

EDITIS 2006 ACHIEVEMENTS AND PERSPECTIVES

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Agenda

1. Editis Overview
2. Internal Growth
3. External Growth
4. Structure Alignment
5. Financials
6. Perspectives
7. Conclusion



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Editis Overview

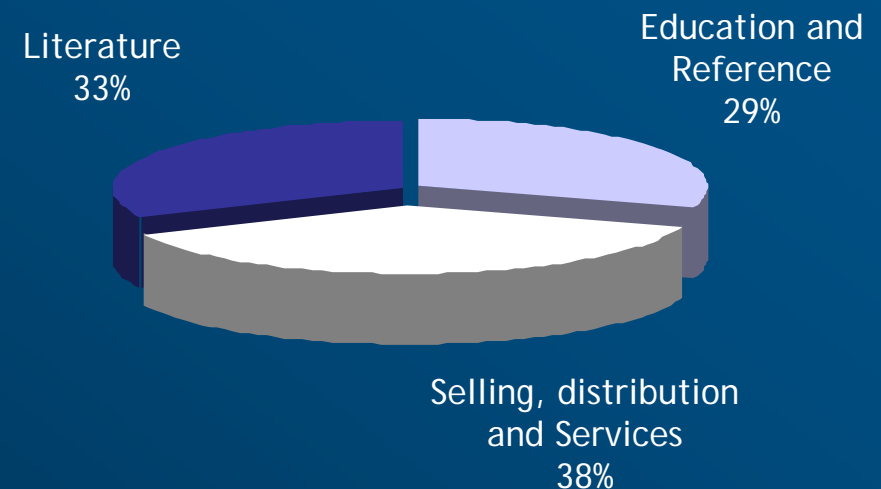
Overview



Profile

- Aggressive challenger in French language publishing, employing 2,300 people, with sales of 776.1 M€ in 2005
- On the journey from author to reader, provides all necessary expertise in the fields of Literature, Education and Reference Publishing, as well as in Selling and Distribution services
- Organized along 2 activity lines:
Editorial with 40 publishing houses and
Selling / Distribution with Interforum

Balanced portfolio of activities



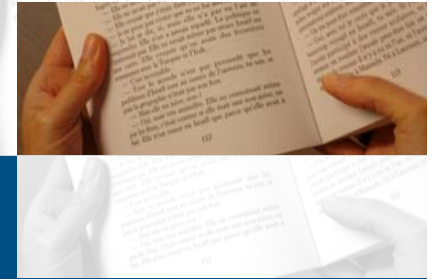
Key market positions in France

- | | |
|------|-----------------------------|
| #1 | Hard cover Literature books |
| #1 | Paperback books |
| #3 | Tourism |
| #1 | IT books |
| #1/2 | Education |
| #2 | Reference |

Customers - 2005

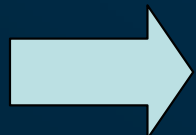
| | |
|-----------------------------|-----|
| First-tier bookstores | 51% |
| Hypermarkets & Supermarkets | 19% |
| Small bookstores | 9% |
| Specialized bookstores | 5% |
| E-commerce | 2% |
| International | 14% |

Key issues 2 years ago

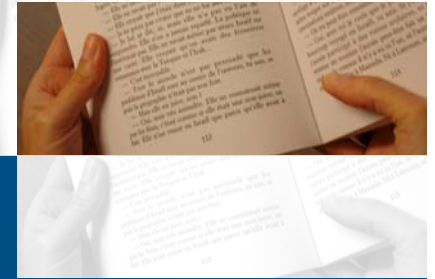


2 years ago, Editis main challenges were to:

- Offset the end of distribution agreements with Lagardère activities (Larousse & Universitaire)
- Reinforce our current positions through organic growth and selective acquisitions
- Pull down our break-even point through cost alignment to new scope of consolidation
- Develop our financial strength through enhancement of our debt structure and growth of our operating margin



