



Lagardère

INTERIM FINANCIAL REPORT

2019

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This English version has been prepared for the convenience of English speaking readers. It is a translation of the original French Rapport financier semestriel 2019. It is intended for general information only and in case of discrepancies the French original shall prevail.



2019 INTERIM MANAGEMENT REPORT

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Until recently, the Lagardère group was structured into four business divisions: Lagardère Publishing; Lagardère Travel Retail; Lagardère Sports and Entertainment and Lagardère Active.

In 2018, the Managing Partners decided to refocus the Group on its two strongest divisions, each of which is a world leader in its respective sector:

- ▶ Lagardère Publishing, the power engine, includes the Group's Book Publishing and e-Publishing businesses, and covers areas such as Education, General Literature, Illustrated Books, Partworks, Dictionaries, Youth Works, Mobile Games, Board Games and Distribution.
- ▶ Lagardère Travel Retail, the growth engine, consists of retail operations in travel areas and concessions in three fields: Travel Essentials, Duty Free & Fashion, and Foodservice.

The main objectives of the strategic refocusing are as follows:

- ▶ to endow the Group with an improved, simpler, more ambitious and more focused business profile;
- ▶ to improve cash generation in order to fund the growth of the Group's two priority divisions.

For more details, see section 1.4 of the Reference Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on 2 April 2019 (the "Reference Document").

As part of its strategic refocusing, the Group is in the process of divesting the assets making up Lagardère Active, excluding Lagardère News. Notably, it has sold:

- ▶ the Radio businesses in the Czech Republic, Poland, Slovakia and Romania in 2018;
- ▶ the e-Health unit (MonDocteur and Doctissimo) in 2018;
- ▶ the Boursier.com business in January 2019;
- ▶ the Radio assets in South Africa in February 2019;
- ▶ the press titles in France in February 2019;
- ▶ Plurimedia and BilletReduc.com in February 2019;
- ▶ the Television business (excluding Mezzo), for which a sale agreement was concluded on 24 May 2019 and completes in early September;
- ▶ the stake in Mezzo on 17 July 2019.

These disposals were carried out within a very short time-frame and on broadly satisfactory financial terms.

The disposal process for the Audiovisual Production and Distribution unit (Lagardère Studios) has been launched.

Lagardère News, comprising Europe 1, Virgin Radio, RFM, *Paris Match*, *Le Journal du Dimanche*, the advertising sales brokerage and the management of the Elle brand licences, will work to structure and strengthen news-related businesses, building on its strong brands, the quality of its content and the independence of its editorial teams.

The Group has also initiated the disposal process for the Lagardère Sports business.

However, at 30 June 2019, for internal management reporting purposes, Lagardère continues to be structured around four business divisions: Lagardère Publishing; Lagardère Travel Retail; Lagardère Sports and Entertainment and Lagardère Active.

1.1 SIGNIFICANT EVENTS OF THE FIRST HALF OF 2019

Any existing or significant link between these events and their impact on the condensed consolidated financial statements is presented in section 1.3 below, or in note 2 to the condensed consolidated financial statements for the six months ended 30 June 2019.

1.1.1 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

See note 2 to the 2019 condensed consolidated interim financial statements.

1.1.2 DISPOSALS CARRIED OUT AS PART OF THE GROUP'S STRATEGIC REFOCUSING

As part of the Group's strategic refocusing, and further to the disposal of the radio assets in the Czech Republic, Poland, Slovakia and Romania, and of the e-Health unit (Mon Docteur and Doctissimo) in 2018, the Group carried out the following transactions in the first six months of 2019:

1.1.2.1 Sale of the Boursier.com business to the Les Échos-Le Parisien group

On 31 January 2019, Lagardère sold the Boursier.com website and its financial markets information and publishing activities, previously held by Lagardère Active subsidiary Newsweb, to the Les Échos-Le Parisien group.

1.1.2.2 Sale of Radio Jacaranda and signing of an agreement for the sale of the Mediamark advertising sales brokerage to South African group Kagiso Media

Lagardère announced the completion of the following transactions for the disposal by Lagardère Active Radio International (LARI) of its businesses in South Africa to long-standing fellow shareholder, the Kagiso Media group:

- ▶ the disposal on 7 February 2019 of the 20% interest in Jacaranda FM Proprietary Limited, owner of Jacaranda FM, South Africa's number 1 private radio station. The sale price was ZAR 233 million (just over €15 million);
- ▶ the signing of an agreement on 29 January 2019 for the sale of the 49.99% interest in the Mediamark Proprietary Limited advertising sales brokerage, pending clearance from the South African competition authorities. The sale price is estimated at ZAR 30 million (around €2 million).

1.1.2.3 Sale of the magazine publishing titles in France to the Czech Media Invest group

On 14 February 2019, the Lagardère group sold most of its magazine publishing titles in France, including *Elle* and its various extensions, *Version Femina*, *Art & Décoration*, *Télé 7 Jours* and its various extensions, *France Dimanche*, *Ici Paris* and *Public*, to Czech Media Invest (CMI).

In connection with the sale, CMI was granted an exclusive licence for the *Elle* brand covering France, with the Group remaining the owner of the *Elle* brand in France and abroad.

The amount of the transaction was €52 million.

1.1.2.4 Sale of BilletReduc.com to the Fnac Darty group

On 28 February 2019, the Lagardère group sold Billetreduc.com to the Fnac Darty group through its France Billet subsidiary. Lagardère and Fnac Darty had announced exclusive negotiations for the sale of Billetreduc.com on 17 January 2019.

1.1.2.5 Sale of Plurimedia to Media Press Group

On 28 February 2019, the Lagardère group sold Plurimedia to Media Press Group.

