Lagardère

FIRST-HALF 2020 RESULTS

Lagardère holds firm due on its diversified business base in a global economic environment that has been destabilised by the impacts of the Covid-19 pandemic

Group revenue down 38%(1) to €2,088 million; negative Group recurring EBIT of €218 million

Resilient performance by Lagardère Publishing: revenue retreating only 8%(1) to €971 million; recurring EBIT of €27 million

Lagardère Travel Retail: revenue down 55%(1) to €947 million and negative recurring EBIT of €209 million due to the sharp contraction in global air traffic

Negative free cash flow (excluding changes in working capital) of €242 million, partially offset by the corrective measures put in place at the start of the year

Paris, 30 July 2020, 5:35 p.m.

Amid the unprecedented crisis created by the Covid-19 pandemic, in first-half 2020 the Lagardère group demonstrated the pertinence of its strategy focused on two activities with different business models: Lagardère Publishing and Lagardère Travel Retail.

Drawing on its unique profile and strategic choices (business diversification, presence in various language markets, digital expansion and well-managed distribution capabilities), Lagardère Publishing proved extremely resilient in the second quarter, as illustrated by its exceptional revenue performance in June, which significantly outpaced the first-half 2019 figure.

Lagardère Travel Retail took a severe hit due to its significant exposure to the airline industry. The division was quick to take action to ensure the health and safety of its employees, customers and partners, while at the same time organising the temporary closure of its network in close cooperation with airports, and systematically reducing costs. Thanks to Lagardère Travel Retail's international presence, combined with its deep local anchoring, the business was able to restart operations on a "bespoke" basis as from the second quarter, in step with the reopening of railway stations and airports. Short-term uncertainties as to when air travel will resume do not call into question the division's strong business model or leadership, which have been enhanced by the commitment shown by its teams.

To navigate this extraordinary year, the Group can also count on robust financial liquidity.

(1) Like-for-like basis.

Key figures

In the first half of 2020, Group **revenue** totalled €2,088 million, down 38% like for like.
After a first quarter down by 13%, all businesses were hit harder by the global health crisis in the three months to 30 June, as announced at the time of the first-quarter revenue release on 30 April 2020, with different dynamics in the Group's two pillars:

- Lagardère Publishing revenue came in at €971 million, down 8% year on year. The decline was mainly attributable to the lockdown measures enforced in the first two months of the second quarter. The business then delivered a stellar performance in June, with revenue up 21% on June 2019, lifted by a large number of best-sellers in France and abroad, illustrating the enduring importance of books for consumers. The limited decline in revenue proves the robustness of our business model and the pertinence of our strategic choices.

- Lagardère Travel Retail revenue fell 55% to €947 million**.**
  The closure of virtually all airport networks across the globe, particularly during the hardest-hit period from mid-March to mid-June, led to a slump in revenue, which hit a low in April (down 91% on 2019), as announced on 30 April 2020.
  Business has picked up slightly since, reaching levels around 82% lower than the same period in 2019, with activity expected to be 65% lower year on year in July.

Group recurring EBIT for first-half 2020 was a negative €218 million versus a positive €88 million in first-half 2019, representing a €306 million decrease. The measures taken to systematically and significantly reduce costs for all our activities from the onset of the crisis offset the impact of the sharp decline in revenue.

Against this backdrop, Lagardère Publishing recurring EBIT was virtually stable, at €27 million compared to €36 million in first-half 2019. However, recurring EBIT for Lagardère Travel Retail came in at a negative €209 million, versus a positive figure of €46 million in the prior-year period.

The Group reported a **loss before finance costs and tax** of €476 million in first-half 2020, compared to profit of €98 million in first-half 2019. Beyond the impact of recurring EBIT, this change is attributable to the adverse effect of the health crisis, particularly at Lagardère Travel Retail, on earnings from equity-accounted companies and on non-recurring/non-operating items, which in first-half 2020 represented a loss of €25 million and a net expense of €139 million, respectively.
Lastly, the loss before finance costs and tax does not take into account savings on fixed concession rental payments negotiated in the first half (€131 million), included within recurring EBIT. Pending an amendment to IFRS 16, which will be applicable by the end of 2020, the savings are not recognised as income within profit before finance costs and tax but as a deduction from right-of-use assets.

Lagardère reported a **loss - Group share** of €481 million, versus profit - Group share of €52 million in first-half 2019.

For the six months to 30 June 2020, **the Group had negative free cash flow excluding changes in working capital** of €242 million, compared to positive free cash flow of €46 million for the six months to end-June 2019. This decline is primarily due to the contraction in cash flow from operations before changes in working capital.

Changes in working capital represented an outflow of €269 million in first-half 2020 and are related directly to temporary business closures at Lagardère Travel Retail (negative €201 million impact). They continue to represent an adverse impact owing to seasonal fluctuations at Lagardère Publishing (negative €114 million impact).