In 2 years, Editis has achieved its objectives



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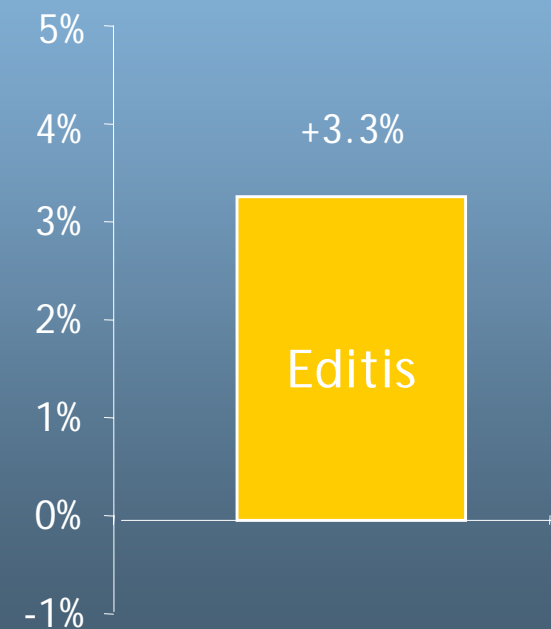
Internal Growth

- Literature
- Education and Reference
- Selling & Distribution

Internal growth & Editorial developments

- ▲ In a difficult market environment, Editis development is generated by organic growth (+3.3% as of June 2006 YTD)
- ▲ Editis' organic growth is driven by:
 - Best-sellers in hardback and paperback fiction and non-fiction books
 - Editorial developments into new market segments (mangas, tourism)
 - Success in textbook curriculum changes
 - Development of selling & distribution revenues through additional selling & distribution agreements

Editis' organic growth : June 2006 YTD vs June 2005 YTD



Literature

2006 highlights



General Literature



2006 major achievements

Best-sellers

- More than 10 titles sold more than 200,000 copies
- Editis is #1 on hardcover best-sellers
 - ▶ Témoignage (N Sarkozy) : more than 300,000 copies sold
 - ▶ Apprendre à lire(Luc Ferry): more than 210,000 copies sold

Paperback books

On average, Univers Poche share in *Livres Hebdo* top 25 weekly best-sellers list reaches 42% in 2006

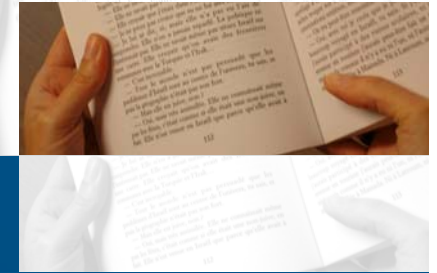
- ▶ Da Vinci Code (Dan Brown) : 2.2 M copies after 18 months

New Editorial Developments

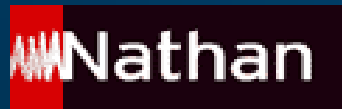
- Lonely Planet has gained 28% market share in travel guide segment
- Strong performance of Kurokawa , the new manga collection with more than 1 million copies sold after one year of existence

Education and Reference

2006 highlights



Education and Reference



2006 major achievements

Textbooks

Positive impact of (i) curriculum changes in middle schools and (ii) free book system in Paris area

Success of Bordas in 7th grade curriculum change (SVT, physics) and Nathan in high school (math, physics and English)

Performance

- *Dictionnaire culturel en langue française* (Le Robert): 34,000 copies sold; a strong performance for high-price books (249€)
- *Apprendre à lire à l'école* (Retz). The book was at the center of the French debate on learning to read « techniques » in primary school.

« Francophonie »

- *Manuel d'histoire franco-allemand* (Nathan with Klett) sold both in France and in Germany
- Nathan selected to publish the *Annuaire de la francophonie*

Selling & Distribution

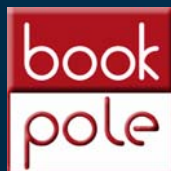
2006 highlights



Services

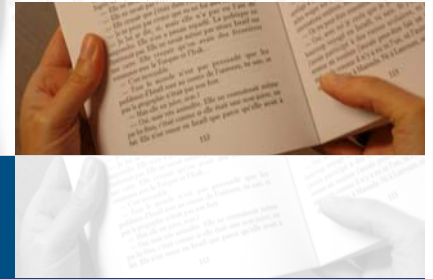
interforum
editis

France, Benelux, Switzerland and Canada



2006 major achievements

- Interforum third-party publishers count 100 so far. New selling & distribution agreements signed since 2004 accounted for about 20% of book third-party net revenues (excluding Universitaire business) as of June 2006 YTD
- Selling and distribution agreement signed with Dargaud and Le Lombard (Media Participation group) and with Gallimard
- After 8 months operation, the new Interforum commercial website has generated an 11% increase in online orders
- Implementation of the long-term agreement signed with Canadian group Quebecor Media at the end of 2005 in marketing & distribution