1.1.2.6 Sale of the Television business (excluding Mezzo) to the M6 group

Having received the opinions of the employee representative bodies of the companies concerned, on 24 May 2019 Lagardère and the M6 group signed the sale agreement for Lagardère group's Television business (excluding Mezzo). The business includes Gulli and its international extensions, Canal J, TiJi, Elle Girl TV, MCM, MCM Top, RFM TV, and the related advertising sales brokerages.

The transaction has been cleared by the French broadcasting authority (CSA) and the competition authorities.

The amount of the transaction would be €215 million (enterprise value), due on the final completion date in early September.

1.1.3 FIRST SCHULDSCHEINDARLEHEN ISSUE

On 26 June 2019, Lagardère SCA announced its first Schuldscheindarlehen issue, a German private placement, raising over €250 million in financing.

A Schuldscheindarlehen is a collection of bilateral loans with a variety of maturities at fixed and floating rates to suit different investors.

The issue, for an initial amount of €150 million, was oversubscribed primarily by investors from Germany, Austria and from Asian financial institutions. As a result, the final amount of the placement was raised to €250 million, representing a remarkable success for an inaugural fundraising on this market for the Lagardère group.

The placement consisted of four euro-denominated tranches issued with 5- and 7-year maturities at fixed and floating rates.

This successful debt issue in a market with historically low interest rates confirms the confidence investors place in Lagardère's strategy and enables the Group to diversify its sources of financing with a new investor base.

The transaction was arranged by LBBW (Landesbank Baden-Württemberg) and UniCredit.

1.2 MAIN RISKS AND UNCERTAINTIES FOR THE REMAINING SIX MONTHS OF THE YEAR

A general presentation of risks and uncertainties can be found in Chapter 3, "Risk factors and control system" of the 2018 Reference Document.

Significant developments in disputes since the 2018 Reference Document was filed are set out, in particular, in note 19 to the consolidated financial statements for the six months ended 30 June 2019.

1.3 COMMENTS ON THE 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Lagardère's operating activities are carried out through four divisions: Lagardère Publishing, Lagardère Travel Retail, Lagardère Sports and Entertainment and Lagardère Active.

Business is also carried out through "Other Activities", which correspond to activities not directly related to the four operating divisions.

The main changes in the scope of consolidation during the first half of 2019 are described in note 2 to the consolidated financial statements.

1.3.1 CONSOLIDATED INCOME STATEMENT

(in millions of euros)	First-half 2019	First-half 2018(*)	Full-year 2018(*)
Revenue	3,612	3,366	7,258
Recurring operating profit of fully consolidated companies(**)	153	139	417
Income (loss) from equity-accounted companies(***)	-	(5)	4
Non-recurring/non-operating items	5	135	44
<i>of which impact of IFRS 16 on concession agreements(****)</i>	29	19	41
Profit before finance costs and tax	158	269	465
Finance costs, net	(24)	(27)	(59)
Interest expense on lease liabilities	(42)	(38)	(77)
Income tax expense	(20)	(84)	(130)
Profit for the period	72	120	199
Attributable to:			
- Owners of the Parent	52	106	177
- Minority interests	20	14	22

(*) Data for first-half and full-year 2018 restated for the retrospective application of IFRS 16 (see note 1.1 to the consolidated financial statements).

(**) Recurring operating profit of fully consolidated companies is an alternative performance indicator taken from the segment information section of the consolidated financial statements (see reconciliation in note 3 to the consolidated financial statements), and is defined as the difference between profit before finance costs and tax and the following income statement items:

- income (loss) from equity-accounted companies;
- 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:
 - excluding gains and losses on lease modifications,
 - excluding depreciation of right-of-use assets under concession agreements,
 - including decreases in lease liabilities under concession agreements,
 - including interest paid on lease liabilities under concession agreements,
 - including changes in working capital relating to lease liabilities under concession agreements.

(***) Before impairment losses.

(****) Including gains and losses on lease modifications under concession agreements.

In the first half of 2019, consolidated revenue totalled €3,612 million, up 7.3% on a consolidated basis and up 6.7% like for like. The like-for-like increase over the period essentially reflects growth at Travel Retail and strong momentum at Lagardère Sports and Entertainment due to the sporting calendar.

The difference between consolidated and like-for-like revenue is largely attributable to a €56 million positive foreign exchange effect resulting mainly from the appreciation of the US dollar. The €23 million negative scope effect relates to disposals at Lagardère Active, partially offset by the acquisition of HBF at Lagardère Travel Retail.

Consolidated revenue for Lagardère Publishing totalled €1,044 million, up 4.4% on a consolidated basis and up 1.3% like-for-like. The difference between consolidated and like-for-like data is attributable to a €23 million positive foreign exchange effect primarily resulting from the appreciation of the US dollar, and to a €9 million positive scope effect, linked mainly to the acquisitions of Gigamic in February 2019 and Worthy Publishing Group in September 2018.

The upswing in business in the first half of 2019 was fuelled by growth in General Literature in France, a good performance in Partworks and momentum in Mobile Games, which helped offset the year-on-year decline in Spain, the United Kingdom and the United States, affected by a strong comparative first-half 2018 performance.

In France, growth of 4.7% was driven by General Literature, thanks notably to the success of the Le Livre de Poche paperback edition of Guillaume Musso's *La Jeune Fille et la Nuit*, and to a lesser extent, growth in the Mobile Games business (IsCool Entertainment).

The United Kingdom edged back by 0.8%, as a good backlist performance and growth in digital sales at Bookouture failed to offset an unfavourable comparison effect resulting from the success of Michael Wolff's *Fire and Fury* at Little, Brown Book Group in first-half 2018 and slower sales of Illustrated Books.

Business in the United States also contracted by a slight 1.5%, with a solid advance in Digital Audiobooks and the success of new titles – particularly at Grand Central (Thomas Harris and Harlan Coben), Perseus (Victor Davis Hanson's *The Case for Trump*) and Little, Brown Books for Young Readers (*Fortnite* titles) – only partially offsetting an unfavourable comparison effect linked to the success of the James Patterson and Bill Clinton novel, *The President is Missing*, in first-half 2018.