The Group's financial position absorbs the shock of the Covid-19 health crisis

Net debt was €2,048 million at 30 June 2020, an increase of €587 million on 31 December 2019. The Group's financing requirements were mainly covered by two drawdowns totalling €800 million on the syndicated credit facility. As announced on 30 April 2020, Lagardère was granted a covenant waiver for full-year 2020 on its €1,250 million credit facility, thereby guaranteeing its liquidity.
Note that at 30 June 2020, the Group had cash and cash equivalents of €1,021 million, €108 million more than at end-December 2019.

I. REVENUE AND RECURRING EBIT

REVENUE

Revenue for the Lagardère group came in at €2,088 million for first-half 2020, down 37.2% on a consolidated basis and down 37.8% like for like. The difference between the consolidated and like-for-like data is essentially attributable to a €10 million positive foreign exchange effect resulting mainly from the appreciation of the US dollar. The €7 million negative scope effect relates to disposals of media assets, offset by the favourable impact of the IDF acquisition at Lagardère Travel Retail.

	Revenue (€m)		Change	
	First-half 2019	**First-half 2020**	**on a consolidated basis**	**on a like-for-like basis**
Lagardère Publishing	1,044	971	-7.0%	-8.3%
Lagardère Travel Retail	1,995	947	-52.5%	-54.5%
Other Activities*	145	107	-26.2%	-26.1%
Target scope	**3,184**	**2,025**	-36.4%	-38.1%
Non-retained scope**	140	63	-55%	-29%
LAGARDÈRE	**3,324**	**2,088**	**-37.2%**	**-37.8%**

** Lagardère News (*Paris Match, Le Journal du Dimanche*, Europe 1, Virgin Radio, RFM and the Elle brand licence), the Entertainment businesses, the Group Corporate function, and the Lagardère Active Corporate function, whose costs are being wound down by end 2020.*
*** Operations disposed of/disposals pending completion (Lagardère Active), excluding Lagardère Sports, classified as a discontinued operation in accordance with IFRS 5.*

GROUP RECURRING EBIT

	Group recurring EBIT (€m)		Change (€m)
	First-half 2019	**First-half 2020**	
Lagardère Publishing	36	27	-9
Lagardère Travel Retail	46	(209)	-255
Other Activities*	0	(35)	-35
Target scope	**82**	**(217)**	**-299**
Non-retained scope**	6	(1)	-7
LAGARDÈRE	**88**	**(218)**	**-306**

** Lagardère News (*Paris Match, Le Journal du Dimanche*, Europe 1, Virgin Radio, RFM and the Elle brand licence), the Entertainment businesses, the Group Corporate function, and the Lagardère Active Corporate function, whose costs are being wound down by end 2020.*
*** Operations disposed of/disposals pending completion (Lagardère Active), excluding Lagardère Sports, classified as a discontinued operation in accordance with IFRS 5.*

● Lagardère Publishing

Revenue

First-half 2020 revenue totalled €971 million for the division, down 7.0% based on consolidated figures and down 8.3% like for like. The difference between consolidated and like-for-like data is attributable to a €6 million positive scope effect linked mainly to the acquisition of Blackrock Games and Short Books, and to an €8 million positive foreign exchange effect chiefly resulting from the appreciation of the US dollar.

After a first quarter down 3.3% like for like (up 5.6% over January and February and down 18.9% in March), revenue in second-quarter 2020 retreated 12.2% year on year (with a decrease of 38.6% in April and of 21.8% in May, and an increase of 20.6% in June).

The first-half 2020 figures below are presented on a like-for-like basis.

The modest 8.3% decline testifies to the resilience of Lagardère Publishing activities, which leveraged the full benefits of its diversified business profile. Thanks to this strategic diversification, the division took advantage of two positive factors inherent to its growth model:

- the balanced geographic profile of its business activities: in book publishing and distribution, English-speaking countries were less affected by lockdown measures owing to the relative importance of digital media and e-commerce in these markets;
- its diversified business portfolio, which covers Trade Publishing, Education, Partworks, Distribution and Mobile and Board Games.

In France, the division saw a 14.7% decline in first-half revenue owing to the lockdown in place between 17 March and 11 May, which led to the closure of virtually all points of sale, with the exception of supermarkets and newsagents. Illustrated book publishers were the hardest hit, particularly in the Tourism, Manuals and High-quality Illustrated Book segments. Publishers of literary works fared better, buoyed by a good performance from Le Livre de Poche paperbacks and a record performance in June for large-format and Le Livre de Poche publishers driven by the success of the new novel from Guillaume Musso at Calmann-Lévy along with a host of other titles, including by Virginie Grimaldi, Aurélie Valognes and Philippe de Villiers at Fayard, Olivia Ruiz and John Grisham at Lattès, Woody Allen at Stock, and Bernard-Henri Lévy and Amanda Sthers at Grasset. Board and Mobile Games were less affected than the Publishing businesses, delivering vigorous growth of 7.0% and 21.4%, respectively.

In the United Kingdom, revenue slipped 2.9% despite the closure of many points of sale and of all schools following the introduction of strict lockdown measures similar to those put in place in France. This sterling performance is mainly due to a large number of best-selling titles in the first half, including *The Witcher*, *Where the Crawdads Sing*, *The Silent Patient* and *Queenie*. Robust growth in digital formats (e-books and audiobooks) continued during the first half. The release schedule was only moderately affected by the crisis.