3

External Growth

4 major acquisitions

- Publishing
- Access to market

Editis finalized 4 major acquisitions over the past 18 months



July 06

Key book wholesaler, primarily targeting mass market store chains



January 06

One of the top publishers of literature and documents best-sellers since its creation in 1999

December 05

Absolute leader in IT and #4 in practical books with "For Dummies" licence

June 05

Reinforcement of Editis' position on general literature and "livres d'entreprises"



Acquisitions total above €100M retailer net sales

Publishing: Key acquisition rationale



- Clear editorial complement with current Editis assets, especially in:
 - the humour field
 - les "Livres d'Entreprise"
- Established and well-known brand name
- A growing company, with a significant additional development potential
- Recognized management



- Strong and growing positions in the IT and practical / Illustrated segments:
 - leader in computer books
 - 4th practical/illustrated publishing house
- Highly innovative editorial team, always in the forefront of future trends:
 - first publisher to have launched Sudoku in France
- Wiley "For Dummies" license holder, with a recent extension of a contract which accounts for 50% of First sales



- Strong backlist of authors
 - Strong relationship with well-known authors regularly launching best-sellers as well as one-off authors
- Very few titles published:
 - Less than 30 books published each year
- Above average industry advertising spending
- High volumes sold:
 - In 2005 and 2006, 6 best-selling titles sold more than 70,000 copies sold



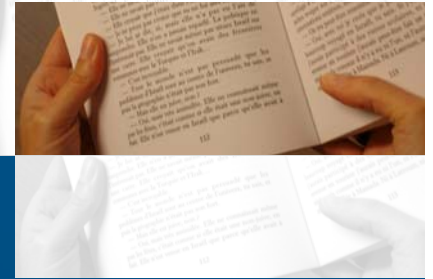
Access to market: DNL key acquisition rationales



Key acquisition objectives

- DNL offers a complete multi-brand service
- DNL serves a total of ~3,900 local outlets from supermarkets (Champion, Casino, Intermarché...) to small food stores (Shopi, 8 à Huit, G20...)
- 47 sales representatives visit clients across all regions in France
- Position Editis as a generalist wholesaler in supermarkets and small outlets segments
- Make Interforum a privileged supplier for mass market store chains asking for:
 - a differentiated level of service by store size, from their hypermarkets to their small food store chains
 - visibility on book sales in all their stores
- In the medium term, optimize logistics between Interforum and DNL to maximize synergies

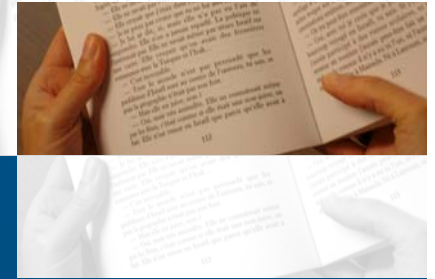




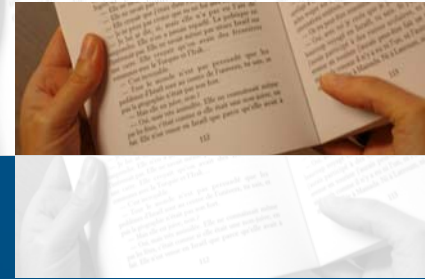
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Structure Alignment