The 7.2% decline in business in the Spain/Latin America region reflects delayed billings in Education compared to first-half 2018, which had been lifted by the early impacts of the curriculum reform campaign in Spain and Mexico.

Partworks maintained its positive trend (up 5.1%), driven by a greater number of more successful new titles – mainly in Japan and Germany, as well as a good performance in Italy.

E-books accounted for 8.2% of total Lagardère Publishing revenue in the first half of 2019 (8.4% in first-half 2018), while Digital Audiobooks represented 3.4% of revenue (2.5% in first-half 2018).

Revenue for Lagardère Travel Retail totalled €1,995 million, up 15.8% on a consolidated basis and up 6.5% like for like. The difference between consolidated and like-for-like data is attributable to a €134 million positive scope effect resulting mainly from the acquisition of HBF and of Smullers in the Netherlands, and to a €26 million positive foreign exchange impact essentially resulting from the appreciation of the US dollar.

Lagardère Travel Retail delivered robust 6.5% revenue growth in first-half 2019, chiefly led by a good sales performance and by store openings in France and the EMEA region.

Strong 11.0% revenue growth in France was driven by good Duty Free trading, especially at regional platforms, and by growth in the Foodservice and Travel Essentials networks (Toulouse airport).

Revenue growth of 5.1% in the EMEA region (excluding France) is mainly attributable to (i) a good performance in Italy on the back of a positive network effect among other factors, (ii) growth in air traffic and a solid sales performance in Eastern Europe – particularly in Romania and the Czech Republic, and (iii) network expansion in the Middle East with the opening of the Dubai Foodcourt.

North America reported good momentum (up 4.4%), lifted by growth in Foodservice and Travel Essentials networks.

Solid 6.5% growth in the Asia-Pacific region reflects good momentum in Asia, spurred in particular by network effects and sustained organic growth in China. Business was down slightly in the Pacific region, with new openings at Christchurch airport not fully offsetting the unfavourable network effect in Australia.

Revenue for Lagardère Sports and Entertainment totalled €319 million, up 49.6% on a consolidated basis and up 47.3% like for like. The difference between consolidated and like-for-like data is attributable to a €7 million positive foreign exchange effect linked to the appreciation of the US dollar, and to a €2 million negative scope impact following the sale of L'Usine.

As expected, the sharp uptick in business is essentially due to a very favourable sporting calendar effect in Asia and Africa (AFC Asian Cup and Total Africa Cup of Nations football tournaments, respectively) and in Europe (World Men's Handball Championship).

Revenue for Lagardère Active totalled €254 million, down 40.9% on a consolidated basis and down 4.6% like for like. The difference between consolidated and like-for-like figures is due to a €163 million negative scope effect, mainly resulting from the disposal of most of the magazine publishing titles in France to Czech Media Invest (CMI), of international radio operations (LARI) and of digital activities (including e-Health) within the scope of the Group's strategic refocusing.

The 4.6% downturn in business in first-half 2019 is attributable to a drop in audience figures for the Europe 1 radio station and a fall in circulation revenues for press titles, affected notably by a high comparison basis in the prior-year period.

The 8.0% decline in revenue at Lagardère News is chiefly the result of a 10.5% fall in Radio revenue owing to lower audience figures for Europe 1. Revenue also contracted for Lagardère News press titles (down 6.6%), as upbeat advertising revenues did not fully offset the dip in circulation revenues resulting from a more subdued news output than in first-half 2018.

Lagardère Studios reported 2.1% revenue growth, with a good performance in international production offsetting the decline of non-scripted programmes in France caused by a lower level of deliveries than in first-half 2018.

TV Channels also contracted (down 5.2%), mainly as a result of lower advertising revenue.

Recurring operating profit of fully consolidated companies amounted to €153 million, up €15 million on first-half 2018. Movements in this item can be analysed as follows for each division:

- ▶ Lagardère Publishing reported €36 million in recurring operating profit of fully consolidated companies, versus €45 million in first-half 2018. This decline chiefly reflects a negative timing effect in France linked to costs incurred to prepare the curriculum reform campaign for two secondary school levels as well as higher launch costs for Partworks.
- ▶ Lagardère Travel Retail delivered recurring operating profit of fully consolidated companies of €46 million, up €12 million on the prior-year period. This mainly reflects a good performance from the North America region, lifted by strong business momentum and by sales initiatives, as well as by the HBF acquisition.

- ▶ Lagardère Sports and Entertainment reported €67 million in recurring operating profit of fully consolidated companies up €37 million year on year. This performance reflects the impact of a favourable sporting calendar, particularly with the organisation of the Asian Cup.
- ▶ Lagardère Active reported €7 million in recurring operating profit of fully consolidated companies, down €26 million on first-half 2018. The decrease results primarily from businesses disposed or pending disposal as part of the Group's strategic refocusing (negative impact of €22 million), and to a lesser extent, the fall in revenue at Europe 1 and lower circulation figures for Lagardère News press titles.
- ▶ Other Activities reported a €3 million recurring operating loss of fully consolidated companies, stable on first-half 2018,

Income from equity-accounted companies (before impairment losses) was nil in the first half of 2019, versus a loss of €5 million in the same year-ago period, which was notably penalised by start-up costs incurred in respect of jointly-controlled companies at Lagardère Travel Retail.

