOCIETE DE PRESSE FEMININE	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	441 174 554	50.00	50.00
SOCIETE DE H & H	149, rue Anatole France 92300 LEVALLOIS-PERRET, France	452 134 307	49.99	50.00
PSYCHOLOGIE MAGAZINE GROUP				
PSYCHOLOGIES MAGAZINE (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	49.00	100.00

DISTRIBUTION SERVICES

Company	Head Office	Registration number	% holding	% control
ADL PARTNER SUISSE	CAROUGE, Switzerland		31.17	50.00
AMADEO	PRAGUE, Czech Republic		50.00	100.00
HDS RETAIL CZ	PRAGUE, Czech Republic		50.00	50.00
HUNGARO PRESSE	BUDAPEST, Hungary		50.00	50.00
LOGAIR	4, place de Londres 95726 ROISSY CEDEX, France	443 014 527	26.14	50.00
M. TRAFIK	PRAGUE, Czech Republic		50.00	100.00
SOCIETE DE DISTRIBUTION AEROPORTUAIRE	114, avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE, France	552 016 628	40.54	51.00
VIRGIN MEGA	52, avenue des Champs Elysées 75008 PARIS, France	432 573 806	49.00	49.00

LAGARDERE ACTIVE

Company	Head Office	Registration number	% holding	% control
LAGARDERE ACTIVE BROADCAST GROUP				
107.8 ANTENNE AC GmbH	WÜRSELEN, Germany		44.91	45.00
107.8 ANTENNE AC GmbH & Co. KG	WÜRSELEN, Germany		44.91	45.00
B3COM	14, rue Pergolèse - 75116 PARIS, France	428 586 390	33.37	50.00
CAPITAL IMAGE	64, rue du Château 92100 BOULOGNE BILLANCOURT, France		33.37	50.00
EURO RADIO SAAR	SAARBRUCKEN, Germany		44.91	45.00
EUROZET	WARSAW, Poland		29.37	48.93
NOUVELLES TELEVISONS NUMERIQUES	28, rue François 1er - 75008 PARIS, France	449 779 487	32.50	50.00
PHARE OUEST PRODUCTIONS	14, rue Pergolèse - 75116 PARIS, France	449 491 166	33.37	50.00
RADIO 3000	EUPEN, Belgium		22.01	45.00
RADIO STAJCA	WARSAW, Poland		19.68	48.93
RADIOZET	WARSAW, Poland		29.37	48.93
RADMARK	Melis court 1-3 Meli road RIVOGNA 2128, South Africa		47.53	50.03
STUDIO ZET	WARSAW, Poland		29.37	48.93
VIRGIN MEGA	52, avenue des Champs Elysées 75008 PARIS, France	432 573 806	49.00	49.00

OTHER ACTIVITIES

Company	Head Office	Registration number	% holding	% control
SOGEADE	121, Avenue de Malakoff 75016 PARIS, France	401 959 994	50.00	50.00

EADS GROUP

Company	Head Office	Registration number	% holding	% control
EADS and its subsidiaries	AMSTERDAM, Netherlands		15.10	15.10

COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD

BOOK PUBLISHING

Company	Head Office	Registration number	% holding	% control
EDITIONS J'AI LU	84, rue de Grenelle - 75007 PARIS, France	582 039 673	35.33	35.32

PRINT MEDIA

Company	Head Office	Registration number	% holding	% control
BAYARD HACHETTE ROUTAGE (BHR)	Parc de Pontillat 77340 PONTAULT COMBAULT, France	326 966 660	49.97	49.99
EDITIONS PHILIPPE AMAURY	25, avenue Michelet 93400 SAINT-OUEN, France	552 102 121	24.99	25.00
HACHETTE FILIPACCHI AUSTRALIA	SYDNEY, Australia		99.97	100.00
HACHETTE FILIPACCHI POST COMPANY	BANGKOK, Thailand		48.99	49.00
HACHETTE PACIFIC PTY LTD	SYDNEY, Australia		49.99	50.00
HACHETTE RIZZOLI INTERNATIONAL	AMSTERDAM, Netherlands		49.99	50.00
HACHETTE RIZZOLI MAGAZINES	GERAKAS - ATTICA, Greece		24.99	50.00
HAFIBA	11, rue de Rouvray 92200 NEUILLY-SUR-SEINE, France	410 476 592	49.99	40.00
HOLDING E. PROUVOST	149, rue Anatole France 92534 LEVALLOIS-PERRET CEDEX, France	383 953 601	41.99	42.00
LES PUBLICATIONS TRANSCONTINENTALES HACHETTE	MONTREAL, Canada		49.99	25.00
PUBLIFA	12, rue Ampère - 75017 PARIS, France	429 556 640	49.99	50.00
S.E.T.C.	48/50, boulevard Senard 92210 SAINT-CLOUD, France	378 558 779	39.29	39.00
SEFAM	22, rue Huyghens - 75014 PARIS, France	334 173 093	49.99	50.00
SOCIETE FRANCAISE D'EDITIONS DE JOURNAUX ET D'IMPRIMES COMMERCIAUX (S.F.E.J.I.C.)	25, avenue du Président Kennedy 68000 MULHOUSE, France	945 750 735	20.01	20.01

DISTRIBUTION SERVICES

Company	Head Office	Registration number	% holding	% control
PHENIX AELIA PARTENAIRE	114, avenue Charles De Gaulle 92200 NEUILLY-SUR-SEINE, France	447 571 019	19.87	25.00

LAGARDERE ACTIVE

Company	Head Office	Registration number	% holding	% control
LAGARDERE ACTIVE BROADCAST GROUP				
EUROPE REGIES OUEST	98, cours Alsace Lorraine 33000 BORDEAUX, France	410 666 150	49.00	49.00
FIRST HUNGARIAN RADIO	BUDAPEST, Hungary		25.00	25.00
JACARANDA	CENTURION, South Africa		15.00	15.00
MULTITHEMATIQUES	48, quai du Point du Jour 92659 BOULOGNE BILLANCOURT, France	402 314 140	27.42	27.42
RADIO 1	BUDAPEST, Hungary		25.00	25.00
RADIO XXI	BUCHAREST, Romania		20.00	20.00
LAGARDERE ACTIVE BROADBAND GROUP				
CANALSATELLITE	85/89, quai André Citroën 75711 PARIS Cedex 15, France	383 866 795	34.00	34.00
LE MONDE INTERACTIF	16/18, quai de la Loire 75019 PARIS, France	419 388 673	34.00	34.00

OTHER ACTIVITIES

Company	Head Office	Registration number	% holding	% control
C.V.T.	3, avenue du Centre 78180 MONTIGNY-LE-BRETONNNEUX France	304 233 406	24.99	25.00

NON-CONSOLIDATED COMPANIES AT DECEMBER 31, 2004

BOOK PUBLISHING

Company	Head Office	% holding	Stockholders' equity at Dec. 31, 2004*	2004 income (loss)	Net book value at Dec. 31, 2004	Market value
LA DEPECHE DU MIDI	avenue Jean-Baylet 31095 TOULOUSE, France	15.02%	9,152	NC	11,489	N/A
MIDI LIBRE	Mas de Grille 34430 SAINT-JEAN-DE-VEDAS France	10.00%	57,663	NC	9,814	N/A

* Before allocation of net income

NC: not available

N/A: not applicable

5.7 PARENT COMPANY FINANCIAL STATEMENTS

Parent Company balance sheets at December 31

Assets (in millions €)	2004	2003	2002
Current assets			
Cash	3	3	2
Marketable securities	601	240	17
Trade receivables	-	-	-
Other receivables, prepayments and deferred charges	337	87	531
Total current assets	**941**	**330**	**550**
Investments in subsidiaries	3,051	3,062	3,106
Other investments and non-current assets	3,058	3,997	3,765
Total investments	**6,109**	**7,059**	**6,871**
Translation difference	1	-	14
TOTAL ASSETS	7,051	7,389	7,435

Liabilities and stockholders' equity (in millions €)	2004	2003	2002
Liabilities			
Trade payables	18	11	5
Borrowings	2,666	2,772	2,827
Amounts due relating to investments	765	961	978
Other payables and deferred income	5	2	10
Translation difference	40	32	12
Reserves for risks and charges	172	260	243
Total liabilities	**3,666**	**4,038**	**4,075**
Permanent funds			
Undated subordinated notes	416	416	416
Total permanent funds	**416**	**416**	**416**
Stockholders' equity			
Common stock	859	851	849
Additional paid-in capital and retained earnings (including net income for the year)	2,110	2,084	2,095
Total stockholders' equity	**2,969**	**2,935**	**2,944**
Total permanent funds and stockholders' equity	**3,385**	**3,351**	**3,360**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	7,051	7,389	7,435

Parent Company statements of income for the years ended December 31

(in millions €)	2004	2004	2004
Revenues	1	2	2
Operating costs	(26)	(8)	(13)
Operating loss	**(25)**	**(6)**	**(11)**
Interest income, net	17	21	18
Provisions, net	(11)	14	(126)
Operating income (loss) after interest	**(19)**	**29**	**(119)**
Non-operating income, net	87	44	32
Preferred remuneration	(2)	(32)	(32)
Income taxes	65	51	53
Net income (loss)	**131**	**92**	**(66)**

5.8 STATUTORY AUDITORS' FEES

(in thousands €)	2004 Mazars & Guérard	%	Ernst & Young	%	Mr. Alain Ghez	%
Audit						
– Statutory audit	2,415		3,362		81	
– Ancillary services	1,371		1,094		-	
Sub-total	**3,786**	**96.1**	**4,456**	**98.1**	**81**	**100**
Other services						
– Legal, tax, human resources	132		70		-	
– Other	23		16		-	
Sub-total	**155**	**3.9**	**86**	**1.9**	**0**	
TOTAL	**3,941**	**100**	**4,542**	**100**	**81**	**100**

(in thousands €)	2003 Mazars & Guérard	%	Ernst & Young	%	Mr. Alain Ghez	%
Audit						
– Statutory audit	1,959		2,920		94	
– Ancillary services	161		320		-	
Sub-total	**2,120**	**92.9**	**3,240**	**85.9**	**94**	**100**
Other services						
– Legal, tax, human resources	75		526		-	
– Other	87		5		-	
Sub-total	**162**	**7.1**	**531**	**14.1**	**0**	
TOTAL	**2,282**	**100**	**3,771**	**100**	**94**	**100**

6

CORPORATE GOVERNANCE

6.1 ORGANIZATION OF THE COMPANY – MANAGING AND SUPERVISORY BODIES – INTERNAL CONTROL

6.1.1 General presentation of French limited partnerships with shares (SCA) and of Lagardère

6.1.1.1 LEGAL CHARACTERISTICS OF A FRENCH PARTNERSHIP 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.

6.1.1.2 PRESENTATION OF LAGARDÈRE SCA

Both French law and the specificities of its by-laws give Lagardère SCA, a French limited partnership with shares, a very modern structure that is perfectly suited to meet the demands of corporate governance as it answers in the best possible way the two basic principles of establishing a clear distinction between management and control while associating very closely shareholders to the Company's operations and progress.