First-half revenue for the division in the United States was virtually stable, slipping just 1.0%. The good first-half performance is due to the success of *The Witcher* in the first quarter, and of various best-selling titles from well-known authors including James Patterson, Michael Connelly, David Baldacci and Harlan Coben. Business in the US was also buoyed by the success of titles on subjects related to racism – a particularly resonant topic in the country since the end of May – and by fast-paced growth in digital formats throughout the first half.

In Spain/Latin America, revenue was down 5.2%, particularly in the Trade segment, which was hard hit by the closure of points of sale in the second quarter. This effect was partly countered by a textbook campaign in Spain that began earlier than the previous year.

Revenue from sales of Partworks fell 15.2% owing to a reduction in the number of launches in the period (13 less than in first-half 2019), the absence of the runaway successes that had boosted first-half 2019, and declining sales of old collections. The crisis affected almost every country in which the division operates. Difficulties encountered by Presstalis took a toll on business in France, even before the onset of the health crisis.

E-books accounted for 10.6% of total Lagardère Publishing revenue in the first half of 2020 (8.2% in first-half 2019), while digital audiobooks represented 5.3% of revenue (3.4% in first-half 2019).

Recurring EBIT

Lagardère Publishing reported €27 million in recurring EBIT, down €9 million year on year. The flow-through rate for the first half of the year came out at 29% after restating the Partworks business, which postponed most of its launches to the second half[(2)]. Flow through is lower than the projection previously announced (by around 35% to 40%) thanks to a more favourable revenue mix driven by growth in blacklist sales and a sharp rise in sales of e-books and audiobooks. It is also the result of the swift implementation of cost-cutting measures in all businesses and geographies.

From the start of the crisis, Lagardère Publishing reacted quickly to protect the health and safety of its employees while ensuring business continuity, introducing remote working for all positions where this was feasible, and continuing distribution activities with the requisite adjustments to ensure the safety of its teams. The division also took measures to protect earnings and cash, including reducing payroll costs, cutting marketing and advertising expenditure, and decreasing overheads, while continuing to support an industry hard hit by the pandemic.

(2) Excluding this adjustment, the flow-through rate was 13% in the first half.

Lagardère Travel Retail

Revenue

First-half 2020 revenue totalled €947 million for the division, down 52.5% based on consolidated figures and down 54.5% like for like. The difference between consolidated and like-for-like data is attributable to a €38 million positive scope effect resulting mainly from the acquisition of International Duty Free (IDF) in Belgium and to a €2 million positive foreign exchange impact essentially resulting from the appreciation of the US dollar.

After a first quarter down 18% like for like (up 1.3% over January and February and down 53.9% in March), the second quarter saw an 86% year-on-year fall (with decreases of 90.6% in April, 86.8% in May and 81.9% in June).

The first-half 2020 figures below are presented on a like-for-like basis.

In France, business was down 59.8% as a result of both the strikes which continued into the first month of 2020, and then the impacts of the Covid-19 pandemic, with government lockdown measures leading to the rapid shutdown of virtually the entire network.

The EMEA region (excluding France) retreated 53%, affected by travel restrictions and border closures introduced as from March in every country across the region in order to halt the spread of Covid-19.

Revenue was also down in North America, contracting 53.2% on account of the consequences of the Covid-19 pandemic in North America and the lockdown measures introduced in many states.

Asia-Pacific, the epicentre of the pandemic, was the first to be hit by the impacts of the pandemic in the first half, with revenue down 52% over the period. However, the decline was limited by greater resilience from mainland China, where revenue fell 0.7% year on year in the second quarter, thanks to new openings in 2019, upbeat online and social media sales, and a gradual resumption of domestic travel.

Recurring EBIT

Lagardère Travel Retail reported negative recurring EBIT of €209 million**,** down €255 million year on year, representing a flow-through rate of 24% based on consolidated figures.

Systematic measures taken to protect earnings helped curb the negative impact of the revenue decline on operating profit to 24% versus a projection of between 20% and 25% for the year as a whole, as communicated at end-April. The main measures focused on overheads, which were reduced by around €220 million:

- renegotiation of financial terms (cancellation of fixed rental payments, lower rate of variable payments, deferred maturities);
- reduction in the number of points of sale opened and adjusted opening times in agreement with concession grantors;
- reduction in payroll costs at all levels, with the introduction of furlough schemes if financed by local government. Where no such financing was available, redundancies or pay cuts were implemented;
- significant reduction in, or downward revision of, virtually all non-essential costs (i.e., not needed for the company to operate) such as business travel costs, consulting fees, maintenance and cleaning expense, and royalties paid.

Other Activities

Revenue

First-half 2020 revenue totalled €107 million for the division, down 26.2% based on consolidated figures and down 26.1% like for like.