Non-recurring/non-operating items included in profit before finance costs and tax represented net income of €5 million in the first half of 2019, comprising:

- ▶ €12 million in restructuring costs, including €7 million at Lagardère Publishing relating mainly to the completion of the project to streamline distribution centres in the United Kingdom slated for end-2019, and €6 million at Lagardère Travel Retail resulting partly from the consolidation of HBF;
- ▶ €43 million in amortisation of intangible assets and costs relating to the acquisition of consolidated companies, representing an expense of €37 million for Lagardère Travel Retail and €4 million for Lagardère Publishing;
- ▶ €6 million in impairment losses against property, plant and equipment and intangible assets, including €4 million attributable to Lagardère Active resulting from the writedown of LabelBox goodwill and €2 million for Lagardère Travel Retail;
- ▶ €37 million in net gains on disposals, including a €32 million gain on disposals of Lagardère Active businesses to date, in particular the sale of most of the magazine publishing titles in France to Czech Media Invest (CMI), of BilletReduc, of international radio operations in Africa and of digital activities. This amount also includes a €5 million additional disposal gain on the 2017 sale of an office building in Levallois-Perret (France);
- ▶ the €29 million positive impact of applying IFRS 16 on concession agreements at Lagardère Travel Retail (including gains and losses on lease modifications).

In first-half 2018, non-recurring/non-operating items represented net income of €135 million and included the €245 million gain on the May 2018 sale of an office building in the eighth *arrondissement* of Paris (France), as well as a €40 million loss booked on the sale of Lagardère Active's 42% interest in the Marie Claire group. The net positive balance of non-recurring/non-operating items also included €45 million in restructuring costs, of which €37 million at Lagardère Active linked to the cost of restructuring the division into standalone units as part of the strategic refocusing plan; €32 million in amortisation of intangible assets and costs relating to the acquisition of consolidated companies, including €26 million at Lagardère Travel Retail; and €13 million in impairment losses against property, plant and equipment and intangible assets, including €9 million attributable to Lagardère Active. The impact of IFRS 16 on concession agreements amounted to a positive €19 million.

As a result of the above, consolidated profit before finance costs and tax came out at €158 million for the first half of 2019, versus €269 million in first-half 2018.

Net finance costs amounted to €24 million in first-half 2019, a slight improvement on the prior-year period.

Interest expense on lease liabilities represented €42 million in first-half 2019 versus €38 million in the prior-year period, with the increase attributable to the inclusion of new leases, notably in respect of the HBF group acquired in November 2018.

Income tax expense for first-half 2019 came to €20 million, a decrease of €64 million compared with first-half 2018. Income tax expense for first-half 2018 notably included the tax payable on the disposal by Lagardère Active of an office building in the eighth *arrondissement* of Paris in an amount of €83 million, along with €13 million in recognised future tax savings resulting from the cost of restructuring Lagardère Active into standalone units.

The portion of profit attributable to minority interests was €20 million in first-half 2019 compared to €14 million for the first six months of 2018, with the change attributable mainly to earnings generated in Asia (Asian Cup) in first-half 2019 at Lagardère Sports Asia (80%-owned).

1.3.2 CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows

(in millions of euros)	First-half 2019	First-half 2018(*)	Full-year 2018(*)
Cash flow from operating activities before changes in working capital	526	451	1,039
Decrease in lease liabilities	(231)	(217)	(455)
Interest paid on lease liabilities	(40)	(38)	(77)
Changes in working capital relating to lease liabilities	(18)	(10)	(1)
Cash flow from operations before changes in working capital and income taxes paid	237	186	506
Changes in working capital	(173)	(111)	52
Income taxes paid	(23)	(11)	(77)
Cash flow from operations	41	64	481
Cash used in investing activities	(178)	(137)	(610)
- Purchases of intangible assets and property, plant and equipment	(127)	(119)	(270)
- Purchases of investments	(51)	(18)	(340)
Proceeds from disposals	124	221	401
- Disposals of intangible assets and property, plant and equipment	27	202	258
- Disposals of investments	97	19	143
Interest received	4	4	5
(Increase) decrease in short-term investments	-	-	-
Net cash from (used in) investing activities	(50)	88	(204)
Cash flow from (used in) operations and investing activities	(9)	152	277
Net cash from (used in) financing activities excluding lease liabilities	296	(61)	(57)
Other movements	12	(11)	(37)
Change in cash and cash equivalents	298	80	183

(*) Data for first-half and full-year 2018 restated for the retrospective application of IFRS 16 (see note 1.1 to the consolidated financial statements).

The Group has applied IFRS 16 at 1 January 2019 using the full retrospective transition approach. In the statement of cash flows, IFRS 16 had a positive impact on net cash from operating activities amounting to €253 million at 30 June 2018 and €530 million at 31 December 2018, and a negative impact on net cash from (used in) financing activities for the same amounts and at the same dates.

In order to neutralise the impact of IFRS 16, the table above shows net cash from operations and net cash from financing activities excluding lease liabilities. In adopting this presentation, lease payments – represented by interest paid on lease liabilities and the decrease in lease liabilities – can be included in net cash from operating activities. The data shown thus reflect how Group management monitors performance.

Note 3 to the consolidated financial statements provides a reconciliation of the data set out above with the consolidated financial statements.

1.3.2.1 CASH FLOW FROM (USED IN) OPERATIONS AND INVESTING ACTIVITIES

In first-half 2019, cash flow from operations before changes in working capital and income taxes paid (operating cash flow) amounted to €237 million, up €51 million on the prior-year period. The increase in this item during the period is primarily attributable to Lagardère Sports and Entertainment (positive €62 million impact) thanks to significantly higher earnings on the back of the sporting calendar effect, with the €21 million increase in operating cash flow at Lagardère Travel Retail offset by a €24 million decrease at Lagardère Active, mainly as a result of the disposals in this division.

Changes in working capital (typically negative in the first half) deteriorated during the period, representing an outflow of €173 million in first-half 2019 compared to an outflow of €111 million in the six months to 30 June 2018. The year-on-year change reflects a €74 million outflow at Lagardère Sports and Entertainment, with the significant earnings made in the first half, particularly on the AFC Asian Cup, to be mostly collected in 2020. This item also represented an outflow of €49 million at Lagardère Travel Retail, as first-half 2018 had benefited from a favourable one-off impact linked to the working capital optimisation drive, and a €47 million increase at Lagardère Active, of which €22 million in respect of the collection of a portion of the sale price for the bulk of the press titles sold to Czech Media Invest (CMI).