This structure is characterized 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 Part 3, section 3.1.13 Powers of the Supervisory Board). 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 capital stock.

It consequently obviates the confusion, for which French corporations are criticized, 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.

The membership of the Supervisory Board guarantees the Board's competence, independence and availability to represent the shareholders. A list of members, together with their age and the principal positions and appointments held by each of them on February 15, 2005 is shown below (see section 6.1.2).

Ten of the Supervisory Board members in 2004 were "independent" directors within the meaning of the AFEP/MEDEF report on corporate governance for listed companies. These members are:
– Mr. Hubert Burda, Chairman of Hubert Burda Media;
– Mr. Pehr G. Gyllenhammar, Chairman of Aviva plc (London);
– Mr. Helman le Pas de Sécheval, representative of corporate director Groupama SA;
– Mr. Pierre Lescure;
– Mr. Christian Marbach, Chairman of Agence des PME, an economic interest grouping specialized in industrial innovation;
– Mr. Bernard Mirat, former Deputy Chairman and Chief Executive Officer of Société des Bourses Françaises;
– Mr. Didier Pineau-Valencienne, Honorary Chairman of Schneider Electric;
– Mr. Henri Proglio, Chairman of the Management Board of Véolia Environnement;
– Mr. Felix G. Rohatyn, former US Ambassador to France;
– Mr. François Roussely, Chairman of Crédit Suisse First Boston (Paris).

Other members represent the Company's most important longstanding shareholders. One of them, Mr. Manfred Bischoff is a member of the Board of Management of DaimlerChrysler which is also the Group's industrial partner. Their senior managers contribute their knowledge of international affairs to the work of the Board.

Apart from the most valuable capabilities that are displayed by the Board, it includes a majority of "independent" directors and an important international element, thanks to the high-ranking personalities who have accepted to join the Supervisory Board.

Lagardère Group does not hold interests in any of the companies that are directly or indirectly represented on its Supervisory Board.

In addition, in December 1997, Lagardère Group set up a Shareholders' Consultative Committee to gain better knowledge of the expectations and suggestions of its shareholders principally in the field of financial communication.

This Committee is comprised of 12 people, in addition to the managing partners, a member of the Supervisory Board (Mr. Bernard Mirat), and several members of the Group's General Management. The members are:
– 9 representatives of individual shareholders (including a shareholder who is also an employee), volunteers selected on the basis of competence and representativity by region, age and sex;
– 1 representative of a shareholder association;
– 2 representatives of corporate shareholders (French and non-French).

Topics already discussed with Group management included: the reference document, the annual general meeting, meetings with French shareholders outside Paris, the change to the euro, the web site and Letters to the Shareholders.

6.1.2 General partners, managing partners and members of the Supervisory Board

General Partners*

Arnaud Lagardère

4, rue de Presbourg - 75116 Paris, France

Arjil Commanditée - ARCO

A French corporation with capital stock of € 40,000

121, avenue de Malakoff - 75116 Paris, France

Managing Partners

Arnaud Lagardère

4, rue de Presbourg - 75116 Paris, France

Born March 18, 1961

Number of Lagardère SCA shares held personally: 44,937

Number of options to subscribe or acquire shares of Lagardère SCA: 230,000

(weighted average subscription or purchase price: € 47.65)

In addition, Mr. Arnaud Lagardère is the Chairman of Lagardère Capital & Management and also holds the capital stock of that company, which itself held 7.16% of Lagardère SCA's capital stock on March 31, 2005.

Chairman and Chief Executive Officer, Arjil Commanditée - ARCO (SA)

121, avenue de Malakoff - 75116 Paris, France

Other positions and appointments held by Mr. Arnaud Lagardère:

Chairman, Lagardère (SAS)

121, avenue de Malakoff - 75116 Paris, France

Chairman and Chief Executive Officer, Lagardère Capital & Management (SAS)

121, avenue de Malakoff - 75116 Paris, France

Chairman and Chief Executive Officer, Hachette SA (Lagardère Media)

4, rue de Presbourg - 75116 Paris, France

Chairman of the Board of Directors, European Aeronautic
Defence and Space Company EADS N.V.
Le Carré, Beechavenue 130-132,
1119 PR - Schiphol-Rijk, The Netherlands

* Mr. Arnaud Lagardère personally holds 44,937 shares in Lagardère SCA.
Arjil Commanditée - ARCO does not hold shares in Lagardère SCA.

Chairman of the Board of Directors, EADS Participations B.V.
Drentestraat 24, 1083 HK - Amsterdam
Po Box 2838, 100 CV, The Netherlands

Chairman, Lagardere Active (SAS)
121, avenue de Malakoff - 75116 Paris, France

Chairman, Lagardere Active Broadcast (a Monaco SA)
57, rue Grimaldi - 98000 Monaco

Permanent representative of Lagardere Active Publicité
to the Board of Directors, Lagardere Active Radio International
28, rue François 1er - 75008 Paris, France

Chairman, Lagardere Active Broadband (SAS)
11, rue de Cambrai - 75019 Paris, France

Chairman of the Board, Lagardère Thématiques
28, rue François 1er - 75008 Paris, France

Chairman, Lagardère Images (SAS)
28, rue François 1er - 75008 Paris, France

Permanent representative of Hachette SA to the Management Committee,
SEDI TV - TEVA
89, avenue Charles de Gaulle - 92200 Neuilly-sur-Seine, France

Director, Hachette Livre
43, quai de Grenelle - 75015 Paris, France

Director, Hachette Distribution Services
2, rue Lord Byron - 75008 Paris, France

Member of the Supervisory Board, Virgin Stores SA
16, boulevard du Général Leclerc - 92115 Clichy, France

Director, Hachette Filipacchi Médias
149/151, rue Anatole France - 92300 Levallois-Perret, France

Director, Lagardère Ressources (SAS)
121, avenue de Malakoff - 75116 Paris, France

Deputy Chairman of the Supervisory Board, Arjil & Cie (SCA)
43, rue Vineuse - 75016 Paris, France

Director, France Télécom
6, place d'Alleray - 75015 Paris, France

Director, LVMH-Moët Hennessy Louis Vuitton (SA)
30, avenue Hoche - 75008 Paris, France

Director, Fimalac
97, rue de Lille - 75007 Paris, France

President, Fondation Jean-Luc Lagardère
4, rue de Presbourg - 75116 Paris, France

President, Club des Entreprises Paris 2012 (*Loi 1901* non-profit organization)

President, Association des Amis de Paris Jean-Bouin C.A.S.G. (*Loi 1901* non-profit organization)

Arjil Commanditée - ARCO
A French corporation with capital stock of € 40,000
121, avenue de Malakoff - 75116 Paris, France

Represented by Mr. Arnaud Lagardère, Mr. Philippe Camus and Mr. Pierre Leroy

Arjil Commanditée - ARCO was appointed managing partner for a period of six years from March 17, 1998.

Positions held by Arjil Commanditée - ARCO in other companies: None.

Philippe Camus
4, rue de Presbourg - 75116 Paris, France
Born June 28, 1948

Number of Lagardère SCA shares held: 3,808
Number of options to subscribe or acquire shares of Lagardère SCA: 200,000
(weighted average subscription or purchase price: € 46.17)

Deputy Chairman and Chief Operating Officer, Arjil Commanditée - ARCO
121, avenue de Malakoff - 75116 Paris, France

Other positions and appointments held by Mr. Philippe Camus:
Co-Chief Executive Officer, European Aeronautic Defence and Space Company EADS N.V.
Beechavenue 130-132,
1119 PR - Schipol-Rijk, The Netherlands

Co-Chief Executive Officer, EADS Participations B.V.
Teleportboulevard 140,
1043 EJ - Amsterdam, The Netherlands

Chairman, European Aeronautic Defence and Space Company EADS France
37, boulevard de Montmorency - 75016 Paris, France

Chairman, Groupement des Industries Aéronautiques et Spatiales (G.I.F.A.S.)
4, rue Galilée - 75116 Paris, France

Director, Dassault Aviation
9, rond-point des Champs-Elysées - Marcel Dassault - 75008 Paris, France

Director, Lagardere Active Broadcast
57, rue Grimaldi - MC 98000 Monaco

Director, Hachette Filipacchi Médias
149/151, rue Anatole France - 92300 Levallois-Perret, France

Director, La Provence
248, avenue Roger Salengro - 13015 Marseille, France

Director, Nice Matin
214, route de Grenoble - 06200 Nice, France

Member of the Supervisory Board, Editions P. Amaury
4, rue Rouget de L'Isle - 92130 Issy-les-Moulineaux, France

Permanent representative of Hachette SA to the Board of Directors,
Hachette Distribution Services
4, rue Lord Byron - 75008 Paris, France

Permanent representative of Lagardère SCA to the Board of Directors, Hachette SA
4, rue de Presbourg - 75116 Paris, France

Member of the Partners' Committee, Airbus SAS
1, rond-point Maurice Bellonte - 31707 Blagnac Cedex, France

Member of the Remuneration Committee, Airbus SAS
1, rond-point Maurice Bellonte - 31707 Blagnac Cedex, France

Pierre Leroy
4, rue de Presbourg - 75116 Paris
Born October 8, 1948

Number of Lagardère SCA shares held: 2,027
Number of options to subscribe or acquire shares of Lagardère SCA: 200,000
(weighted average subscription or purchase price: € 51.81)

Director and Chief Operating Officer, Arjil Commanditée - ARCO (SA)
121, avenue de Malakoff - 75116 Paris, France

Other positions and appointments held by Mr. Pierre Leroy:

Group General Secretary, Lagardère Group
4, rue de Presbourg - 75116 Paris, France

Director, Lagardère (SAS)
121, avenue de Malakoff - 75116 Paris, France

Director, Lagardère Capital & Management (SAS)
121, avenue de Malakoff - 75116 Paris, France

Chairman, Lagardère Ressources (SAS)
121, avenue de Malakoff - 75116 Paris, France

