Lagardère

FIRST-QUARTER 2019 REVENUE

Revenue up sharply by 8.9% like for like(1) to €1,708 million

Lagardère confirms its Group recurring EBIT target(1) for 2019

Paris, 7 May 2019,

The Lagardère group posted a sharp 8.9% year-on-year increase in like-for-like revenue in the first quarter of 2019, spurred by sustained organic growth momentum at Lagardère Travel Retail and by a rebound in activity at Lagardère Sports and Entertainment due mainly to a favourable sporting calendar.

By division (like-for-like basis):

- **Lagardère Publishing**: revenue was up slightly by 0.9%, buoyed mainly by good performances in the United States and France, as well as a good showing from Partworks, despite the unfavourable comparison basis in the United Kingdom.
- **Lagardère Travel Retail** maintained its growth trajectory (up 6.9%) in all geographies, especially France and Asia which were boosted by good sales performances and expansion of the point-of-sale network.
- **Lagardère Active**: revenue was down 13.4% due to the unfavourable comparison basis at Lagardère Studios, which had enjoyed an especially high level of fiction programme deliveries in France during the first quarter of 2018.
- **Lagardère Sports and Entertainment**: strong revenue growth (up 88.2%), as expected, thanks to a favourable effect linked to the Asian football calendar and newly-acquired contract in handball.

Group revenue totalled €1,708 million for the quarter versus €1,555 million in first-quarter 2018, **representing a rise of 9.8% on a consolidated basis and of 8.9% like for like.**
The difference between consolidated and like-for-like revenue reflects a positive €33 million foreign exchange effect attributable to the appreciation of the US dollar. The negative €12 million scope effect mainly relates to the disposal of most of the magazine publishing titles in France and international radio operations by Lagardère Active, partially offset by the acquisition of Hojeij Branded Foods (HBF) at Lagardère Travel Retail.

(1) Alternative performance measures. See the glossary at the end of this press release.

I- REVENUE AND ACTIVITY BY DIVISION

	Revenue (€m)		Change	
	Q1 2018	Q1 2019	on a consolidated basis	on a like-for-like basis
Lagardère Publishing	442	460	+4.1%	+0.9%
Lagardère Travel Retail	802	930	+15.9%	+6.9%
Lagardère Active	208	116	-44.1%	-13.4%
Lagardère Sports and Entertainment	103	202	+95.6%	+88.2%
LAGARDÈRE	**1,555**	**1,708**	**+9.8%**	**+8.9%**

As part of the Group's strategic refocusing around two priority areas, Lagardère Publishing and Lagardère Travel Retail, the following scopes have been defined:

- a target scope, comprising Lagardère Publishing and Lagardère Travel Retail (core businesses), as well as Other Activities[(2)];
- a non-retained scope[(3)].

	Revenue (€m)		Change	
	Q1 2018	Q1 2019	on a consolidated basis	on a like-for-like basis
Lagardère Publishing	442	460	+4.1%	+0.9%
Lagardère Travel Retail	802	930	+15.9%	+6.9%
Other Activities[(2)]	68	65	-4.8%	-6.4%
Target scope	**1,312**	**1,455**	**+10.8%**	**+4.2%**
Non-retained business scope[(3)]	243	253	+4.2%	+46.8%
LAGARDÈRE	**1,555**	**1,708**	**+9.8%**	**+8.9%**

Lagardère Publishing

Revenue for the division totalled €460 million, up 4.1% on a consolidated basis (up 0.9% like for like). The difference between consolidated and like-for-like revenue is attributable to a positive €12 million foreign exchange effect linked primarily to the appreciation of the US dollar and, to a lesser extent, a positive €2 million scope effect in connection with the acquisition of Worthy Publishing.

As in previous years, we emphasise that the first quarter traditionally makes a relatively low contribution to the year as a whole.

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

Good momentum in France (up 1.9%) reflected good performances from General Literature, driven by the success of Delphine de Vigan's *Les Gratitudes*, by a sustained release schedule at Le Livre de Poche (including Guillaume Musso's *La Jeune Fille et la Nuit*) as well as by Éditions Fayard, which more than offset the retreat in Illustrated Books. Also noteworthy was the sharp growth in the Mobile Games business.

Business in the United States delivered solid growth (up 3.3%) on the back of good momentum in digital audio books and successful new releases at Perseus (including Victor Davis Hanson's *The Case for Trump*), at Little, Brown Books for Young Readers with Malala Yousafzai's *We are Displaced* and at Little, Brown and Company with James Patterson's *Cornwalls are Gone*.