Income taxes paid during the period totalled €23 million compared to €11 million in first-half 2018. The increase in this item is primarily attributable to changes in tax settlements in connection with tax consolidation in France, and to the impact of higher taxation on cross-border trade in the United States (base erosion and anti-abuse tax – BEAT).

Taking account of the above items, cash flow from operations represented an inflow of €41 million in first-half 2019 compared to an inflow of €64 million in first-half 2018.

At 30 June 2019, purchases of property, plant and equipment and intangible assets totalled €127 million, of which €72 million relating to Lagardère Travel Retail (in line with its ongoing travel retail growth strategy), €25 million to Lagardère Sports and Entertainment (payments in respect of sports rights) and €17 million to Lagardère Publishing (the final stage of a logistics project in the United Kingdom and the purchase of lists). In the first half of 2018, these items represented an outflow of €119 million and were concentrated in the same divisions.

Purchases of investments represented a cash outflow of €51 million in first-half 2019, including €27 million at Lagardère Publishing further to the acquisition of Gigamic and Bragelonne in France, and Octopus' acquisition of Short Books in the United Kingdom. Purchases of investments at Lagardère Travel Retail represented a cash outflow of €21 million and notably include the acquisition of Autogrill Czech in the Czech Republic and Smullers in the Netherlands.

Disposals of property, plant and equipment and intangible assets represented an inflow of €27 million in first-half 2019, essentially in connection with the collection of the balance of the amount owed on the 2017 sale of an office building in Levallois-Perret (France). Disposals also include the sale of Boursier.com. In first-half 2018, disposals represented an inflow of €202 million, resulting primarily from the sale by Lagardère Active of an office building in the eighth *arrondissement* of Paris (France).

Disposals of investments represented an inflow of €97 million in first-half 2019, including €83 million at Lagardère Active resulting from the sale of most of the magazine publishing titles in France to Czech Media Invest (CMI), of BilletReduc, of international radio operations in Africa and of Plurimedia, and €8 million at Lagardère Sports and Entertainment resulting from the sale of L'Usine.

In all, operations and investing activities represented a net cash outflow of €9 million in first-half 2019, compared with a net cash inflow of €152 million in first-half 2018.

1.3.2.2 CASH FROM (USED IN) FINANCING ACTIVITIES

Financing activities (excluding leases liabilities) in first-half 2019 represented a net cash inflow of €296 million, including:

- ▶ €192 million in dividends paid, of which €172 million by Lagardère SCA and €20 million paid to minority interests, of which €14 million by Lagardère Travel Retail;
- ▶ a €518 million net increase in debt, mainly comprising the €253 million Schuldscheindarlehen issue, a German private placement, and commercial paper issues for €261 million;
- ▶ €34 million in interest paid, including payment of €19 million in coupons on the April 2016 €500 million and June 2017 €300 million bond issues;
- ▶ €2 million in purchases of minority interests at Lagardère Active;
- ▶ purchases and sales of treasury shares under the liquidity agreement, representing a net cash inflow of €3 million.

1.3.3 NET DEBT

Net debt is an alternative performance measure and is calculated based on elements taken from the consolidated financial statements. A reconciliation with those accounting items is presented below:

(in millions of euros)	30 June 2019	31 Dec. 2018 ^(*)
Short-term investments and cash and cash equivalents	1,042	710
Financial instruments designated as hedges of debt with a positive fair value ^(**)	7	8
Non-current debt ^(***)	(1,302)	(1,019)
Current debt	(1,337)	(1,066)
Net debt	(1,590)	(1,367)

(*) Data at 31 December 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

(**) At 30 June 2019, financial instruments designated as hedges of debt with a positive fair value were included in "Other non-current assets" in an amount of €2 million and in "Other current assets" in an amount of €5 million. At 31 December 2018, they were recognised in "Other non-current assets" for €5 million and "Other current assets" for €3 million.

(***) Non-current debt includes financial instruments designated as hedges of debt with a negative fair value, representing €4 million at 30 June 2019 and €1 million at 31 December 2018.

Changes in net debt in first-half 2019 and first-half 2018 were as follows:

(in millions of euros)	First-half 2019	First-half 2018 ^(*)
Net debt at 1 January	(1,367)	(1,358)
Cash flow from (used in) operations and investing activities	(9)	152
Interest paid	(34)	(32)
(Acquisitions) disposals of treasury shares	3	(2)
(Acquisitions) disposals of minority interests	(2)	(7)
Dividends	(192)	(190)
Debt related to put options granted to minority shareholders	3	(2)
Changes in scope of consolidation	(4)	-
Fair value of financial instruments designated as hedges of debt	(4)	(10)
Impact of classification of assets as held for sale	12	(2)
Effect on cash of changes in exchange rates and other	4	6
Net debt at 30 June	(1,590)	(1,445)

(*) Data at 1 January 2018 and 30 June 2018 restated for the retrospective application of IFRS 16 (see note 1.1 to the consolidated financial statements).

1.4 RELATED PARTIES

See note 20 to the consolidated financial statements for the six months ended 30 June 2019.

1.5 EVENTS AFTER THE REPORTING PERIOD

1.5.1 SALE OF MEZZO TO THE LES ÉCHOS-LE PARISIEN AND CANAL+ GROUPS

On 17 July 2019, the Lagardère group, together with France Télévisions, sold its stake in Mezzo to the Les Échos-Le Parisien and Canal+ groups.

1.6 UPDATE TO 2019 GUIDANCE

Based on our first-half performance in line with forecasts and our outlook for the second half, we can confirm our recurring EBIT target for 2019 as announced in March.