Director, Hachette SA
4, rue de Presbourg - 75116 Paris, France

Director, Hachette Livre (SA)
43, quai de Grenelle - 75015 Paris, France

Director, Hachette Filipacchi Médias (SA)
149/151, rue Anatole France - 92300 Levallois-Perret, France

Director, Lagardere Active Broadcast (a Monaco company)
57, rue Grimaldi - 98000 Monaco

Director, Ecrinvest 4 (SA)
121, avenue de Malakoff - 75116 Paris, France

Director, Télévision Holdings (SA)
121, avenue de Malakoff - 75116 Paris, France

Director, Sogeade Gérance (SAS)
121, avenue de Malakoff - 75116 Paris, France

Chairman, Désirade (SAS)
121, avenue de Malakoff - 75116 Paris, France

Chairman of the Supervisory Board, Arlis (SAS)
6, rue Laurent Pichat - 75016 Paris, France

Member of the Supervisory Board, Matra Manufacturing & Services (SAS)
4, rue de Presbourg - 75116 Paris, France

Permanent representative of Matra Participations to the Board of Directors, CVT
121, avenue de Malakoff - 75116 Paris, France

Manager, Arjil & Cie (SCA)
43, rue Vineuse - 75116 Paris, France

Member of the Supervisory Board, Arjil & Associés (SAS)
43, rue Vineuse - 75116 Paris, France

Chairman, LCM Expression (SAS)
121, avenue de Malakoff - 75116 Paris, France

Chairman and Chief Executive Officer, Matra Participations (SA)
4, rue de Presbourg - 75116 Paris, France

Chairman, Sofrimo (SAS)
121, avenue de Malakoff - 75116 Paris, France

Chairman, Holpa (SAS)
121, avenue de Malakoff - 75116 Paris, France

Permanent representative of Matra Participations to the Board of Directors, Hagena
121, avenue de Malakoff - 75116 Paris, France

Permanent representative of Matra Participations to the Board of Directors, Galice
121, avenue de Malakoff - 75116 Paris, France

Administrator, Fondation Jean-Luc Lagardère
4, rue de Presbourg - 75116 Paris, France

Members of the Supervisory Board

Raymond H. Lévy
40, rue de Garches - 92420 Vaucresson, France
Born June 28, 1927

First appointed: May 11, 2004
End of current period of office: AGM 2010*
Number of Lagardère SCA shares held: 15,230

Chairman of the Audit Committee of Lagardère SCA

Positions and appointments held in other companies:
Chairman of the Supervisory Board, Sogeade
121, avenue de Malakoff - 75781 Paris Cedex 16, France

* Annual General Meeting to be held to approve the financial statements for the previous year.

Director, Sogeade Gérance
121, avenue de Malakoff - 75781 Paris Cedex 16, France

Director, Renault Finance
avenue de Rhodanie 48 - 1007 Lausanne, Switzerland

Mr. Raymond H. Lévy is also Honorary Chairman of Renault SA

Bernard Arnault
22, avenue Montaigne
75008 Paris, France
Born March 5, 1949

First appointed: May 11, 2004
End of current period of office: AGM 2010*
Number of Lagardère SCA shares held: 150

Positions and appointments held in other companies:
Chairman and Chief Executive Officer, LVMH Moët Hennessy Louis Vuitton
22, avenue Montaigne - 75008 Paris, France

Chairman of the Board of Directors, Christian Dior SA
30, avenue Montaigne - 75008 Paris, France

Chairman, Groupe Arnault SAS
41, avenue Montaigne - 75008 Paris, France

Chairman of the Board of Directors, Société Civile du Cheval Blanc
33330 Saint-Emilion, France

Member of the Supervisory Board, Métropole Télévision "M6" SA
89, avenue Charles de Gaulle - 92200 Neuilly-sur-Seine, France

Manfred Bischoff
81663 Munich, Germany
Born April 22, 1942

First appointed: May 11, 2004
End of current period of office: AGM 2006*
Number of Lagardère SCA shares held: 150

* Annual General Meeting to be held to approve the financial statements for the previous year.

Positions and appointments held in other companies:
Chairman of the Board of Directors, EADS N.V.
Beechavenue 130-132,
1119 PR - Schiphol-Rijk, The Netherlands

Chairman of the Board, EADS Participations B.V.
Teleportboulevard 140,
1043 EJ - Amsterdam, The Netherlands

Chairman of the Supervisory Board, DaimlerChrysler Aerospace AG
Ottobrunn, Germany

Chairman of the Supervisory Board, DaimlerChrysler Luft- und Raumfahrt Holding AG
Munich, Germany

Member of the Supervisory Board, Fraport AG
Frankfurt, Germany

Member of the Supervisory Board, J.M. Voith AG
Heidenheim, Germany

Member of the Supervisory Board, Gerling-Konzern Versicherungs-Beteiligungs AG
Cologne, Germany

Member of the Supervisory Board, Bayerische Hypo- und Vereinsbank AG
Munich, Germany

Member of the Supervisory Board, Royal KPN N.V.
Haaglancher, The Netherlands

Member of the Board of Directors, Nortel Networks Corp. and Nortel Networks Ltd.
Brompton (Ontario), Canada

Dr. Hubert Burda
Arabellastrasse 23
D 81925 Munich, Germany
Born February 9, 1940

First appointed: May 11, 2004
End of current period of office: AGM 2010*
Number of Lagardère SCA shares held: 150

* Annual General Meeting to be held to approve the financial statements for the previous year.

Positions and appointments held in other companies:
Chairman of the Board and Publisher, Hubert Burda Media
Arabellastrasse 23
D-81925 Munich, Germany

Mr. Burda is also President of the Association of German Magazine Publishers (VDZ), co-founder of the European Publishers Council (EPC) and President of the Council of the University Ludwig-Maximilians of Munich.

René Carron
91/93, boulevard Pasteur - 75015 Paris, France
Born June 13, 1942

First appointed: May 11, 2004
End of current period of office: AGM 2010*
Number of Lagardère SCA shares held: 150

Positions and appointments held in other companies:
Chairman of the Board of Directors, Crédit Agricole SA
91/93, boulevard Pasteur - 75015 Paris, France

Chairman, Caisse Régionale de Crédit Agricole de Savoie
PAE les Glaisins - 74985 Annecy Cedex 9, France

Chairman, Caisse Locale de Crédit Agricole de Yenne
Yenne - 73000 Chambéry, France

Chairman, GIE Gecam
48, rue la Boétie - 75008 Paris, France

Deputy Chairman, Fédération Nationale du Crédit Agricole
48, rue la Boétie - 75008 Paris, France

Deputy Chairman, Caisse Régionale de Confédération Nationale de la Mutualité de la Coopération et Crédit Agricole (CNMCCA)

Conseiller Général of Savoie

Member of the Supervisory Board, Eurazeo

Member of the Management Committee, GIE Gecam
48, rue la Boétie - 75008 Paris, France

* Annual General Meeting to be held to approve the financial statements for the previous year.

Member of the Management Committee and Manager, Adicam
48, rue la Boétie - 75008 Paris, France

Director, Deputy Chairman, Banca Intesa S.p.a.
10 piazza Paolo Ferrari - 20121 Milan, Italy

Director, Crédit Agricole Solidarité et Développement
48, rue la Boétie - 75008 Paris, France

Director, Fondation du Crédit Agricole Pays de France
129, boulevard Saint-Germain - 75006 Paris, France

Director, Rue Impériale
49, rue de la République - 69002 Lyon, France

Director, Sacam
48, rue la Boétie - 75008 Paris, France

Director, Sapacam Participations
48, rue la Boétie - 75008 Paris, France

Director, Suez
16, rue de la Ville l'Evêque - 75383 Paris Cedex, France

Director, Scicam

Director, Sofinco

Georges Chodron de Courcel
23, avenue Mac Mahon - 75017 Paris, France
Born May 20, 1950

First appointed: May 11, 2004
End of current period of office: AGM 2006*
Number of Lagardère SCA shares held: 150

Positions and appointments held in other companies:
Chief Operating Officer, BNP Paribas
16, boulevard des Italiens - 75450 Paris Cedex 09, France

Director, Bouygues
90, avenue des Champs-Elysées - 75008 Paris, France

* Annual General Meeting to be held to approve the financial statements for the previous year.

Censor, Scor SA and Scor Vie
1, avenue du Général de Gaulle - 92074 Paris La Défense Cedex, France

Director, Nexans
16, rue Monceau - 75008 Paris, France

Director, Alstom
25, avenue Kléber - 75116 Paris, France

Member of the Supervisory Board, SAGEM SA
27, rue Leblanc - 75015 Paris, France

Groupama SA ([1])
A French corporation with capital stock of € 1,239,777,322
8/10, rue d'Astorg - 75008 Paris, France

First appointed: May 11, 2004
End of current period of office: AGM 2008*
Number of Lagardère SCA shares held by Groupama SA: 150

Represented by Mr. Helman le Pas de Sécheval
Chief Financial Officer, Groupama
Born January 21, 1966

Number of Lagardère SCA shares held by Mr. Helman le Pas de Sécheval: 150

Other positions and appointments held by Mr. Helman le Pas de Sécheval:
Member of the Audit Committee of Lagardère SCA

Chairman of the Supervisory Board, Groupama Immobilier
22/28, rue Joubert - 75009 Paris, France

Chairman of the Board of Directors, Compagnie Foncière Parisienne
22, rue Joubert - 75009 Paris, France

Chairman of the Supervisory Board, Groupama Asset Management
25, rue de Courcelles - 75008 Paris, France

Chairman of the Supervisory Board, Finama Private Equity
143, boulevard Haussmann - 75008 Paris, France

* Annual General Meeting to be held to approve the financial statements for the previous year.
([1]) A list of all positions and appointments held by Groupama SA as manager, director, member of the Management Board or member of the Supervisory Board in other companies is available for inspection at 121, avenue de Malakoff - 75116 Paris, France. This list may be consulted at the head office. A copy can be sent out on request.