The contraction in revenue in the United Kingdom (down 3.7%) mainly reflected an unfavourable comparison basis with the same year-ago period, which had been lifted by the success of Michael Wolff's *Fire and Fury*. However, this impact

(2) 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 will be wound down by 2020.
(3) Mainly comprising Lagardère Sports and Entertainment (excluding the Entertainment businesses), Lagardère Studios, the TV Channels, the digital assets and Disney Hachette Presse.

was partially offset by a good backlist performance, especially at John Murray with Stephen Hawking's *Brief Answers to the Big Questions*, growth in digital audio books and a good showing from Bookouture.

Growth in Spain/Latin America region increased to 3.4%, driven by good performances in the General Literature segment.

Partworks were up 1.4%, mainly as a result of a larger and more successful number of launches, notably in Japan, good momentum in Italy and the bestselling *Les voitures de Tintin* collection in France.

E-books accounted for 9.1% of total Lagardère Publishing revenue in the first quarter of 2019, with the proportion remaining stable versus the same period in 2018, while digital audio books represented 3.8% of revenue versus 2.5% in first-quarter 2018.

Lagardère Travel Retail

Revenue for the division totalled €930 million, up 15.9% on a consolidated basis (up 6.9% like for like). The difference between consolidated and like-for-like data is attributable to a positive €59 million scope effect resulting mainly from the acquisition of HBF, and to a positive €14 million foreign exchange effect, essentially due to the appreciation of the US dollar.

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

France posted brisk business growth of 9.7%, propelled by good performances from the Duty Free segment on the back of network modernisation and the dynamism of the regional platforms, as well as by sustained growth in Foodservice further to the opening of new points of sale at Toulouse airport in 2018.

The EMEA region (excluding France) posted solid growth (up 5.7%), mainly thanks to rising air traffic and good sales performances in Eastern Europe – especially Romania and Bulgaria – as well as a positive network effect in Italy linked to numerous point-of-sale openings in 2018.

Good growth momentum in the United States (up 5.3%) was led by strong sales performances and by network expansion, especially in Foodservice.

The Asia-Pacific region reported solid growth (up 7.8%), powered mainly by organic expansion in Asia as well as a sustained positive network effect in China. Business held firm in the Pacific region, with the opening of the concession at Christchurch airport in New Zealand offsetting an unfavourable network effect in Australia.

Lagardère Active

Revenue for the division totalled €116 million, down 44.1% on a consolidated basis (down 13.4% like for like). The difference between consolidated and like-for-like figures is due to a negative €74 million scope effect, mainly resulting from the disposal of most of the magazine publishing titles in France to Czech Media Invest (CMI), international radio operations and digital activities (including e-Health) within the scope of the Group's strategic refocusing.

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

Advertising revenues fell 10.8% versus the same year-ago period for the division as a whole.

The decline in revenue at Lagardère News[(4)] (down 10.6%) reflected the fall in Radio revenue (down 13.7%) attributable primarily to lower audience figures for the Europe 1 radio station. Revenue also contracted for Lagardère News press titles (down 12.4%), with circulation revenues held back by a more subdued news output than in first-quarter 2018.

Revenue declined at Lagardère Studios (down 20.2%), with good performances in international audiovisual production unable to offset an unfavourable comparison basis in fiction programmes in France, which had been lifted by a particularly high level of deliveries in the first quarter of 2018.

TV Channels also contracted (down 6.0%), chiefly as a result of lower advertising revenues. The first quarter represents a fairly low proportion of annual advertising revenues.

Lagardère Sports and Entertainment

Revenue totalled €202 million, up 95.6% on a consolidated basis (up 88.2% like for like). The difference between consolidated and like-for-like figures is primarily attributable to a €7 million positive foreign exchange effect due to the appreciation of the US dollar.

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

As anticipated, the sharp increase in revenue this quarter is mainly due to a favourable calendar effect linked to the successful delivery of the AFC Asian Cup, as well as to the World Men's Handball Championship as part of the newly-acquired contract with the International Handball Federation.

II- OUTLOOK

2019 GROUP RECURRING EBIT GROWTH TARGET BASED ON TARGET SCOPE

The Lagardère group expects 2019 recurring EBIT[(5)] growth based on the target scope[(6)] to be between 4% and 6% at constant exchange rates and excluding the acquisition of HBF.
The contribution to 2018 recurring EBIT[(5)] based on the target scope[(6)] represented €310 million.

NON-RETAINED BUSINESS SCOPE [(7)]

Based on constant exchange rates, the contribution to recurring EBIT in 2019 for businesses not disposed to date (which represented €78 million in 2018) is expected to be between €80 million and €90 million on a full-year basis.