2019 GROUP RECURRING EBIT GROWTH TARGET BASED ON TARGET SCOPE

The Lagardère group expects 2019 recurring EBIT⁽¹⁾ growth based on the target scope⁽²⁾ to be between 4% and 6% at constant exchange rates and excluding the acquisition of HBF.

NON-RETAINED BUSINESS SCOPE⁽³⁾

Based on constant exchange rates, the contribution to recurring EBIT in 2019 for businesses not yet disposed as of 13 March 2019 (which represented €78 million in 2018) is expected to be between €80 million and €90 million on a full-year basis, despite the disposal of Mezzo since that date.

⁽¹⁾ Recurring operating profit of fully consolidated companies.

⁽²⁾ 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.

⁽³⁾ Recurring EBIT of operations disposed between 1 January 2019 and 24 July 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.

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2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated income statement

(in millions of euros)		First-half 2019	First-half 2018 ^(*)	Full-year 2018 ^(*)
Revenue	(Notes 3 and 4)	3,612	3,366	7,258
Other income from ordinary activities		40	43	83
Total income from ordinary activities		3,652	3,409	7,341
Purchases and changes in inventories		(1,252)	(1,162)	(2,507)
External charges		(995)	(959)	(2,050)
Payroll costs		(842)	(834)	(1,716)
Depreciation and amortisation other than on acquisition-related intangible assets		(127)	(89)	(200)
Depreciation of right-of-use assets	(Note 13)	(259)	(232)	(475)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses		(41)	(34)	(75)
Restructuring costs	(Note 5)	(12)	(45)	(79)
Gains (losses) on:	(Note 6)			
- Disposals of assets		37	205	205
- Lease modifications	(Note 13)	1	(3)	(4)
- Fair value adjustments due to changes in control		-	-	-
Impairment losses on goodwill, property, plant and equipment and intangible assets	(Note 7)	(6)	(13)	(47)
Other operating expenses	(Note 8)	(24)	(18)	(27)
Other operating income	(Note 9)	26	49	96
Income (loss) from equity-accounted companies	(Note 14)	-	(5)	3
Profit before finance costs and tax	(Note 3)	158	269	465
Financial income	(Note 10)	10	16	20
Financial expenses	(Note 10)	(34)	(43)	(79)
Interest expense on lease liabilities	(Note 13)	(42)	(38)	(77)
Profit before tax		92	204	329
Income tax expense	(Note 11)	(20)	(84)	(130)
Profit for the period		72	120	199
Attributable to:				
Owners of the Parent		52	106	177
Minority interests		20	14	22
<i>Earnings per share – Attributable to owners of the Parent:</i>				
<i>Basic earnings per share (in €)</i>	(Note 12)	<i>0.40</i>	<i>0.82</i>	<i>1.36</i>
<i>Diluted earnings per share (in €)</i>	(Note 12)	<i>0.40</i>	<i>0.80</i>	<i>1.34</i>

(*) Data at 30 June 2018 and 31 December 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

Consolidated statement of comprehensive income

(in millions of euros)	First-half 2019	First-half 2018 ^(*)	Full-year 2018 ^(*)
Profit for the period ^(*) (1)	72	120	199
Actuarial gains and losses on pensions and other post-employment benefit obligations	(17)	14	8
Tax relating to actuarial gains and losses on pensions and other post-employment benefit obligations	4	(3)	(2)
Change in fair value of investments in non-consolidated companies	-	-	(1)
Other comprehensive income (expense) for the period, net of tax, that will not be reclassified subsequently to profit or loss (2)	(13)	11	5
Currency translation adjustments	7	24	41
Change in fair value of derivative financial instruments:	(15)	(3)	(13)
- Unrealised gains and losses recognised directly in equity	(16)	(3)	(14)
- Amounts reclassified from equity to profit or loss	1	-	1
Share of other comprehensive income of equity-accounted companies, net of tax:	-	2	1
- Unrealised gains and losses recognised directly in equity	-	-	-
- Amounts reclassified from equity to profit or loss	-	2	1
Translation reserve	-	2	1
Valuation reserve	-	-	-
Tax relating to components of other comprehensive income (expense)	3	-	3
Other comprehensive income (expense) for the period, net of tax, that may be reclassified subsequently to profit or loss (3)	(5)	23	32
Other comprehensive income (expense) for the period, net of tax (2)+(3)	(18)	34	37
Total comprehensive income (expense) for the period (1)+(2)+(3)	54	154	236
Attributable to:			
Owners of the Parent	34	138	211
Minority interests	20	16	25

(*) Data at 30 June 2018 and 31 December 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