Deputy Chairman of the Supervisory Board, Banque Finama
157, boulevard Haussmann - 75008 Paris, France

Permanent representative of corporate director Groupama to the Supervisory Board, Silic

Permanent representative of corporate director Gan Assurances Vie
to the Supervisory Board, Locindus

Director, Gan Italia Vita
Via Guidubaldo Del Monte, 45 - 00197 Rome, Italy

Director, Gan Italia SPA
Via Guidubaldo Del Monte, 45 - 00197 Rome, Italy

Director, Scor
1, avenue du Général de Gaulle - 92074 Paris la Défense Cedex, France

Director, Scor Vie
1, avenue du Général de Gaulle - 92074 Paris la Défense Cedex, France

Censor, Supervisory Board, Gimar Finance & Compagnie

Pehr G. Gyllenhammar
St Helen's, 1 Undershaft
London EC3P 3DQ, United Kingdom
Born April 28, 1935

First appointed: May 11, 2004
End of current period of office: AGM 2008*
Number of Lagardère SCA shares held: 150

Member of the Audit Committee of Lagardère SCA

Positions and appointments held in other companies:
Chairman of the Board of Directors,
Aviva plc (formerly CGNU plc)
London, United Kingdom

Chairman of the Board of Directors,
Svenska Skeppshypotekskassan (Swedish Ships' Mortgage Bank)
Gothenburg, Sweden

* Annual General Meeting to be held to approve the financial statements for the previous year.

Chairman, Reuters Founders Share Company Ltd
London, United Kingdom

Chairman, Investment AB Kinnevik
Stockholm, Sweden

Vice-Chairman Europe, N.M. Rothschild & Sons Ltd
London, United Kingdom

Pierre Lescure
122, rue de Grenelle - 75007 Paris, France
Born July 2, 1945

First appointed: May 11, 2004
End of current period of office: AGM 2008*
Number of Lagardère SCA shares held: 150

Positions and appointments held in other companies:
Chairman, AnnaRose Productions (SAS)
8, avenue Raphaël - 75116 Paris, France

Director, Havas Advertising
84, rue de Villiers - 92683 Levallois-Perret Cedex, France

Member of the Supervisory Board, Le Monde
21 bis, rue Claude Bernard - 75005 Paris, France

Member of the Board of Directors, Thomson SA
46, quai Alphonse Le Gallo - 92648 Boulogne-Billancourt Cedex, France

Christian Marbach
17, avenue Mirabeau - 78600 Maisons-Laffitte, France
Born October 9, 1937

First appointed: May 11, 2004
End of current period of office: AGM 2006*
Number of Lagardère SCA shares held: 406

Member of the Audit Committee of Lagardère SCA

* Annual General Meeting to be held to approve the financial statements for the previous year.

Positions and appointments held in other companies:
Honorary *Ingénieur Général des Mines*

Chairman, Agence des PME
72, avenue Pierre Mendès-France - 75914 Paris Cedex 13, France

Director, Compagnie Générale de Géophysique (C.G.G.)
1, rue Léon Migaux - 91300 Massy, France

Director, Erap
28, avenue de Messine - 75008 Paris, France

Censor, Sofinnova
17, rue de Surène - 75008 Paris, France

Bernard Mirat
91, avenue de la Bourdonnais - 75007 Paris, France
Born July 3, 1927

First appointed: May 11, 2004
End of current period of office: AGM 2006*
Number of Lagardère SCA shares held (with Mrs Mirat): 2,250

Member of the Audit Committee of Lagardère SCA

Positions and appointments held in other companies:
Vice-Chairman of the Supervisory Board, G.T. Finance
16, place de la Madeleine - 75008 Paris, France

Director, Fimalac
97, rue de Lille - 75007 Paris, France

Censor, Holding Cholet-Dupont
16, place de la Madeleine - 75008 Paris, France

* Annual General Meeting to be held to approve the financial statements for the previous year.

Didier Pineau-Valencienne
24-32, rue Jean Goujon - 75008 Paris, France
Born March 21, 1931

First appointed: May 11, 2004
End of current period of office: AGM 2008*
Number of Lagardère SCA shares held: 350

Member of the Audit Committee of Lagardère SCA

Positions and appointments held in other companies:
Senior Advisor, Crédit Suisse First Boston

Chairman and Partner, Sagard
24-32, rue Jean Goujon - 75008 Paris, France

Director, Wendel Investissement (formerly CGIP)
89, rue Taitbout - 75009 Paris, France

Director, Pernod Ricard
12, place des États-Unis - 75016 Paris, France

Director, Fleury Michon
Route de la Gare - BP 1 - 85707 Pouzanges Cedex, France

Director, Swiss Helvetia Fund, USA
1270 avenue of the Americas - Suite 400
New-York, NY 10020, USA

Member of the Advisory Board, Booz Allen & Hamilton, USA

Member of the Trustees, IASC, USA

Member of the Board of Overseers,
Tuck School of Business Administration - Dartmouth College

Member of the Trustees, American University of Paris

Advisor, Centre d'Enseignement Supérieur de la Marine

Chairman of the International Consultative Committee,
Ecole Supérieure de Commerce (ESC) Nantes Atlantique

Administrator, AFEP
63, rue de la Boétie - 75008 Paris, France

* Annual General Meeting to be held to approve the financial statements for the previous year.

Administrator, BIPE Association
6, place Abel Gance - 92100 Boulogne, France

Executive lecturer, HEC

Henri Proglio
36/38, avenue Kléber - 75116 Paris, France
Born June 29, 1949

First appointed: May 11, 2004
End of current period of office: AGM 2010*
Number of Lagardère SCA shares held: 150

Positions and appointments held in other companies:
Chairman and Chief Executive Officer, Véolia Environnement SA
36/38, avenue Kléber - 75116 Paris, France

Chairman of the Board, Veolia Water
52, rue d'Anjou - 75008 Paris, France

Chairman of the Board, CGEA Onyx SA
163/169, avenue Georges Clémenceau
Parc des Fontaines - 92735 Nanterre Cedex, France

Director, Dalkia International SA
37, avenue du Maréchal de Lattre de Tassigny - 59350 Saint-André, France

Director, Eaux de Marseille SA
25, rue Edouard Delanglade - 13006 Marseille, France

Director, Casino Guichard-Perrachon SA
24, rue de la Montat - 42000 Saint-Etienne, France

Director, CNES (EPIC)
2, place Maurice Quentin - 75001 Paris, France

Director, EDF SA
61/69, rue de Bercy - 75589 Paris Cedex 12, France

Director, Thalès SA
173, boulevard Haussmann - 75415 Paris Cedex 08, France

* Annual General Meeting to be held to approve the financial statements for the previous year.

Censor, Supervisory Board,
Caisse Nationale des Caisses d'Epargne SA (CNCE)

Chairman of the Board of Directors, CGEA Connex
15, rue du Louvre, Bâtiment 4 - 75001 Paris, France

Permanent representative of corporate director CGEA Onyx
to the Board, CSP SA
11, rue Henri Simonin-Ducos
BP 7262 -b98801 Nouméa Cedex, New Caledonia

Manager, Générale des Eaux SCA
52, rue d'Anjou - 75008 Paris, France

Member of the Supervisory Board, Elior SCA
61/69, rue de Bercy - 75589 Paris Cedex 12, France

Member and Deputy Chairman of the Supervisory Board, SARP SA
162/166, boulevard de Verdun
Energy Park IV - 92413 Courbevoie Cedex, France

Chairman, Campus Véolia Environnement SAS
Château d'Ecancourt, rue d'Ecancourt - 95280 Jouy-le-Moutier, France

Member and Chairman of the Supervisory Board, Dalkia France SCA
37, avenue du Maréchal de Lattre de Tassigny - 59350 Saint-André, France

Member of the Supervisory Boards A and B, Dalkia SAS
37, avenue du Maréchal de Lattre de Tassigny - 59350 Saint-André, France

Director of the Board, Collex PTY
Level 4, Bay Centre, 65 Pirrama Road
NSW 2009 Pyrmont, Australia

Director of the Board, Onyx North America Corp.
1605 Main Street, Suite 711 - FL 34236 Sarasota, USA

Director of the Board, Onyx Environmental Group
Onyx House, 154A Pentonville Road
London N1 9PE, United Kingdom

Director of the Board, Veolia UK Ltd
34-41 Old Queen Street
London SW1H 9JA, United Kingdom

Director of the Board, Connex Leasing
Friars Bridge Court, 41-45 Blackfriars Road
London SE1 8PG, United Kingdom

Director of the Board and President (officer), Onyx Asia Holdings
3 Temasek Avenue #30-03, Centennial Tower
039 190 Singapore, Singapore

Director of the Board, CGEA Transport AB
c/o Connex Transport AB
Englundavägen 9, Box 1820
17124 Solna, Sweden

Felix G. Rohatyn
280 Park Avenue, 27th Floor
New-York, NY 10017, USA
Born May 29, 1928

First appointed: May 11, 2004
End of current period of office: AGM 2008*
Number of Lagardère shares held: 150

Positions and appointments held in other companies:
Former US Ambassador to France

Chairman, Rohatyn Associates LLC
280 Park Avenue, 27th Floor
New-York, NY 10017, USA

Member of the Supervisory Board, Publicis Groupe SA
133, avenue des Champs-Elysées - 75008 Paris, France

Director, LVMH Moët Hennessy Louis Vuitton SA
22, avenue Montaigne - 75382 Paris Cedex, France

Director, Rothschilds Continuation Holding AG
17, avenue Matignon - 75008 Paris, France

Bachelor of Science (physics)

* Annual General Meeting to be held to approve the financial statements for the previous year.

François Roussely

22/30, avenue de Wagram - 75008 Paris, France

Born January 9, 1945

First appointed: May 11, 2004

End of current period of office: AGM 2010*

Number of Lagardère SCA shares held: 150

Positions and appointments held in other companies:

Chairman, Crédit Suisse First Boston - France

Deputy Chairman, Crédit Suisse First Boston - Europe (since January 1, 2005)

Chairman of the Board of Directors, Ecole Nationale des Ponts et Chaussées ENPC
6/8, avenue Blaise Pascal - 77420 Champs sur Marne, France

Director, AFII
2, avenue Vélasquez - 75008 Paris, France

Member of the Consultative Committee, Banque de France
3, rue de la Vrillière - 75001 Paris, France

Member, Comité de l'Énergie Atomique CEA
31/33, rue de la Fédération - 75752 Paris Cedex 15, France

Chairman of the Supervisory Board, Dalkia Holding
38, avenue Kléber - 75116 Paris, France

President, Fondation EDF
9, avenue Percier - 75008 Paris, France

President, Cercle des Aquitains
21, rue des Pyramides - 75008 Paris, France

Conseiller Maître, Cour des Comptes
13, rue Cambon - 75001 Paris, France

* Annual General Meeting to be held to approve the financial statements for the previous year.