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III- INVESTOR CALENDAR[(8)]

- **General Meeting – Fiscal year 2018**
  The General Meeting of Shareholders will be held on 10 May 2019 at 10:00 a.m. at the Carrousel du Louvre in Paris.

- **Ordinary dividend**
  The ex-dividend date for the ordinary dividend (proposed at €1.30 per share) for 2018 is expected to be 14 May 2019, with a payment date for 16 May 2019.

- **First-half 2019 results**
  The first-half results will be released on 25 July 2019 at 5:35 p.m. A conference call will be held at 6:00 p.m.

- **Third-quarter 2019 revenue**
  Quarterly revenue will be released on 14 November 2019 at 8:00 a.m. A conference call will be held at 10:00 a.m.

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IV- APPENDICES

CHANGES IN SCOPE OF CONSOLIDATION AND EXCHANGE RATES

First-quarter 2019:
The difference between consolidated and like-for-like data is mainly attributable to a positive €33 million foreign exchange effect resulting chiefly from the appreciation of the US dollar, and to a negative €12 million scope effect breaking down as:

- a negative €78 million impact of disposals, mainly resulting from the disposal of most of the magazine publishing titles in France, international radio operations and digital activities (including e-Health) within the scope of the Group's strategic refocusing, representing a negative €77 million;

- a positive €65 million impact from acquisitions, carried out mainly at Lagardère Travel Retail (acquisition of HBF representing a positive €57 million), Lagardère Publishing (acquisition of Worthy Publishing representing a positive €2 million), and at Lagardère Active (acquisition of Skyhigh TV representing a positive €2 million).

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(5) See definition at the end of the press release (restated for the impact of IFRS 16 on concession agreements at Lagardère Travel Retail).
(6) Lagardère Publishing and Lagardère Travel Retail (core businesses), as well as Other Activities including 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 will be wound down by 2020.
(7) Recurring EBIT of operations disposed between 1 January 2019 and 13 March 2019 is minimal, since the Press business was deconsolidated with effect from 1 January 2019 and the amounts corresponding to the other assets are not significant.
(8) These dates may be susceptible to change.

V- 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 2018 annual 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 IV - Appendices of this press release.

In the context of the first-time application of IFRS 16 – Leases, effective 1 January 2019, the Group has elected to retain its existing alternative performance measures with certain modifications, in particular the neutralisation of pure accounting effects and distortions created by the new standard on the concessions businesses. From 1 January 2019, these indicators will be monitored by the Executive Committee to assess operating performance and manage the business, along with the financial metrics defined by the IASB. These indicators will be calculated based on accounting items taken from the consolidated financial statements prepared under IFRS and a reconciliation with those items will be provided. To prevent any confusion during the transition period between the alternative performance measures before and after the application of IFRS 16, each corresponding definition is preceded with "Revised". The estimated impacts of the application of IFRS 16 on the 2018 consolidated financial statements are set out in the 2018 annual results presentation, on slides 47 to 49.

➢ **"Revised" recurring EBIT (Group recurring EBIT)**

The Group's main performance indicator is recurring operating profit of fully consolidated companies (**Group 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 (NEW):
  - Cancellation of fixed rental expense* on concessions
  - Depreciation of right-of-use assets on concessions
  - Gains and losses on lease modifications

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

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A live webcast of the presentation of revenue for first-quarter 2019 will be available today at 10:00 a.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 afternoon.

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The Lagardère group is a global leader in content publishing, production, broadcasting and distribution, whose powerful brands leverage its virtual and physical networks to attract and enjoy qualified audiences.
It is structured around four business divisions: Books and e-Books; Travel Retail; Press, Audiovisual, Digital and Advertising Sales Brokerage; Sports and Entertainment.
Lagardère shares are listed on Euronext Paris.
www.lagardere.com

Important Notice:
Some of the statements contained in this document are not historical facts but rather are statements of future expectations and other forward-looking statements that are based on management's beliefs. These statements reflect such views and assumptions prevailing as of the date of the statements and involve known and unknown risks and uncertainties that could cause future results, performance or future events to differ materially from those expressed or implied in such statements.
*Please refer to the most recent Reference Document (*Document de référence*) filed by Lagardère SCA with the French* Autorité des marchés financiers *for additional information in relation to such factors, risks and uncertainties.*
Lagardère SCA has no intention and is under no obligation to update or review the forward-looking statements referred to above. Consequently Lagardère SCA accepts no liability for any consequences arising from the use of any of the above statements.

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