Consolidated statement of cash flows

(in millions of euros)		First-half 2019	First-half 2018 ^(*)	Full-year 2018 ^(*)
Profit for the period		72	120	199
Income tax expense	(Note 11)	20	84	130
Finance costs, net	(Note 10)	66	65	136
Profit before finance costs and tax		158	269	465
Depreciation and amortisation expense		425	353	741
Impairment losses, provision expense and other non-cash items		(21)	23	32
(Gains) losses on disposals of assets		(38)	(200)	(201)
Dividends received from equity-accounted companies		2	1	5
(Income) loss from equity-accounted companies	(Note 14)	-	5	(3)
Changes in working capital ^(**)	(Note 15)	(191)	(121)	51
Cash flows from operating activities		335	330	1,090
Income taxes paid		(23)	(11)	(77)
Net cash from operating activities	(A)	312	319	1,013
Cash used in investing activities				
- Purchases of intangible assets and property, plant and equipment	(Note 3)	(127)	(119)	(270)
- Purchases of investments	(Note 3)	(40)	(11)	(337)
- Cash acquired through acquisitions	(Note 3)	3	1	15
- Purchases of other non-current assets	(Note 3)	(14)	(8)	(18)
Total cash used in investing activities	(B)	(178)	(137)	(610)
Cash from investing activities				
Proceeds from disposals of non-current assets				
- Disposals of intangible assets and property, plant and equipment	(Note 3)	27	202	258
- Disposals of investments	(Note 3)	114	16	113
- Cash transferred on disposals	(Note 3)	(21)	-	21
Decrease in other non-current assets	(Note 3)	4	3	9
Total cash from investing activities	(C)	124	221	401
Interest received	(D)	4	4	5
Net cash from (used in) investing activities	(F)=(B)+(C)+(D)	(50)	88	(204)
Total cash from (used in) operating and investing activities	(G)=(A)+(F)	262	407	809
Capital transactions				
- Minority interests' share in capital increases by subsidiaries		4	-	1
- (Acquisitions) disposals of treasury shares		3	(2)	(4)
- (Acquisitions) disposals of minority interests		(2)	(7)	(7)
- Dividends paid to owners of the Parent ^(***)		(172)	(171)	(171)
- Dividends paid to minority shareholders of subsidiaries		(20)	(19)	(27)
Total capital transactions	(H)	(187)	(199)	(208)
Financing transactions				
- Increase in debt	(Note 16.1)	524	170	208
- Decrease in debt		(7)	-	-
Total movements in debt	(I)	517	170	208
Interest paid	(J)	(34)	(32)	(57)
Decrease in lease liabilities	(Note 13) - (J)	(231)	(217)	(455)
Interest paid on lease liabilities	(Note 13) - (J)	(40)	(38)	(77)
Net cash used in financing activities	(K)=(H)+(I)+(J)	25	(316)	(589)
Other movements				
- Effect on cash of changes in exchange rates		(1)	(5)	(4)
- Effect on cash of other movements		12	(6)	(33)
Total other movements	(L)	11	(11)	(37)
Change in cash and cash equivalents	(M)=(G)+(K)+(L)	298	80	183
Cash and cash equivalents at beginning of period		660	477	477
Cash and cash equivalents at end of period	(Note 15)	958	557	660

(*) Data for first-half and full-year 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

(**) Including changes in working capital relating to lease liabilities representing a negative €18 million, of which €16 million in respect of concession agreements at 30 June 2019, versus a negative €10 million and €8 million at 30 June 2018, respectively.

(***) Including the portion of profit for the period paid to the General Partners.

Consolidated balance sheet

ASSETS (in millions of euros)		30 June 2019	31 Dec. 2018 ^(*)	1 Jan. 2018 ^(*)
Intangible assets		1,151	1,196	1,058
Goodwill		1,626	1,624	1,809
Right-of-use assets	(Note 13)	2,521	2,552	2,378
Property, plant and equipment		776	794	724
Investments in equity-accounted companies	(Note 14)	68	70	121
Other non-current assets		221	196	210
Deferred tax assets		230	215	248
Total non-current assets		6,593	6,647	6,548
Inventories		629	566	583
Trade receivables		1,267	1,294	1,414
Other current assets		845	872	934
Short-term investments		-	-	-
Cash and cash equivalents	(Note 15)	1,042	710	546
Total current assets		3,783	3,442	3,477
Assets held for sale	(Note 2.2)	454	701	6
Total assets		10,830	10,790	10,031

(*) Data at 1 January 2018 and 31 December 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

Consolidated balance sheet

EQUITY AND LIABILITIES (in millions of euros)		30 June 2019	31 Dec. 2018 ^(*)	1 Jan. 2018 ^(*)
Share capital		800	800	800
Reserves		734	737	699
Profit attributable to owners of the Parent		52	177	164
Equity attributable to owners of the Parent		1,586	1,714	1,663
Minority interests	(Note 17)	152	154	137
Total equity		1,738	1,868	1,800
Provisions for pensions and other post-employment benefit obligations		140	135	163
Non-current provisions for contingencies and losses		165	190	220
Non-current debt	(Note 16)	1,302	1,020	1,555
Non-current lease liabilities	(Note 13)	2,263	2,283	2,115
Other non-current liabilities		220	237	120
Deferred tax liabilities		252	244	231
Total non-current liabilities		4,342	4,109	4,404
Current provisions for contingencies and losses		131	146	147
Current debt	(Note 16)	1,337	1,065	370
Current lease liabilities	(Note 13)	474	458	431
Trade payables		1,209	1,188	1,364
Other current liabilities		1,391	1,541	1,515
Total current liabilities		4,542	4,398	3,827
Liabilities related to assets held for sale	(Note 2.2)	208	415	-
Total equity and liabilities		10,830	10,790	10,031

(*) Data at 1 January 2018 and 31 December 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