Despite the gradual resumption of operations, Lagardère News[3] revenue was down 20.4% over the first half versus the same prior-year period, with the impacts of the Covid-19 pandemic in the second quarter taking a heavy toll on the radio (down 37% year on year), press (down 28%), and licensing (down 40%) businesses. Advertising revenue retreated 27% over the first half of 2020, compared to the same prior-year period. Lagardère Live Entertainment posted a 75% year-on-year decline in revenue during the period, impacted by the enforced closure of performance venues since mid-March 2020.

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[3] *Paris Match, Le Journal du Dimanche,* Europe 1, Virgin Radio, RFM and the Elle brand licence.

Recurring EBIT

Recurring EBIT for Other Activities was a negative €35 million, down €35 million on first-half 2019. This decline is mainly attributable to Lagardère News which, despite the major cost-cutting measures rolled out since the start of the health crisis, was hit by a significant downturn in trading and by the adverse impact of non-recurring items including Presstalis (negative €4 million impact) and temporarily vacant premises following divestments (negative €3 million impact).

The flow-through rate for Other Activities adjusted for non-recurring items and the impact of the €8 million drop in fees at the Group Corporate function came out at approximately 50%.

- **Non-retained scope**

First-half 2020 revenue for the non-retained scope came in at €63 million, down 55% on a consolidated basis and down 29% like for like.
The difference between consolidated and like-for-like data is due to a €50 million negative scope effect linked to the sale of TV channels and other digital assets in 2019. Lagardère Studios saw its revenue decline in the first half due to the halt in production activities, which resumed in France on 8 June. Recurring EBIT was down €7 million year on year to a negative €1 million, reflecting the impact of the business downturn on Lagardère Studios earnings and the various divestments carried out over the period.

II. MAIN INCOME STATEMENT ITEMS

(€m)	First-half 2019	First-half 2020
Revenue	3,324	2,088
Group recurring EBIT	**88**	**(218)**
Income (loss) from equity-accounted companies*	0	(25)
Non-recurring/non-operating items	(19)	(139)
Impacts of IFRS 16 on concession agreements**	29	(94)
Profit (loss) before finance costs and tax	**98**	**(476)**
Interest expense on lease liabilities	(41)	(38)
Finance costs, net	(24)	(41)
Profit (loss) before tax	**33**	**(555)**
Income tax benefit (expense)	(12)	65
Profit (loss) from discontinued operations	51	(8)
Profit (loss) for the period	**72**	**(498)**
Minority interests	20	(17)
Profit (loss) - Group share	**52**	**(481)**

** Before impairment losses.*
*** Including €2 million in gains and losses on lease modifications in first-half 2020, versus €1 million in first-half 2019.*

- ### Income (loss) from equity-accounted companies

The loss from equity-accounted companies (before impairment losses) came out at **€25 million in first-half 2020** (**nil** in first-half 2019), hard hit by the health crisis that especially affected Lagardère Travel Retail's jointly controlled companies, mainly in France further to the closure of Paris airports and the shutdown of operations on the rail network. Elsewhere, Air France notified Group subsidiary Dutyfly that it would be definitively stopping all on-board sales, leading Lagardère to recognise the costs of closing this business.

- ### Non-recurring/non-operating items

Non-recurring/non-operating items represented a net negative amount of €139 million, compared with a net negative amount of €19 million in first-half 2019, and mainly included:

- €56 million in amortisation of intangible assets and costs relating to acquisitions and disposals, including €51 million for Lagardère Travel Retail (mainly in North America with the acquisitions of Paradies, HBF and Vino Volo, in Italy with the acquisition of Duty Free operations in Rome airport and of Airest Foodservices, in Belgium with the acquisition of IDF, and in the Netherlands with the acquisitions of Gerzon and Smullers), and €4 million for Lagardère Publishing;

- €12 million in restructuring costs, including €9 million at Lagardère Travel Retail relating mainly to restructuring and redundancy measures introduced following the closure of points of sale in regions affected by health restrictions and the termination of airline on-board sales, and €3 million at Lagardère Publishing;

- €63 million in impairment losses against property, plant and equipment and intangible assets, attributable to (i) Lagardère Travel Retail for the write-down of the Rome concession in an amount of €34 million and the closure of points of sale, (ii) Other Activities for the write-down of Bataclan goodwill in an amount of €6 million, and (iii) the non-retained scope for the write-down of audiovisual production goodwill (Lagardère Studios) in an amount of €19 million to reduce the carrying amount to the estimated sale price;

- €8 million in net losses on disposals.

- **Impact of IFRS 16 on concession agreements**

The impact of applying IFRS 16 on concession agreements at Lagardère Travel Retail represented a negative €94 million. This impact excludes savings on fixed rental payments negotiated in the first half for €131 million recorded in recurring EBIT. This saving is recognised against a deduction from right-of-use assets, pending an amendment to IFRS 16 that will be applicable by the end of 2020 and will allow savings to be recognised in revenue for accounting purposes.

- **Finance costs, net**

Net finance costs amounted to €41 million in first-half 2020, an increase compared to first-half 2019, fuelled by an overall increase in debt and the impact of *Schuldschein* notes issues at the end of June 2019. Net finance costs also include an impairment loss of €11 million recognised against financial assets in the Travel Retail business, primarily in the United States and the Middle East.