Cost Structure alignment



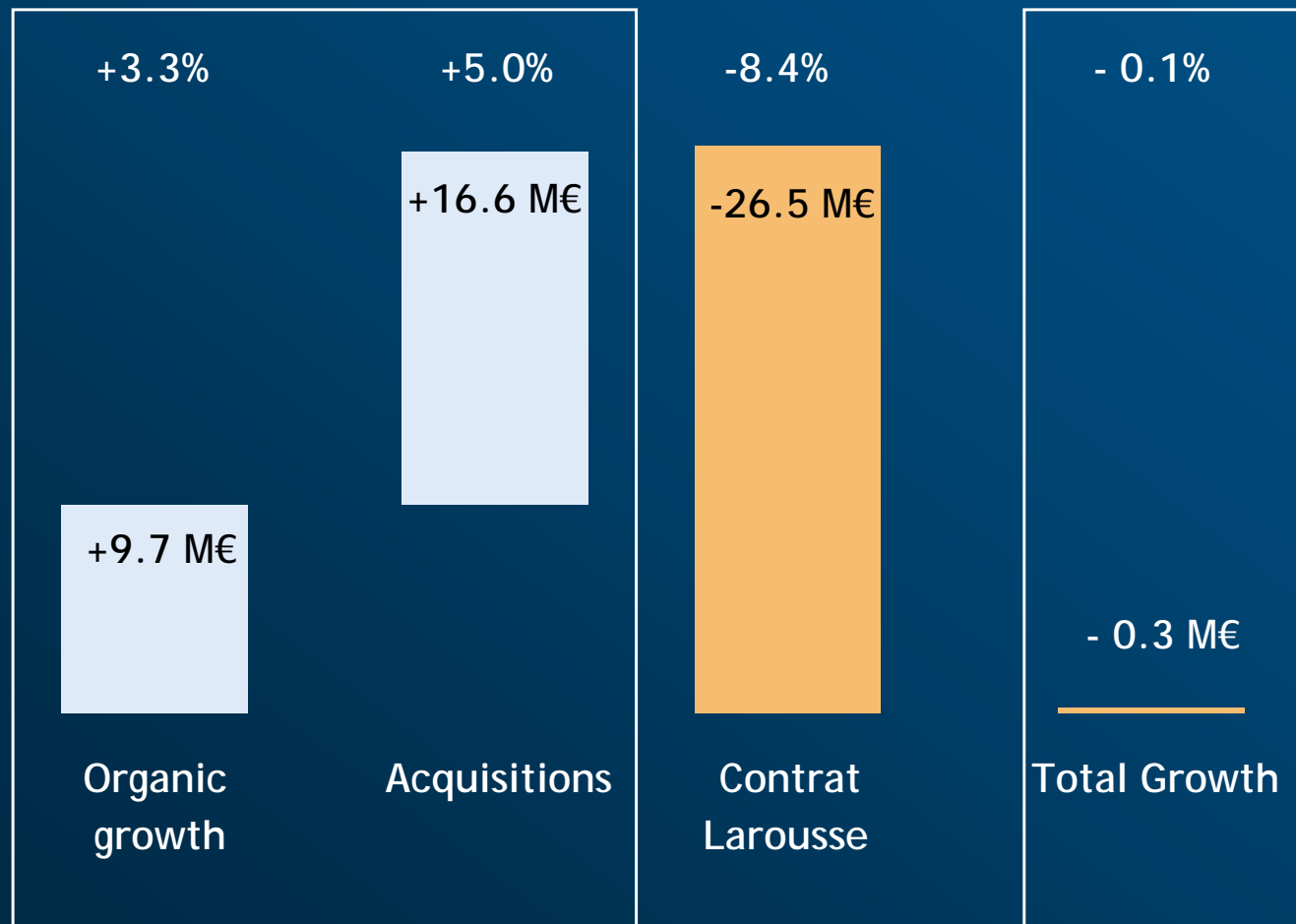
- Cost structure alignment (headquarters, shared services) to new scope of consolidation
- Interforum cost structure adjustment to selling & distribution business levels
- Centralization of editorial staff (number of sites lowered from 19 to 10 between 2004 and end of 2006 at constant perimeter)



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Financials

Net Sales Bridge June : YTD 05 – YTD 06



Historical financial performance

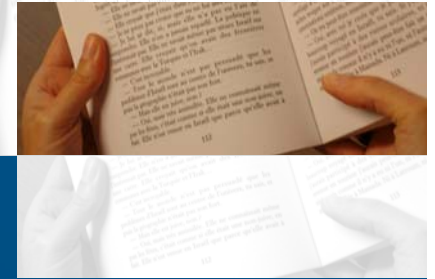
(€ millions)