Censor

Bernard Esambert

43, rue Vineuse - 75116 Paris, France

Born July 7, 1934

First appointed: May 11, 2004

End of current period of office: AGM 2010*

Number of Lagardère SCA shares held: 48,203 shares registered in the name of Mr. Esambert

Positions and appointments held in other companies:

Chairman of the Supervisory Board, Arjil & Cie

43, rue Vineuse - 75116 Paris, France

Chairman, Arjil & Cie

43, rue Vineuse - 75116 Paris, France

Director, Hachette Filipacchi Médias

149/151, rue Anatole France - 92300 Levallois-Perret, France

Director, Sogeade Gérance (SAS)

121, avenue de Malakoff - 75116 Paris, France

Chairman, Pierre Fabre

Le Carla, Burlats - 81106 Castres Cedex, France

Director, La Compagnie Financière Edmond de Rothschild

47, rue du Faubourg Saint-Honoré - 75008 Paris, France

Director, Paroma

174, boulevard Haussmann - 75008 Paris

Member, Collège de l'AMF

17, place de la Bourse - 75082 Paris Cedex 2, France

President, Fondation Française pour la Recherche sur l'Epilepsie

President, Fédération pour la Recherche sur le Cerveau

Vice-President, Institut de l'Entreprise

Administrator-Treasurer, Fondation Touraine

Administrator-Treasurer, Association Georges Pompidou

Honorary President, Institut Pasteur

Former President, Ecole Polytechnique

* Annual General Meeting to be held to approve the financial statements for the previous year.

6.1.3 Organization, operation and control

6.1.3.1 GENERAL ORGANIZATION OF THE GROUP

Today, there are more than 350 companies in the consolidated financial statements of Lagardère Group.

Lagardère SCA is the holding company that controls all the participating interests, draws up the strategy for the Group, guides and finances its development, makes the main management decisions required for this, and ensures that they are implemented both at the level of the Parent Company and that of the subsidiaries.

Lagardère SCA itself does not employ any staff; the human and operational resources necessary for the implementation of its policy and the control of its business activities are grouped together within a wholly-owned service company called Lagardère Ressources.

Operational activities of the Group are divided into two business segments:

– The Lagardère Media segment, through Hachette SA (named Lagardère Media for commercial purposes) which controls operational business activities in the Print Media, Book Publishing, Distribution Services, Radio/Television and Audiovisual Production divisions, via the respective companies Hachette Filipacchi Médias, Hachette Livre, Hachette Distribution Services and Lagardere Active. In addition, Hachette SA is the operator of Nouvelles Messageries de la Presse Parisienne, a cooperative company that distributes print media.
– The High Technologies segment, comprising the strategic 15.10% interest in EADS NV, held through a subsidiary itself owned in equal shares by the French State and Lagardère Group.

EADS NV is a company in its own right, at the head of an industrial group that is a global leader in civil and military aeronautics through its Airbus, Aeronautics, Military Transport Aircraft, Space, and Defense and Security Systems divisions. Listed in Frankfurt, Madrid and on the *Premier Marché* of the Paris Bourse, the 2004 Reference Document of EADS NV provides all the information required under the new French law on Financial Security.

Other minor business activities (banking, etc) constitute the "Other Activities" segment and are under the direct control of Lagardère SCA.

6.1.3.2 ORGANIZATION AND OPERATION OF LAGARDĒRE SCA

The Managing Partners

The general management of the Company is performed by the managing partners who are appointed by the general partners. The managing partners represent the Company in its relations with third parties and engage its responsibility.

Drawing on the "Management Committee", comprised of several Group senior managers 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 decisions required for this and make sure they are implemented both at the level of the Parent Company and that of the different operating units.

The Management 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 organization, mainly composed of:
• the Group Central Divisions, and
• the Financial Committee.

The Group's Central Divisions

Among the members of the Management Committee, three in particular have been given the task of organizing and leading the Group's major central structures, for which they have shared out the responsibilities, necessary for the implementation of the decisions taken, as well as their follow-up and control: the Secretary General, the Group Chief Financial Officer and the Director of Human Resources and Communication.

The Internal Audit Division as well as certain specific divisions or departments, report directly to the managing partners.

In order to carry out the different missions entrusted to them, the 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 Group Secretary General, employs almost 200 people, all reporting to the Central Directors and therefore ultimately to the managing partners of Lagardère SCA. As the missions entrusted to these central divisions are just as much for the benefit of Lagardère SCA as for all of the subsidiaries, these companies have different service agreements with Lagardère Ressources.

The Operating Units

Operating activities are conducted by legally independent companies grouped together in the following divisions: Book Publishing, Print Media, Distribution Services and Lagardere Active.

Each division has its own organization, which has been set up by the Head of the division under the managing partners' control; the various companies and resources in the division are grouped together under a specific holding company: Hachette Livre for the Book Publishing division, Hachette Filipacchi Médias for the Print Media division, etc.

Each Division Head is responsible for the general management of the holding company and chairs its Board of Directors, the other members of which are mostly also members of the Lagardère SCA Management Committee.

Thus, all the members of these holding companies' governing, managing and supervisory bodies are appointed by the managing partners of Lagardère SCA through the general meetings of the said companies.

The Financial Committee

After the Management Committee, the Financial Committee is the second most important entity for the tracking and control of the Group's operational activities.

The Financial Committee is chaired by the Group Chief Financial Officer, and members include representatives of each of the Group's principal Central Divisions, as well as their respective management controllers, providing all the requisite skills for it to accomplish its mission.

Its principal task is to examine the following, in cooperation with the chief managers of each division concerned:

- the budget for the coming year;
- the three-year plan;
- the annual and interim accounts;
- any significant investments (or disposals), particularly acquisitions of shareholdings in non-Group companies.

The Financial Committee reports directly to the managing partners.

Other Committees

Each month, the Reporting Committee, chaired by the Group Chief Financial Officer, reviews, with the financial managers of all operating units, the results achieved against the budget and the new budgetary forecasts, to enable the managing partners to follow progress made within each business activity and assess the Group's financial position, and to take any necessary corrective action immediately.

The Supervisory Board

The Supervisory Board works along several principles that have been forged by practice.

The Board meets regularly to review the annual and interim accounts, the financial situation and business outlook of each of the business activities and to discuss the Group's strategy in the presence of its principal senior managers. The Board may hold other meetings either at its own initiative, or at the request of the managing partners, to discuss any issues considered useful.

In the course of 2004, the Supervisory Board met three times, with a rate of attendance of respectively 85%, 73% and 87%:

- on March 12, 2004, to review the results for 2003, the Parent Company and consolidated financial statements for the year, the Company's cash position, the work of the Audit Committee, the change in the agreement between the Group and Lagardère Capital & Management, the renewed appointment of Arjil Commanditée - ARCO's manager, the application of the French financial security law (*Loi de Sécurité Financière*), the situation of the business activities and their general strategy, and to prepare the annual general meeting.
- on May 11, 2004, following the renewal of the Supervisory Board by the general meeting, to elect the Board's Chairman, and appoint its secretary and the members of the Audit Committee;
- on September 8, 2004, to review the Parent Company and consolidated financial statements for the first half of 2004, the work of the Audit Committee, the general business situation and strategic outlook.

During each of these meetings, which were attended by the main senior managers of the Group and the Statutory Auditors, the review of the accounts was accompanied by a detailed presentation of the situation and of changes in the Company's and the Group's activities. This review gave rise to extensive discussions.

An Audit Committee of the Supervisory Board meets at regular intervals with a predetermined agenda the better to prepare the work of the Board.

This Committee is chaired by Mr. Raymond H. Lévy and includes Messrs Helman le Pas de Sécheval, Pehr G. Gyllenhammar (since September 2004), Christian Marbach, Bernard Mirat and Didier Pineau-Valencienne. More than half of the members are "independent". The meetings are open to the Statutory Auditors of the Group.

In application of its internal regulations, 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, organization, operation and realizations;
- 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 meetings of the Supervisory Board in March 2004 and September 2004 were preceded by a meeting of the Audit Committee, which also met in June and December 2004.

These four half-day meetings were attended by all the members of the Committee (with the exception of one absent member at the September 2004 meeting). In addition to the annual and interim accounts, the Committee reviewed the activities of the Internal Audit Division, off-balance sheet commitments, the consequences of the French financial security law, the change in the agreement between Lagardère Capital & Management and Lagardère Ressources, Virgin's business activity, the Editis sale transaction, the transition to IFRS and the Group's risk management.

These meetings took place in the presence of the Chief Financial Officer, the Central Accountancy Director, the Director of Management Controls, the Director of Internal Audit, and the Statutory Auditors. The main documents reviewed in the course of each of these meetings were made available to the members of the Audit Committee.

6.1.3.3 INTERNAL CONTROL PROCEDURES

A Objectives of the internal control system

Lagardère SCA has a certain number of internal control procedures designed to:

– effect and optimize transactions;
– guarantee the reliability of financial information;
– identify and manage risks resulting from the company's business, and risks of error or fraud, although in view of the limitations inherent to any system, there is no guarantee of total elimination of these risks;
– ensure compliance with applicable laws and regulations.

B Scope of the internal control system

The procedures described below apply to companies fully or proportionately consolidated in the Lagardère Group financial statements, except for EADS NV, which as a company listed on the Euronext Paris *Premier Marché* describes its internal control system in its own Reference Document for 2004.

As Lagardère SCA only exercises significant influence over companies accounted for by the equity method, these companies are not covered by the Group's internal control system, although the Group may have specific control rights related to its status as a special shareholder.

C Financial information and reporting chain

C.1 Consolidated financial statements, reporting system

C.1.1 Reference documents and procedure guides

All persons concerned by the Group's financial reporting adhere to a collection of reference documents defining the common principles for establishing the consolidated financial statements and monitoring forecasts. In particular, the "*Guide du Reporting du Groupe Lagardère*" (Lagardère Group Reporting system guide) provides details of a Charter for consolidation procedures, and a set of definitions of the main indicators used in the consolidated reporting package. There are also user and operator guides to the management system used by all Group companies, with details of the corresponding tasks.

Other key documents are also provided to all concerned, particularly for the preparation of the consolidated financial statements:
– a document setting out the methods for annual impairment tests applied to intangible assets and goodwill arising upon acquisitions;
– a framework document defining the off-balance sheet items to be disclosed in the notes to the financial statements, and the treatment applicable.

C.1.2 The reporting system: frequency and timing

The Lagardère Group's reporting system is structured by Operating Units (OUs). It is decentralized, and each OU 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 is designed to meet management control needs and also to ensure the relevance and quality of the financial information published. It fosters greater coherence between the various reporting systems, the business activities covered and the consolidation methods.