- **Interest expense on lease liabilities**

First-half 2020 interest expense on lease liabilities remained broadly stable year on year, at €38 million.

- **Income tax**

The Group recorded an income tax benefit of €65 million in first-half 2020. The €77 million year-on-year improvement in this caption primarily reflects deferred tax income arising on tax losses for the period and depreciation charged against concession agreements and right-of-use assets.

- **Profit (loss) from discontinued operations**

Profit (loss) from discontinued operations, representing a net loss of €8 million in first-half 2020 (net profit of €51 million in first-half 2019), includes earnings generated by Lagardère Sports up to its sale in April 2020.

- **Profit (loss)**

Taking account of all these items, the loss for the year came out at €498 million, including a loss of €481 million attributable to the Group.
The portion of the loss attributable to minority interests was €17 million in first-half 2020 compared to profit of €20 million attributable to minority interests for the first six months of 2019, with the change due to the sharp decrease in first-half 2020 earnings generated by Lagardère Travel Retail in North America, and to the impact of the April 2020 sale of Lagardère Sports Asia (81%-owned).

ADJUSTED PROFIT (LOSS) - GROUP SHARE

Adjusted profit (loss) - Group share (excluding non-recurring/non-operating items) represented a loss of **€278 million**, versus profit of **€6 million** in first-half 2019.

(€m)	First-half 2019	First-half 2020
Profit (loss)	**72**	**(498)**
Restructuring costs	+8	+12
Gains/losses on disposals	-37	+8
Impairment losses on goodwill, property, plant and equipment, intangible assets and investments in equity-accounted companies	+6	+63
Amortisation of acquisition-related intangible assets and expenses	+42	+56
Impact of IFRS 16 on concession agreements	+2	+122
Tax effects on the above items	-12	-57
Profit (loss) from discontinued operations	-51	+8
Adjusted profit (loss)	**30**	**(286)**
o/w attributable to minority interests	-24	+8
Adjusted profit (loss) - Group share*	**6**	**(278)**

** Alternative performance measure, see definition at the end of the press release.*

III. OTHER FINANCIAL INFORMATION

CASH FLOW FROM (USED IN) OPERATIONS AND INVESTING ACTIVITIES

(€m)	First-half 2019	First-half 2020
Cash flow from (used in) operations before changes in working capital and income taxes paid	**139**	**(138)**
Changes in working capital	(80)	(269)
Income taxes paid	(16)	(15)
Cash flow from (used in) operations	**43**	**(422)**
Purchases/disposals of property, plant and equipment and intangible assets	(77)	(89)
Free cash flow*	**(34)**	**(511)**
*o/w free cash flow excluding changes in working capital**	**46**	**(242)**
Purchases of investments	(50)	(14)
Disposals of investments	91	30
Cash flow from (used in) operations and investing activities	**7**	**(495)**

** Alternative performance measure, see definition at the end of the press release.*

- **Cash flow from (used in) operations**

Cash flow used in operations before changes in working capital and income taxes paid amounted to €138 million, versus cash flow from operations of €139 million in first-half 2019. This decrease results primarily from the impact of the health crisis on Lagardère Travel Retail (negative €239 million impact) and on Other Activities (negative €26 million impact). Lagardère Publishing remained stable, reporting cash flow used in operations of €4 million.

Changes in working capital represented an outflow of €269 million, compared to an outflow of **€80 million** in first-half 2019. The increased outflow stems mainly from Lagardère Travel Retail (€194 million outflow), on the back of the business shutdown which led to the settlement of trade payables despite the deferrals negotiated, whereas inventories remained stable overall.
Lagardère Publishing, which typically sees adverse changes in working capital in the first half owing to seasonal fluctuations in its business, recorded an outflow of €114 million for the period versus an outflow of €100 million in first-half 2019. The slight increase in the outflow is attributable to a rise in advances paid to authors, partially offset by lower trade receivables owing to the business downturn in France. Lagardère Studios saw very favourable changes in working capital, with a decrease in inventories and trade receivables following the shutdown of production during the lockdown period.

Income taxes paid remained stable at €15 million compared to €16 million in first-half 2019.

- **Purchases/disposals of property, plant and equipment and intangible assets**

Purchases and disposals of property, plant and equipment and intangible assets represented a net outflow of €89 million, €2 million less than in first-half 2019, after adjusting for the €15 million favourable impact of property sales in the prior-year period. These investments mostly relate to Lagardère Travel Retail (€71 million outflow), chiefly as a result of contractual works commitments undertaken in 2019 and at the start of 2020 under renewed existing contracts and new contracts signed. The balance relates mainly to Lagardère Publishing (€14 million outflow) and is partially attributable to IT projects in France and the United Kingdom.

- **Free cash flow**

The Group's free cash flow was a negative €511 million in first-half 2020 versus a negative €34 million in first-half 2019. The sharp decline in free cash flow is mainly a result of the impact of the health crisis on the Group's businesses.