6 months ended June 30*

| | <u>6M 2005</u> | <u>6M 2006</u> | <u>05-06 Growth</u> |
|------------------|----------------|----------------|---------------------|
| Net Revenues | 319.6 | 319.3 | (0.1)% |
| EBITDA | <u>17.5</u> | <u>17.7</u> | <u>+1.3%</u> |
| % Margin | 5.5% | 5.5% | |
| Operating Margin | <u>10.9</u> | <u>11.4</u> | <u>+4.6%</u> |
| % Margin | 3.4% | 3.6% | |

* IFRS GAAP

Refinancing



- Initial Debt structure (Senior & High Yield) refinanced mid-April 2006
- Strong cut in bank margins (-200 bp) allowing a significant net financing cost reduction
- Set up of a 150 M€ credit line dedicated to acquisitions in order to accompany the Group's growth strategy



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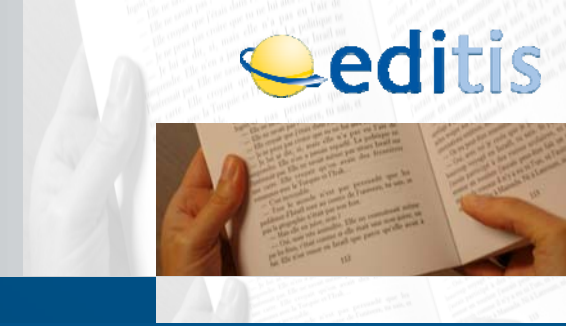
Perspectives

Publishing : a mature market



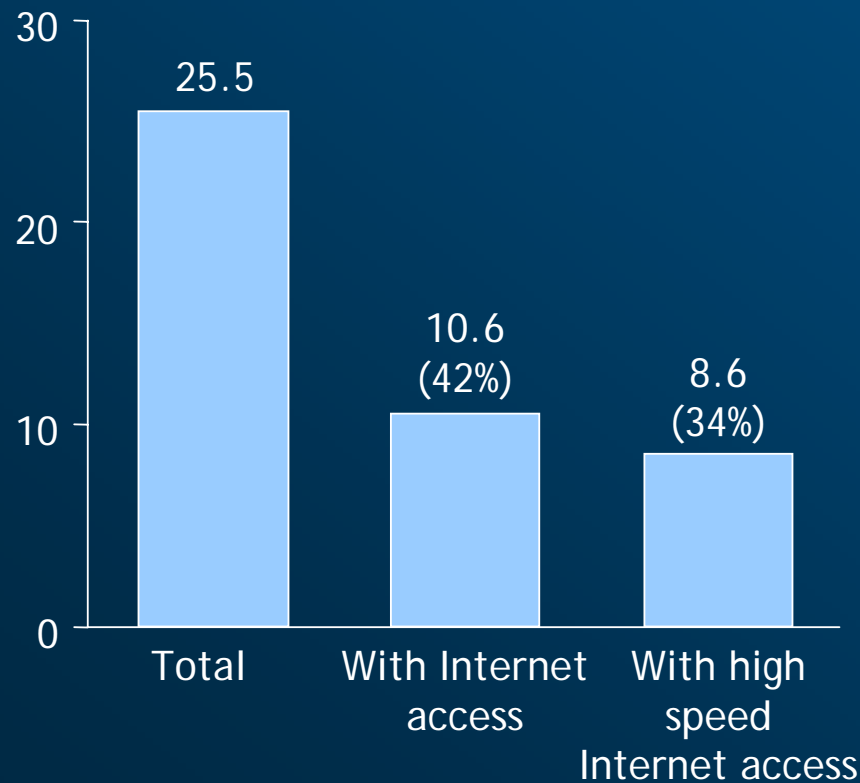
- **Mature book market** (+0% growth in September 2006 YTD according to *Livres Hebdo*) characterized by :
 - ✓ oversupply of titles,
 - ✓ shortening of book life cycle,
 - ✓ hyperbestsellerization and longsellerization of best-sellers
- **Change in customer book taste:** emergence of new editorial segments such as mangas, chick lits, low price illustrated books...
- **Book cannibalization by other leisure activities** : internet, mobile phone, online video games, other cultural products...
 - ✓ Growing portion of spare time spent on Internet : 4 hours / week in 2006 vs 2 hours in 2003 (source : *Jupiter Research*) ; about 25% of French individuals are connected daily to Internet (source : *Insee*).
 - ✓ Decrease of newspaper and book expenses within cultural products expenditures : from 19.3% in 1995 to 14.1% in 2005 (source : INSEE)