C.1.2.1 Forecasts

During the final quarter of the calendar year, all divisions of the Group establish their three-year forecasts, and submit to the Financial Committee a summary comprising the following key information with notes:
– sales;
– operating income/expenses;
– operating income before interest and tax;
– net interest income/expense;
– net income;

– cash flows from operations;
– net cash flows from operations and investments;
– capital employed;
– net indebtedness;
– capital increases;
– dividends.

These data are integrated into the common data base referred to above, and used in preparing the Group's annual three-year plan.

C.1.2.2 *Monthly accounts and reporting*

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 other key information such as:
– cash flows from operations;
– net change in working capital requirements;
– free cash flow;
– net cash flows from operations and investments;
– capital employed;
– working capital requirements, excluding provisions for risks and charges;
– cash/net indebtedness.

Strict attention is paid 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 the Group's senior managers. This document lists the changes in the following key information for each division with comments for each Operating Unit:
– sales;
– operating income/expenses;
– interest income/expense and preferred remuneration;
– non-operating income/expenses;
– income tax;
– income/loss before goodwill amortization;
– cash or net indebtedness;
– free cash-flow.

The Monthly Group Report is presented to the Group 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 Part 4, paragraph 4.4.1.1 Credit risk.

C.1.2.3 *Half-yearly and annual consolidated financial statements*

Additional information is supplied for the establishment of the half-yearly or annual consolidated financial statements for publication.

This mainly concerns breakdowns of intercompany transactions and off-balance sheet commitments, which have their own reporting system described in a memo applicable to all Group companies.

Finally, all intangible assets and goodwill arising upon acquisitions are submitted to annual impairment tests using the method of multiples, discounted future cash flows or comparable transactions.

C.1.2.4 Transition to IFRS international accounting standards

Throughout 2004, the Group continued preparations for the transition of its consolidated financial statements to IFRS. More details are provided in Part 5, section 5.4.

C.2 Commitments and cash flows

C.2.1 Investment/divestment procedure

The Group's investment procedure applies to:

– all financial investments or divestments and
– all acquisitions and disposals of tangible or intangible assets of over € 10 million if previously planned, or € 5 million if the transaction was not included in forecasts, or of lower amounts if the transaction has any anti-trust effect, i.e. changes the Group's position with regard to mono and multimedia concentration thresholds.

The Financial Committee assesses the strategic value of the proposed transaction and issues an opinion to the managing partners after verifying that the risks generated by the transaction are known and can be managed, and validating the underlying assumptions used to analyze profitability.

This procedure does not apply to cash management and routine operations for the financial companies, nor to capital increases by consolidated or controlled companies through incorporation of current account advances.

The Group's investment procedure was changed in 2004 so as to provide fuller information on the legal aspects of investments and divestments, acquisitions and disposals.

C.2.2 Finance and cash management

The Cash Management and Financing Division has introduced a procedure defining the circumstances in which it uses banks for external financing or cash management services.

C.2.2.1 External financing

In general, only Lagardère SCA uses bank or market financing in the medium or long term, and finances the divisions itself. Apart from the financing of normal business operations, the divisions retain responsibility for certain previously-negotiated transactions, or specific operations such as securitization; however, these operations are reported to the Group's Finance Division on a regular basis.

The Group's Finance Division can thus monitor the use of capital by companies in the Group. As explained in paragraph C.1.2.2 above, this division permanently monitors bank covenants which are binding on the whole Group.

C.2.2.2 Cash/Treasury management

Cash investments must be in fixed-income instruments issued by first grade issuers, with maturities appropriate to the expected duration of the investments. Speculative or high-risk investments are not permitted.

C.2.2.3 Hedging policy and market risk monitoring

The hedging and market risk monitoring policy, particularly the method for calculation of values at risk, is described in section 4.4.1 of Part 4 of this Reference Document. The Group's General Management and operational managers regularly adjust the hedging policy and the corresponding control system in the light of the resulting priorities.

C.3 Reliability of IT systems, audit of the single management system

The Group's IT Division, together with the Risk Division, carries out frequent surveys to evaluate the system and IT network security. These surveys examine:
– the organization and general security of information systems;
– physical security (against intruders or accidents);
– workstations (administration and protection);
– networks (local, wide, and Internet);
– authorization of access to resources;
– availability of applications and data.

All Group companies respond to these surveys, and all measures to protect resources against intruders and to prevent the system going down are adjusted based on the survey results.

A charter for use of the information systems exists and applies to all Group employees.

Finally, the applications and installation of the single management system have been audited by two external firms. No significant problems were identified.

C.4 Audit

The Group's Audit Division, supervised by the managing partners, carries out permanent internal audit work either as part of the annual audit plan or following specific requests from the managing partners and the Group's Finance Division or from the heads of the divisions. These audits cover all Group companies with the exception of EADS.

The main areas covered are:
– internal control reviews;
– participation in connection with mergers, acquisitions or sales;
– review of operational or financial risks;
– monitoring of action plans issued after audits.

The Group's Audit Division presents the annual audit plan, a summary of the work carried out, and their conclusions to the Audit Committee.

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 Self-evaluation of internal control

Self-evaluation for the internal control at Lagardère SCA's main entities/subsidiaries was introduced during 2004.

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 Part 4, paragraph 4.4.2.1.

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 organization 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 September 30, 1986 on freedom of communication are properly applied.

Finally, the Legal Division, which reports to the Group's General Secretariat, is involved in all legal aspects of the business of Lagardère SCA. In this capacity, it monitors application of stock exchange regulations, since Lagardère SCA is listed on the Euronext Paris *Premier Marché*.

E.2 Compliance with the main laws and regulations applicable to the divisions

The Group's Legal Division is informed of all procedures introduced in each division to ensure compliance with the laws and regulations specific to their activity, and these procedures are regularly monitored by these division's management bodies via their Legal Department or by external advisors.

E.3 Litigation management

The Group's Legal Division manages all litigation involving Lagardère SCA, and any litigation involving the divisions when the potential consequences in terms of finance or image are considered significant for the Group. All other division-level litigations are 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 are an essential part of its property and rights. In view of the importance of brand awareness for its business, particularly in press activities, broadcasting and TV 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 undertaken by the divisions, including contractual commitments which imply financial commitments or off-balance sheet commitments that are significant at Group level, and legal restructuring plans involving important operational entities.

F Delegation of authority

In 2004, Lagardère SCA and Lagardère Ressources began a project for formal definition of their procedure for delegation of authority.

G General risks

In the course of its business, the Group, like any other corporation, is exposed to risks. The principal measures taken to control and manage these risks are described in section 4.4 Risks, in Part 4 of this Reference Document.

In 2004, Lagardere SCA and its divisions began mapping their general risks, in order to identify a hierarchy of the main risks to which the Group is exposed, in terms of seriousness, possible occurrence and degree of control.

More generally, the Group's General Management and operational managers adjust internal control and risk management procedures according to the priorities identified by all the monitoring involved.

6.1.3.4 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

In compliance with article L. 621-18-3 of the French Monetary and Financial Code introduced by Law n° 2003-706 of August 1, 2003 (known as the Financial Security Law), Lagardère SCA's Reference Document contains all the information concerning the preparation and organization of the work of the Supervisory Board and the internal control procedures in place at Lagardère SCA.

The information concerning the preparation and organization of the Supervisory Board's work during 2004 is set out in paragraph 6.1.3.2 of the "Corporate Governance" section 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 in 2003 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 Lagardère Group.

Each division head 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 paragraph 6.1.3.3 of the Reference Document for 2004.

Please note that the internal control procedures used at EADS NV are described in that company's own Reference Document, and are not therefore included in Lagardère SCA's Reference Document.

The Chairman of the Supervisory Board

6.1.3.5 STATUTORY AUDITORS' REPORT ON THE REPORT OF THE CHAIRMAN OF LAGARDĒRE SCA'S SUPERVISORY BOARD CONCERNING INTERNAL CONTROL PROCEDURES USED FOR THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

(Translated from the original in French)

To the shareholders of Lagardère SCA

In our capacity as Statutory Auditors of Lagardère SCA and at the company's request, we hereby present our report on the report prepared by the Chairman of the Supervisory Board of your company in accordance with the law (article L. 621-18-3 of the *Code Monétaire et Financier*) and French securities regulations (article 221-6 of *Livre II* of the *Règlement Général* of the *Autorité des Marchés Financiers*) for the year ended December 31, 2004.

It is the responsibility of the Chairman of the Supervisory Board to report in particular on the preparation and organization of the work of the Supervisory Board and on the internal control procedures used for the preparation and processing of accounting and financial information.

Our responsibility is to provide you with our comments on the information contained in the report of the Chairman of the Supervisory Board concerning the internal control procedures relating to the preparation and processing of accounting and financial information.

We performed our procedures in accordance with professional guidelines applicable in France. Those guidelines require us to perform procedures to assess the fairness of the information set out in the report of the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

– obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of accounting and financial information, as set out in the report of the Chairman of the Supervisory Board;
– obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the company's internal control procedures relating to the preparation and processing of accounting and financial information, contained in the report of the Chairman of the Supervisory Board prepared in accordance with the above provisions of the *Code Monétaire et Financier* and the *Règlement Général* of the *Autorité des Marchés Financiers*.

Neuilly-sur-Seine and Paris, March 11, 2005

The Statutory Auditors

Barbier Frinault & Autres	Alain Ghez	Mazars & Guérard
Jean-François Ginies		Jacques Kamienny

6.2 INTERESTS OF MEMBERS OF THE SUPERVISORY BOARD, MANAGING PARTNERS AND MEMBERS OF OTHER MANAGING BODIES

6.2.1 Remuneration and benefits in kind granted by the Company and other Group companies in 2004 to members of the Supervisory Board and to the managing partners and members of other managing bodies

6.2.1.1 OVERALL INFORMATION

• *Remuneration of the members of the Supervisory Board*

– The combined general meeting of May 11, 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 a basic remuneration of € 20,000. Members who are also members of the Audit Committee receive an additional amount equal to twice the basic remuneration, with a double entitlement for the Chairman of both the Supervisory Board and the Audit Committee.

• *Remuneration of the managing partners and members of other managing bodies*

The managing partners are not entitled to any specific remuneration in that capacity.

Salaries paid to the members of the Group's Management Committee (in 2004: Messrs Lagardère, Camus, D'Hinnin, Esambert, Funck-Brentano, Gergorin, Gut, Leroy, de Roquemaurel) for the positions held by them in Lagardère Group (excluding EADS) are entirely borne by their employer, Lagardère Capital & Management (see section 6.2.3). However, considering the positions held by Messrs Camus, Gergorin and Gut in EADS NV and their relative importance, substantially all of the salaries paid to them in 2004 were borne by EADS. In addition, a total of € 125,188 was paid during 2004 to the persons concerned as attendance fees in their capacity as members of the Boards of Directors of Group companies, excluding EADS (2003: € 122,034).