- **Cash from (used in) financing activities**

Purchases of investments represented a cash outflow of €14 million in first-half 2020, and relate mainly to Lagardère Publishing's acquisition of Le Livre Scolaire.
Disposals of assets represented an inflow of €30 million in first-half 2020, principally concerning the sale of Lagardère Sports in April 2020.

- **Cash flow from (used in) operations and investing activities**

In all, **operations and investing activities represented a net cash outflow** of **€495 million** in first-half 2020, compared with a net cash inflow of **€7 million** in the prior-year period.

FINANCIAL POSITION

Net debt increased to €2,048 million at 30 June 2020 from €1,610 million at 30 June 2019.

The Group's liquidity position remains solid, with €1,471 million in available liquidity (available cash and short-term investments reported on the balance sheet totalling €1,021 million and an undrawn amount on the syndicated credit facility of €450 million). As announced on April 30, 2020, Lagardère was granted a covenant waiver for full-year 2020 on its €1,250 million credit facility, thereby guaranteeing its liquidity.

IV. KEY EVENTS SINCE 30 APRIL 2020

- **2020 Annual Ordinary and Extraordinary General Meeting**
  The Company's Ordinary and Extraordinary General Meeting was held on 5 May 2020 behind closed doors. The shareholders, representing a quorum of more than 79%, adopted all of the resolutions proposed by the Managing Partners and the Supervisory Board, except for the re-appointment of Martine Chêne as a Board member, and rejected all of the resolutions submitted by activist fund Amber Capital, which sought to replace virtually all members of the Company's Supervisory Board. The Managing Partners, with the support of the Supervisory Board, indicated that they were more determined than ever to continue to develop the Group around its two pillars, Lagardère Publishing and Lagardère Travel Retail, and to create long-term value for all stakeholders.

- **Sale of Lagardère Studios to Mediawan**
  On June 19, 2020, Lagardère took a further decisive step in its strategic refocusing with a firm and final offer from Mediawan to acquire the entire share capital of Lagardère Studios. The planned disposal, which values Lagardère Studios at €100 million[(4)], was approved on 29 July by the relevant employee representative bodies and remains subject to clearance from the competition authorities.

- **Lagardère Travel Retail and the European Travel Retail Confederation**
  Lagardère Travel Retail is taking an active role with the European Travel Retail Confederation in pushing for the introduction of arrivals duty free shopping in Europe.
  This regulatory change would provide employment opportunities and generate additional revenue for airports as well as for local producers in the countries concerned.

V. COVID-19: OUTLOOK AND LIQUIDITY

The outlook for the Group's operating environment remains uncertain for the second half of 2020, against the backdrop of the continued spread of the Covid-19 pandemic.

Lagardère Publishing

Lagardère Publishing experienced a strong rebound in June as lockdown restrictions were gradually eased, thereby confirming the resilience of its business model. However, the consumer environment in the second half of 2020 remains uncertain. The business will also be contending with an unfavourable comparison basis in second-half 2019, due to the absence of Asterix album releases and just one level of high school curriculum reform in France in 2020, compared to two in 2019.

Taking into account the corrective measures that will be sustained throughout the second half of the year, Lagardère Publishing expects that the adverse impact on full-year 2020 recurring operating profit of fully consolidated companies (recurring EBIT) to be in the region of 25% to 30% of the decrease in its revenue, which reflects an improvement on previous estimates, essentially due to a favourable revenue mix (backlist and digital).

[(4)] Enterprise value, breaking down as €85 million paid on closing (*including a portion of up to €20 million payable in Mediawan shares*), and up to €15 million in contingent consideration payable in 2023.

- **Lagardère Travel Retail**

Lagardère Travel Retail is continuing to experience a gradual, modest upturn in business. Revenue in July is expected to be around 65% lower year on year, and at the end of July, the vast majority of key airports and train stations in which Lagardère Travel Retail operates are now open. The division is pressing ahead with its agile strategy of reopening points of sale in line with the resumption of traffic and operational and contractual constraints, while aiming to maintain the points of sale that are open at operational breakeven. On this basis, the gradual, modest upswing is expected to continue through the second half of the year, albeit with the persistent risk of localised lockdowns and continued uncertainty over the US platforms.

The division is continuing to implement extensive corrective measures with major impacts on rents and payroll costs in particular. These initiatives, combined with the launch of its global transformation plan (LEAP), will enable Lagardère Travel Retail to maintain the assumption of an adverse impact on full-year 2020 recurring operating profit of fully consolidated companies (recurring EBIT) in the region of 20% to 25% of the decrease in its revenue.

LIQUIDITY

At 30 June 2020, the Group's liquidity stood at €1,471 million, comprising €1,021 million in cash and cash equivalents and an undrawn amount of €450 million on the €1,250 million renewable credit facility granted by a syndicate of the Group's banking partners. To consolidate its liquidity, the Lagardère group has reached an agreement with the banking syndicate to waive the covenant (leverage ratio) for June 2020 and December 2020.