Internet & book digitalization



Internet in France

Number of French households (in millions)

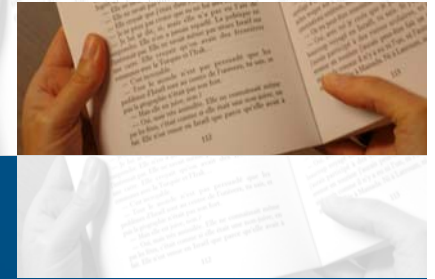


Internet captures a growing portion of customer contacts and is now a fundamental advertising tool (emailing, sponsored links...)

Book digitalization in France

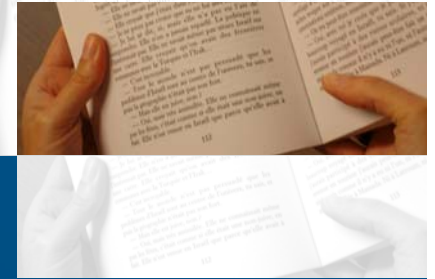
- Several players, such as Google today or European Digital Library tomorrow, have started to massively digitize book content
- With the development of social networks, handbooks now compete with downloadable education resources
- Digital books may replace paper books?
 - Manufacturers such as Sony or Matsushita launched a new generation of e-books
 - If still not user-friendly, they will lead to a development of digital books today marketed by Numilog, mobipocket or netlibrary

Unstable environment in education funding and distribution channels

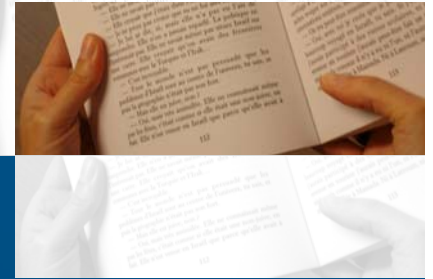


- **Lower visibility in education funding :**
 - Expansion of the fund and loan policy (public financing in high schools and vocational schools) reduces visibility of the market
 - Negative and disturbing impact of LOLF (new government financing law) in middle schools : budget decrease in some districts, delays in budget releasing
- **Unstable distribution channel structure :**
 - E-merchants development (Fnac.com, Amazon, Alapage)
 - Bookstore concentration :
 - Bertelsmann's expansion into bookstores (Privat, Place Media)
 - Acquisition of Grand Livre du Mois by France Loisirs
 - Fnac perspectives

Assets for development

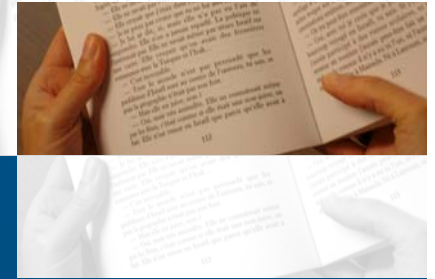


- New editorial development projects on track
- Several initiatives launched on Internet (reshuffling & modernization of Editis websites, advertising, increased collaboration with e-merchants, online CRM) and digitalization
- Balanced contribution of all of our activities
- Demonstrated capabilities to adapt our cost structure to market conditions and internal challenges
- Proven track-record to integrate our acquisitions and develop synergies (selling and distribution, manufacturing, finance)
- Increased financial capacity for new acquisitions



7 Conclusion

2007 Goals



- Maintain growth target in a sluggish market environment
- Pursue internal growth projects
- Target selective acquisitions in local and international markets, in our three business segments
- Develop Editis capacity to capture opportunities linked to Internet and digital technology