6.2.1.2 INFORMATION BY BENEFICIARY

Total remuneration and benefits in kind paid by the Company and other Group companies in 2004, directly or indirectly, to each member of the Supervisory Board and to the managing partners and members of other managing bodies

• *Managing partners*

– Mr. Arnaud Lagardère received a gross remuneration of € 1,959,100 including benefits in kind, ie. a net amount of € 1,760,715 after deducting social security charges (respectively € 1,355,341 and € 1,208,754 in 2003), from Lagardère Capital & Management in 2004. In his capacity as director or member of the Supervisory Boards of several other Group companies he also received attendance fees totaling € 12,306 (€ 11,435 in 2003).

In addition, in consideration for his position as Chairman of the Board, he received a gross amount of € 142,000 in 2004 from EADS NV, a Dutch company 15.10%-owned by Lagardère. He also received attendance fees in the amount of € 80,000 from that company in 2004.

– Mr. Philippe Camus, in his capacity as Chief Executive Officer of EADS, receives substantially all of his remuneration from this group and received a gross remuneration of € 2,010,251 in 2004 (€ 1,963,500 in 2003). Also in 2004, he received a gross remuneration of € 100,000, i.e. a net amount of € 91,387 after deducting social security charges (€ 91,390 in 2003), from Lagardère Capital & Management. He received attendance fees in the amount of € 6,500 from Hachette Filipacchi Médias in 2004 (€ 6,100 in 2003).

– Mr. Pierre Leroy was appointed co-manager in 2004 and received a gross remuneration of € 1,230,457 including benefits in kind, i.e. a net amount of € 1,099,462 after deducting social security charges, from Lagardère Capital & Management. In his capacity as director or member of the Supervisory Boards of several other Group companies, he also received attendance fees in the amount of € 27,716 (€ 30,163 in 2003).

• *Members of the Supervisory Board*

Attendance fees paid to members of the Supervisory Board were as follows (in €):

	2004	2003
Raymond H. Lévy	80,000	80,000
Lagardère Capital & Management	20,000	20,000
Manfred Bischoff	20,000 (1)	20,000 (1)
Georges Chodron de Courcel	20,000	20,000
Groupama SA	40,000	40,000
Pehr G. Gyllenhammar	20,000 (1)	20,000 (1)
Pierre Lescure	20,000	20,000
Christian Marbach	40,000	40,000
Bernard Mirat	40,000	40,000
Jacques Nivard	40,000 (2)	40,000
Jean Peyrelevade	20,000	20,000
Didier Pineau-Valencienne	40,000	40,000
Felix G. Rohatyn	20,000 (1)	20,000 (1)
Michel Rouger	20,000	20,000

(1) less wihholding tax. (2) paid to Mr. Nivard's estate.

Mr. Raymond H. Lévy also received from the Group a gross amount of € 202,800 in 2004 in consideration for his advisory services (€ 198,000 in 2003). In 2004, Mr. Bernard Esambert, permanent representative of Lagardère Capital & Management to the Supervisory Board up to May 11, 2004, received a gross remuneration of € 559,508, entirely borne by that company (€ 559,376 in 2003). In his capacity as director or member of the Supervisory Boards of several other Group companies he also received attendance fees totaling € 25,712 in 2004 (€ 23,607 in 2003).

Other members of or permanent representatives to the Supervisory Board received no other compensation from the Group in 2004.

6.2.2 Options to subscribe for or to acquire shares of the Company and other Group companies

(at December 31, 2004)

6.2.2.1 OVERALL INFORMATION

Options granted to members of the Supervisory Board and members of other managing bodies

Date of meeting Date of grant and exercise price	Number of options granted	Number of beneficiaries	Options exercised	Options remaining	Options cancelled	Number of beneficiaries remaining	Date of exercise
Subscription options							
May 30, 1997 Nov. 26, 1997 € 24.39 (FRF 160.00)	206,000	7	206,000*	0	0	0	Nov. 26, 1999 to Nov. 25, 2004
May 30, 1997 Oct. 30, 1998 € 27.44 (FRF 180.00)	224,000	8	42,000	182,000	0	6	Oct. 30, 2000 to Oct. 29, 2005
May 30, 1997 Dec. 10, 1999 € 44 (FRF 288.62)	250,000	7	0	250,000	0	7	Dec. 10, 2001 to Dec. 10, 2006
May 23, 2000 Dec. 18, 2000 € 63 (FRF 413.25)	205,000	8	0	205,000	0	8	Dec. 18, 2002 to Dec. 17, 2007
Sub-total	**885,000**		**248,000**	**637,000**			
Purchase options							
May 23, 2000 Dec. 19, 2001 € 47 (FRF 308.30)	195,000	7	0	195,000	0	7	Dec. 19, 2003 to Dec. 18, 2008
May 23, 2000 Dec. 19, 2002 € 52.02 (FRF 341.23)	195,000	7	0	195,000	0	7	Dec. 19, 2004 to Dec. 19, 2009
May 23, 2000 Dec. 18, 2003 € 52.02 (FRF 341.23)	185,000	6	0	185,000	0	6	Dec. 18, 2005 to Dec. 18, 2013
May 23, 2000 Nov. 20, 2004 € 52.50 (FRF 344.38)	185,000	6	0	185,000	0	6	Nov. 20, 2006 to Nov. 20, 2014
Sub-total	**760,000**			**760,000**			
Total	**1,645,000**		**248,000**	**1,397,000**			

*Options exercised prior to 2003.

All the members of the Group's Management Committee benefited from the options described in the above table.

6.2.2.2 INFORMATION BY BENEFICIARY

Options granted to and exercised by the managing partners and by members of the Supervisory Board in 2004

• *Managing partners*

– Mr. Arnaud Lagardère did not receive any options on Lagardère shares in 2004.
He exercised 40,000 subscription options in 2004 at a price of € 24,39 per share.

– Mr. Philippe Camus, in 2004, received 30,000 options to purchase Lagardère SCA shares, exercisable at the per-share price of € 52.50 between November 20, 2006 and November 20, 2014.
He exercised 40,000 subscription options at a price of € 24.39 per share; these options had been attributed to him on November 26, 1997.
Also in 2004, he received 135,000 options to subscribe for EADS shares; these options may be exercised, subject to certain minimum earnings requirements, at the per-share price of € 24.32, half of them from November 5, 2006 and the other half from October 8, 2007, and in all cases before October 8, 2014.

– Mr. Pierre Leroy, in 2004, received 40,000 options to purchase Lagardère SCA shares, exercisable at the per-share price of € 52.50 between November 20, 2006 and November 20, 2014.
He exercised 15,000 subscription options at a price of € 27.44 per share; these options had been attributed to him on October 30, 1998.

• *Members of the Supervisory Board:* None.

6.2.3 Transactions concluded with the members of the Supervisory Board and with the general partners and managing partners

Lagardère Capital & Management, controlled and chaired by Mr. Jean-Luc Lagardère, now replaced by his son Arnaud (who is also a managing partner of Lagardère SCA), has been the material embodiment of the Group since 1988. 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 over € 13 billion,
– to supply strategic planning and operational services, coupled with high quality management services, including principally:
  • designing and developing economic, political and financial strategic scenarios; providing project management 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 Management Committee.

The role of the Management Committee is to develop and ensure the application of Group strategy, to take the resultant necessary decisions and implement them globally at Parent Company level and in the Group's different business activities. Lagardère Capital & Management is responsible for paying the entire pay package and related working expenses of its managers, and the fees of outside French or international consultants possibly required.

Lagardère Capital & Management's mission is carried out within the framework of its agreement with Lagardère Ressources (formerly Matra Hachette Général). This agreement is described each year in the Auditors' Special Report published in the French annual report.

Since July 1, 1999, taking into account the Group's structure at that date, the mode of remuneration of Lagardère Capital & Management, which had received the approval of both the Supervisory Board and the shareholders' general meeting, was partly based on the sales of the Media business segment (0.2% of adjusted sales) and partly on the value of the Group's share in EADS (0.1% of its average stock market value).

In practice, the parameters used for the calculation of this remuneration appeared to be increasingly susceptible to significant variations in both directions. In the course of 2003, for instance, sales of Matra Automobile disappeared completely, while in the same year the share price of EADS doubled, and later on the sales from the newly acquired part of Editis were integrated. These events did not, however, result in similar changes in the services provided by Lagardère Capital & Management nor in the company's operating costs.

It has consequently been decided in 2004 that it would be more appropriate to calculate the remuneration of Lagardère Capital & Management as equal to the amount of expenses it incurs in carrying out its mission, plus a fixed margin of 10%, with an absolute upper limit set at € 1 million (the average figure for the last five years). Services rendered and expenses charged are examined for each fiscal year by the Audit Committee, which pronounces an opinion on the way they are changing when the consolidated financial statements are being reviewed. After examination by the Audit Committee, this remuneration package was approved by the Supervisory Board on March 12, 2004.

As a result, in 2004, Lagardère Capital & Management received € 12.86 million from the Group, compared to € 11.7 million in 2003. After deducting payroll costs of € 7.7 million, or € 9.5 million including social security charges, and other support and outside resources costs borne by Lagardère Capital & Management, this left operating income after tax from the above agreements of € 0.67 million.

6.3 EMPLOYEE PROFIT-SHARING AND INCENTIVE PLANS

6.3.1 Employee profit-sharing and incentive agreements

These agreements are signed in each Group company individually.