The Group considers that it has sufficient liquidity to cover its requirements for the next 12 months, including in a prudent scenario as simulated by Lagardère using the following main assumptions:

- Lagardère Travel Retail: operations remaining disrupted for the next 12 months, in line with the July 2020 situation;
- Lagardère Publishing and Other Activities: gradual return to 2019 business levels starting at the end of 2020 for Lagardère Publishing, and in June 2021 for Other Activities;
- repayment of debt (with no refinancing) falling due over the next 12 months, representing €570 million at 30 June 2020, of which 60% corresponds to commercial paper.

VI. INVESTOR CALENDAR[5]

- **Third-quarter 2020 revenue**
  Third-quarter 2020 revenue will be released on Thursday, 5 November 2020 at 8:00 a.m. A conference call will be held at 10:00 a.m. on the same day.

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VII. APPENDICES

SECOND-QUARTER 2020 REVENUE

	Revenue (€m)		Change	
	Second-quarter 2019	Second-quarter 2020	on a consolidated basis	on a like-for-like basis
Lagardère Publishing	584	514	-12.0%	-12.2%
Lagardère Travel Retail	1,065	143	-86.5%	-86.4%
Other Activities*	80	47	-41.3%	-42.2%
Target scope	**1,729**	**704**	-59.3%	-59.3%
Non-retained scope**	75	23	-69.3%	-52.3%
LAGARDÈRE	**1,804**	**727**	**-59.7%**	**-59.1%**

* *Lagardère News (*Paris Match, Le Journal du Dimanche*, Europe 1, Virgin Radio, RFM and the Elle brand licence), the Entertainment businesses, the Group Corporate function, and the Lagardère Active Corporate function, whose costs are being wound down by end 2020.*
*** Operations disposed of/disposals pending completion (Lagardère Active), excluding Lagardère Sports, classified as a discontinued operation in accordance with IFRS 5.*

(5) These dates may be susceptible to change.

Consolidated revenue (€m)

	April 2020		May 2020		June 2020		Total
	Revenue	Change*	Revenue	Change*	Revenue	Change*	
Lagardère Publishing	109	-39.2%	162	-21.3%	243	+20.6%	514
Lagardère Travel Retail	30	-90.6%	48	-86.8%	65	-81.9%	143
Other Activities**	11	-50.7%	14	-42.4%	22	-36.2%	47
Target scope	**150**	**-72.1%**	**224**	**-62.2%**	**330**	**-44.9%**	**704**
Non-retained scope***	10	-60.7%	3	-65.7%	10	-34.6%	23
LAGARDÈRE	**160**	**-71.6%**	**227**	**-62.3%**	**340**	**-44.7%**	**727**

** Like-for-like basis.*

** *Lagardère News (*Paris Match, Le Journal du Dimanche*, Europe 1, Virgin Radio, RFM and the Elle brand licence), the Entertainment businesses, the Group Corporate function, and the Lagardère Active Corporate function, whose costs are being wound down by end 2020.*

**** Operations disposed of/disposals pending completion (Lagardère Active), excluding Lagardère Sports, classified as a discontinued operation in accordance with IFRS 5.*

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CHANGES IN SCOPE OF CONSOLIDATION AND EXCHANGE RATES

First-half 2020:

The difference between consolidated and like-for-like revenue data is attributable to a €10 million favourable foreign exchange effect resulting chiefly from fluctuations in the US and Australian dollars, and to a €7 million negative scope effect, breaking down as:

- a €50 million negative impact from disposals, essentially TV channels and digital activities within the scope of the Group's strategic refocusing;
- a €43 million positive impact from acquisitions, carried out mainly at Lagardère Travel Retail (acquisition of IDF representing €34 million, of Smullers representing €2 million and of Autogrill Foodservice activities in the Czech Republic representing €1 million) and at Lagardère Publishing (acquisition of BlackRock Games representing €2 million and of Short Books representing €2 million).

VIII. GLOSSARY

Lagardère uses alternative performance measures which serve as key indicators of the Group's operating and financial performance. These indicators are tracked by the Executive Committee in order to assess performance and manage the business, as well as by investors in order to monitor the Group's operating performance, along with the financial metrics defined by the IASB. These indicators are calculated based on accounting items taken from the consolidated financial statements prepared under IFRS and a reconciliation with those items is provided in this press release, in the 2020 interim results presentation, or in the notes to the consolidated financial statements.

➢ **Like-for-like revenue**

Like-for-like revenue is used by the Group to analyse revenue trends excluding the impact of changes in the scope of consolidation and in exchange rates.

The like-for-like change in revenue is calculated by comparing:

- revenue for the period adjusted for companies consolidated for the first time during the period and revenue for the prior-year period adjusted for consolidated companies divested during the period;
- revenue for the prior-year period and revenue for the current period adjusted based on the exchange rates applicable in the prior-year period.

The scope of consolidation comprises all fully-consolidated entities. Additions to the scope of consolidation correspond to business combinations (acquired investments and businesses), and deconsolidations correspond to entities over which the Group has relinquished control (full or partial disposals of investments and businesses, such that the entities concerned are no longer included in the Group's financial statements using the full consolidation method).
The difference between consolidated and like-for-like figures is explained in section VII – Appendices of this press release.