6.3.2 Options granted to employees to subscribe for or to acquire shares of the Company

(at December 31, 2004, including options described in 6.2.1.1)

Date of meeting Date of grant and exercise price	Number of options granted	Number of beneficiaries	Options exercised	Options remaining	Options cancelled	Number of beneficiaries remaining	Date of exercise
Subscription options							
May 30, 1997 Nov. 26, 1997 € 24.39 (FRF 160.00)	1,824,750	611	1,676,427	0	148,323	0	Nov. 26, 1999 to Nov. 25, 2004
May 30, 1997 Oct. 30, 1998 € 27.44 (FRF 180.00)	1,671,750	558	695,631	976,119	0	315	Oct. 30, 2000 to Oct. 29, 2005
May 30, 1997 Dec. 10, 1999 € 44 (FRF 288.62)	1,300,800	696	76,870	1,223,930	0	672	Dec. 10, 2001 to Dec. 9, 2006
May 23, 2000 Dec. 18, 2000 € 63 (FRF 413.25)	1,254,500	458	0	1,254,500	0	458	Dec. 18, 2002 to Dec. 17, 2007
Sub-total	6,051,800		2,448,928	3,454,549	148,323		
Purchase options							
May 23, 2000 Dec. 19, 2001 € 47 (FRF 308.30)	1,258,000	421	10,000	1,248,000	0	420	Dec. 19, 2003 to Dec. 19, 2008
May 23, 2000 Dec. 19, 2002 € 52.02 (FRF 341.23)	1,299,000	416	0	1,299,000	0	416	Dec. 19, 2004 to Dec. 19, 2009
May 23, 2000 Dec. 18, 2003 € 52.02 (FRF 341.23)	1,437,250	445	0	1,437,250	0	445	Dec. 18, 2005 to Dec. 18, 2013
May 23, 2000 Nov. 20, 2004 € 52.50 (FRF 344.38)	1,568,750	481	0	1,568,750	0	481	Nov. 20, 2006 to Nov. 20, 2014
Sub-total	5,563,000		10,000	5,553,000	0		
Total	11,614,800		2,458,928	9,007,549	148,323		

6.3.3 Options granted to employees to subscribe for or to acquire shares of other Group companies*

(at December 31, 2004)

Date of meeting / Date of grant	Exercise price (in €)	Date of exercise	Number of options granted	Number of beneficiaries	Number of options lapsed	Number of options remaining	Period of repurchase ([1]) ([2])
Hachette Livre							
Dec. 22, 1995 June 19, 1996	698.37	Dec. 28, 1999 to Dec. 27, 2004	900	3	400	0 ([3])	Dec. 28, 1999 to Dec. 27, 2005
Dec. 22, 1995 March 6, 1998	897.92	Jan. 1, 2002 to Dec. 31, 2004	1,700	13	100	0 ([4])	July 1, 2003 to Dec. 31, 2004
Dec. 22, 1995 April 29, 1999	898.38	Jan. 1, 2003 to Dec. 31, 2005	2,050	14	650	750 ([5])	July 1, 2004 to Dec. 31, 2005
Dec. 22, 1995 April 20, 2000	884.97	Jan. 1, 2004 to Dec. 31, 2006	1,000	7	1,000	0	July 1, 2005 to Dec. 31, 2006
Dec. 21, 2000 March 13, 2001	897.62	Jan.1, 2005 to Dec. 31, 2007	1,500	12	1,500	0	March 14, 2006 to Dec. 31, 2007
Matra Manufacturing & Services (formerly Matra Automobile)							
April 4, 1997 Dec. 22, 1999	231.72	June 22, 2003 to Dec. 22, 2004	30,000	16	30,000	0	Dec. 23, 2004 to Dec. 23, 2009
Hachette Filipacchi Médias							
June 18, 1997 June 18, 1997	37.44	June 18, 1997 to June 17, 2007	1,577 ([6])	11	-	972 ([8])	June 19, 2002 to June 19, 2007
June 18, 1997 July 22, 1999	46.20	July 22, 1999 to July 21, 2006	1,525 ([7])	63	-	1,478 ([9])	July 23, 2004 to July 23, 2009
Virgin Stores							
Sept. 25, 1998 April 15, 1999 ([10])	40.04	April 15, 2002 to April 15, 2009	9,959	6	4,482	3,486 ([11])	April 16, 2004 to April 15, 2009
March 15, 2000 March 15, 2000	32.03	Jan. 16, 2003 to Jan. 15, 2010	56,269	8	5,978	50,293 ([12])	March 16, 2005 to March 15, 2010
March 15, 2000 Jan. 17, 2001	47.77	Jan. 18, 2004 to Jan. 17, 2011	2,988	2	1,992	996	Jan. 18, 2006 to Jan. 17, 2011
March 15, 2000 April 19, 2001	47.77	April 20, 2004 to April 19, 2011	498	1	-	498	April 20, 2006 to Jan. 17, 2011
March 15, 2000 June 5, 2001	71.82	June 6, 2004 to June 5, 2011	1,992	1	-	1,992	June 6, 2006 to June 5, 2011

([1]) Beneficiaries have the right to resell their options to the companies concerned depending on various criteria such as changes in stockholders' equity and/or changes in results.
([2]) In the case of Hachette Filipacchi Médias, period of exchange for Lagardère shares.
([3]) The remaining 500 options were exercised in 2004.
([4]) The remaining 550 options were exercised in 2004.
([5]) 350 options were exercised in 2004.
([6]) Each option gives right to subscribe to 300 shares.
([7]) Each option gives right to subscribe to 500 shares.
([8]) 605 options were exercised in 2004.
([9]) 35 options were exercised in 2004.
([10]) Purchase options.
([11]) 1,991 options were exercised in 2004.
([12]) 1,992 options were exercised in 2004.

* For detail on options granted by EADS, in which Lagardère SCA indirectly holds a 15.10% interest, see EADS' own Reference Document.

6.3.4 Options granted to the ten main beneficiaries other than members of the Supervisory Board and members of other managing bodies, and options exercised

SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO THE TEN MAIN BENEFICIARIES OTHER THAN MEMBERS OF THE SUPERVISORY BOARD OR OF OTHER MANAGING BODIES, AND OPTIONS EXERCISED	Total number of options granted/shares subscribed or purchased	Purchase or subscription price (in €)	Date of grant
Options granted during the year by the Company or other Group companies, to the ten main beneficiaries thus holding the highest number of options (overall information)	302,000	52.50	November 20, 2004
Options on shares of the Company or other Group companies, exercised during the year by beneficiaries thus having purchased or subscribed the highest number of shares (overall information)	176,000 86,500 60,500 10,000	24.39 27.44 44.00 47.00	November 26, 1997 October 30, 1998 December 10, 1999 December 19, 2001

This table includes the Management Committee members concerned, but does not include options granted by EADS; see EADS' own Reference Document for details on EADS options.

7

RECENT DEVELOPMENTS AND OUTLOOK

7.1 RECENT DEVELOPMENTS

7.1.1 Lagardère Capital & Management

Lagardère Capital & Management (LCM), which is wholly-owned by Mr. Arnaud Lagardère, raised its interest in Lagardère SCA from 5.45% to 7.16% of the capital and 6.96% to 8.55% of the voting rights when it acquired a block of 2,417,000 shares in the Company on March 24, 2005.

The transaction, which was carried out on arm's length terms through an investment bank, fulfills Mr. Arnaud Lagardère's intention, expressed several months ago, to increase his holding in the Group.

7.1.2 T-Online

• *History of Lagardère's investment in T-Online*

Lagardère received 69.6 million T-Online shares in return for contributing its Club-Internet business to T-Online in February 2000.

On July 1, 2002, Lagardère SCA issued € 767 million worth of bonds exchangeable for T-Online International AG shares. The bonds have a three-year life and pay interest at 2.5% per year.

On October 9, 2004, Deutsche Telekom announced that it planned to merge with its subsidiary T-Online and offer T-Online shareholders shares in Deutsche Telekom.

To create liquidity for T-Online shareholders wishing to sell their investment, Deutsche Telekom also made a cash offer of € 8.99 per T-Online share, valid from November 26, 2004 until the close of business on February 4, 2005.

On January 25, 2005, an indicative exchange ratio of 0.45 to 0.55 Deutsche Telekom share for one T-Online share was announced.

• *Sale of T-Online shares*

Lagardère tendered a total of 55.9 million T-Online shares to the offer by the close of business on February 4, 2005, and redeemed € 592 million worth of bonds exchangeable for T-Online shares (of the total € 767 million bonds outstanding), retaining 13.7 million T-Online shares so as to be able to meet demand in respect of the exchangeable bonds still outstanding.

7.1.3 multiThématiques : Agreement to unwind the cross-shareholdings between the Canal+ and Lagardère groups

See Part 4, page 53.

7.2 OUTLOOK

Lagardère Media

After the considerable growth in radio and television in 2004, business remained fairly flat in early 2005 (January and February), particularly in the advertising markets.

Overall, in view of the generally poor visibility, no change in this trend is anticipated for the coming months.

Lagardère Media is therefore expected to report 4 to 8% growth in 2005 operating income, based on an exchange rate of 1.3 dollars to the euro.

This forecast does not take into account the possible impact of successful bids for digital terrestrial television licenses or any changes in accounting standards or rules.

It does however take into account the fact that Hodder Headline will be consolidated for the whole year in 2005.

Since the beginning of 2005, Lagardère has sold 64.1 million T-Online shares (of the total 69.6 million held).

Although the Group has no plans for major new acquisitions in the short term, it remains on the lookout for any development opportunities that may arise in most areas of the media business, in and outside France.

The next set of results (for the first half of 2005) are due to be published on September 14, 2005 after the stock exchange closes.

EADS

EADS expects consolidated sales to increase to approximately € 33 billion in 2005, assuming a more favorable US dollar exchange rate (US$ 1.30 to € 1). In Defense, sales are expected to rise by 10% this year.

EBIT([1]) should exceed € 2.6 billion (a 6% increase from 2004). This growth reflects expected performance improvements in all divisions, partly offset by less favorable foreign exchange hedging and the weak dollar for hedges not yet arranged.

EADS forecasts that Airbus will deliver 350-360 aircraft in 2005, and its sales should increase as the number of single-aisle aircraft delivered rises. The mix of aircraft types delivered in 2005 will be less favorable than in 2004.

The positive accounting impact of the merger of Airbus GIE into Airbus SAS is expected to be lower in 2005, and net cash available before customer receivables financing and capital expenditure under the Paradigm program should be positive in 2005.

Earnings per share for 2005 is forecast to increase 5% to € 1.36, based on an average number of shares of 803 million.

Hans Peter Ring, EADS' Chief Financial Officer adds:

"Maintaining performance levels will depend on our internal efforts to rationalize organization and control costs. Of course, this is ambitious. If we want to remain competitive, we must keep constant watch over our business performances."

([1]) EADS uses EBIT pre goodwill amortization and exceptionals as a key indicator of economic performance. The term "Exceptionals" refers to income or expenses of a non-recurring nature, such as amortization expenses of fair value adjustments related to the formation of EADS by way of merger, the formation of Airbus SAS and MBDA, and exceptional write-downs of goodwill. This term does not correspond to the definition of non-recurring items as given in IFRS.

REFERENCE DOCUMENT 2004 – CROSS REFERENCE INDEX

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