➢ **Recurring EBIT (Group recurring EBIT)**
The Group's main performance indicator is recurring operating profit of fully consolidated companies (recurring EBIT), which is calculated as follows:

Profit before finance costs and tax
Excluding:
- Income from equity-accounted companies before impairment losses
- Gains (losses) on disposals of assets
- Impairment losses on goodwill, property, plant and equipment, intangible assets and investments in equity-accounted companies
- Net restructuring costs
- Items related to business combinations:
  - Acquisition-related expenses
  - Gains and losses resulting from purchase price adjustments and fair value adjustments due to changes in control
  - Amortisation of acquisition-related intangible assets
- Specific major disputes unrelated to the Group's operating performance
- Items related to leases and finance sub-leases:
  - Cancellation of fixed rental expense* on concession agreements
  - Depreciation of right-of-use assets on concession agreements
  - Gains and losses on lease modifications under concession agreements

* Cancellation of fixed rental expense on concession agreements is equal to the repayment of the lease liability, the associated change in working capital and interest paid in the statement of cash flows.

The reconciliation between recurring operating profit of fully consolidated companies (Group recurring EBIT) and profit before finance costs and tax is set out in the 2020 interim results presentation, on slide 18.

➢ **Flow-through ratio**
Flow through is calculated by dividing the change in recurring operating profit of fully-consolidated companies (recurring EBIT) by the change in revenue. This indicator is used by the Group in the context of the Covid-19 pandemic to measure the effect of the decline in revenue on recurring EBIT.

➢ **Operating margin**
Operating margin is calculated by dividing recurring operating profit of fully consolidated companies (Group recurring EBIT) by revenue.

➢ **Recurring EBITDA over a rolling 12-month period**
Recurring EBITDA is calculated as recurring operating profit of fully consolidated companies (Group recurring EBIT) plus dividends received from equity-accounted companies, less depreciation and amortisation charged against property, plant and equipment and intangible assets, amortisation of the cost of obtaining contracts, and the cancellation of fixed rental expense** on property and other leases, plus recurring EBITDA from discontinued operations.

** Cancellation of fixed rental expense on concession agreements is equal to the repayment of the lease liability, the associated change in working capital and interest paid in the statement of cash flows.

➢ **Adjusted profit - Group share**
Adjusted profit - Group share is calculated on the basis of profit for the period, excluding non-recurring/non-operating items, net of the related tax and of minority interests, as follows:

Profit for the period

Excluding:
- Gains (losses) on disposals of assets
- Impairment losses on goodwill, property, plant and equipment, intangible assets and investments in equity-accounted companies
- Net restructuring costs
- Items related to business combinations:
  - Acquisition-related expenses
  - Gains and losses resulting from purchase price adjustments and fair value adjustments due to changes in control
  - Amortisation of acquisition-related intangible assets
- Specific major disputes unrelated to the Group's operating performance
- Tax effects of the above items
- Non-recurring changes in deferred taxes
- Items related to leases and finance sub-leases:

- Cancellation of fixed rental expense* on concession agreements
- Depreciation of right-of-use assets on concession agreements
- Interest expense on lease liabilities under concession agreements
- Gains and losses on lease modifications under concession agreements

- Adjusted profit attributable to minority interests: profit attributable to minority interests adjusted for minorities' share in the above items

= Adjusted profit - Group share

* Cancellation of fixed rental expense on concession agreements is equal to the repayment of the lease liability, the associated change in working capital and interest paid in the statement of cash flows.

The reconciliation between profit and adjusted profit - Group share is set out in section II - Main income statement items of this press release.

➢ **Free cash flow**

Free cash flow is calculated as cash flow from operations before changes in working capital, the repayment of lease liabilities and related interest paid, changes in working capital and interest paid plus net cash flow relating to acquisitions and disposals of property, plant and equipment and intangible assets.

The reconciliation between cash flow from operations and free cash flow is set out in section III - Other financial information of this press release.

➢ **Net debt**

Net debt is calculated as the sum of the following items:

- Short-term investments and cash and cash equivalents
- Financial instruments designated as hedges of debt
- Non-current debt
- Current debt

= Net debt

The reconciliation between balance sheet items and net debt is set out in the first-half 2020 results presentation, on slide 35.

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A live webcast of the presentation of the first-half 2020 results will be available today at 6:00 p.m. (CET) on the Group's website (www.lagardere.com).

The presentation slides will be made available at the start of the webcast.

A replay of the webcast will be available online later in the evening.

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Created in 1992, Lagardère is an international group with operations in more than 40 countries worldwide. It employs over 30,000 people and generated revenue of €7,211 million in 2019.
In 2018, the Group launched its strategic refocusing around two priority divisions: Lagardère Publishing (Book and e-Publishing, Mobile and Board games) and Lagardère Travel Retail (Travel Essentials, Duty Free & Fashion, Foodservice).
The Group's operating assets also include Lagardère News and Lagardère Live Entertainment.
Lagardère shares are listed on Euronext Paris.
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