Consolidated statement of changes in equity

	Share capital	Share premiums	Other reserves	Treasury shares	Translation reserve	Valuation reserve	Equity attributable to owners of the Parent	Minority interests	Total equity
(in millions of euros)									
At 31 December 2017	800	34	1,122	(92)	(82)	3	1,785	139	1,924
Impact of first-time application of IFRS 9 ^(c)	-	-	(8)	-	-	-	(8)	-	(8)
Impact of first-time application of IFRS 16 ^(c)	-	-	(117)	-	3	-	(114)	(2)	(116)
At 1 January 2018	800	34	997	(92)	(79)	3	1,663	137	1,800
Profit for the period	-	-	106	-	-	-	106	14	120
Other comprehensive income (expense) for the period ^(a)	-	-	11	-	24	(3)	32	2	34
Total comprehensive income (expense) for the period	-	-	117	-	24	(3)	138	16	154
Dividends paid	-	-	(171)	-	-	-	(171)	(19)	(190)
Parent company capital increase/reduction ^(b)	-	(9)	(3)	12	-	-	-	-	-
Minority interests' share in capital increases	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-	(2)	-	-	(2)	-	(2)
Share-based payments	-	-	7	-	-	-	7	-	7
Effect of transactions with minority interests	-	-	1	-	-	-	1	(5)	(4)
Changes in scope of consolidation and other	-	-	(4)	-	-	-	(4)	-	(4)
At 30 June 2018	800	25	944	(82)	(55)	-	1,632	129	1,761
At 31 December 2018	800	23	1,153	(81)	(43)	(7)	1,845	156	2,001
Impact of first-time application of IFRS 16 ^(c)	-	-	(131)	-	-	-	(131)	(2)	(133)
At 31 December 2018 – restated	800	23	1,022	(81)	(43)	(7)	1,714	154	1,868
Profit for the period	-	-	52	-	-	-	52	20	72
Other comprehensive income (expense) for the period ^(a)	-	-	(13)	-	7	(12)	(18)	-	(18)
Total comprehensive income (expense) for the period	-	-	39	-	7	(12)	34	20	54
Dividends paid	-	-	(172)	-	-	-	(172)	(20)	(192)
Parent company capital increase/reduction ^(b)	-	(14)	(1)	15	-	-	-	-	-
Minority interests' share in capital increases	-	-	-	-	-	-	-	4	4
Changes in treasury shares	-	-	-	3	-	-	3	-	3
Share-based payments	-	-	6	-	-	-	6	-	6
Effect of transactions with minority interests	-	-	(2)	-	-	-	(2)	-	(2)
Changes in scope of consolidation and other	-	-	-	-	3	-	3	(6)	(3)
At 30 June 2019	800	9	892	(63)	(33)	(19)	1,586	152	1,738

(a) See note 17 to the consolidated financial statements.

(b) Capital increase carried out by capitalising reserves and capital reduction carried out by cancelling treasury shares.

(c) Data at 1 January 2018 restated for the application of IFRS 9 and IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All figures are expressed in millions of euros unless otherwise specified)

NOTE 1 ACCOUNTING POLICIES

The condensed consolidated interim financial statements at 30 June 2019 have been prepared in compliance with IAS 34 – Interim Financial Reporting. The accompanying notes do not contain all the disclosures required for annual financial statements. These condensed consolidated financial statements should therefore be read in conjunction with the annual consolidated financial statements published for 2018.

The new standards and/or amendments to IFRSs adopted by the European Union that are effective for periods beginning on or after 1 January 2019, are as follows:

- ▶ IFRS 16 – Leases, which the Group has elected to apply using the full retrospective approach. The IFRS 16 transition approach and the impacts of applying the new standard are described in note 1.1.
- ▶ IFRIC 23 – Uncertainty over Income Tax Treatments, which clarifies the provisions of IAS 12 – dealing with the recognition and measurement of income taxes – when there is uncertainty over income tax treatments. IFRIC 23 is applied as of 1 January 2019 and provisions for tax contingencies were therefore reclassified at that date as tax payables within other current liabilities in an amount of €19 million.
- ▶ Amendment to IAS 28 – Long-term Interests in Associates and Joint Ventures.
- ▶ Amendment to IAS 19 – Plan Amendment, Curtailment or Settlement.
- ▶ Annual Improvements to IFRSs (2015–2017 Cycle).

The application of IFRS 16 results in a change in accounting principles and valuation methods, described in note 3 to the 2018 consolidated financial statements. The related impacts are presented in note 1.2.

The other standards and amendments endorsed by the European Union that are effective for periods beginning on or after 1 January 2019 do not have a material impact on the consolidated financial statements.

The new standards and amendments to existing standards published by the International Accounting Standards Board (IASB) at 30 June 2019 which have not yet been endorsed by the European Union and which will be effective subsequent to 2019 are as follows:

- ▶ Amendment to IFRS 3 – Definition of a Business.
- ▶ Amendments to IAS 1 and IAS 8 – Definition of Material.
- ▶ Amendments to the IFRS Conceptual Framework.

The condensed consolidated financial statements were approved for issue by the Managing Partners of Lagardère SCA on 24 July 2019.

1.1 FIRST-TIME APPLICATION OF IFRS 16

IFRS 16 is effective from 1 January 2019 and supersedes IAS 17 and the related interpretations. The Group elected to use the full retrospective approach for its transition to the new standard at 1 January 2019. Each comparative period presented has therefore been restated in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

As indicated in note 1 to the 2018 consolidated financial statements, IFRS 16 eliminates the distinction between finance leases and operating leases. As a result, all lease contracts give rise to the recognition of a lease liability in the lessee's balance sheet, representing the present value of lease payment commitments, notably including fixed lease payments and guaranteed minimum payments for Travel Retail. This lease liability is recognised against a right-of-use asset corresponding to the item under lease (retail premises, office buildings, etc.).

In the income statement, only the fixed rental expense, which includes at least the guaranteed minimum payments under concession agreements, will be cancelled and replaced by straight-line depreciation and a decreasing interest expense. The resulting impact on profit is negative at the commencement of the lease and positive at the end of the lease. The cumulative impact over the lease term is zero in the income statement, with the exception of gains and losses on any lease modifications.

In the consolidated statement of cash flows, the fixed portion of lease payments, previously included in cash flows from operating activities, is presented as a decrease in lease liabilities and associated interest expense within cash flows from financing activities. The variable portion of lease payments continues to be recorded in cash flows from operating activities. IFRS 16 has no impact on the change in net cash and cash equivalents.

Revised definition of alternative performance indicators used by the Group

The application of IFRS 16 would automatically result in an increase in recurring operating profit of fully consolidated companies and free cash flow.

Specifically, in the Travel Retail business, rental payments made to concession grantors are either variable, fixed, or variable with a guaranteed minimum amount. Applying IFRS 16 to these contracts distorts the understanding of the division's performance since it only applies to the fixed portion of rental payments, and therefore the readability of the financial statements in monitoring operations.

To ensure that the indicator remains relevant and reflects the economic substance of concession agreements, the Group has decided to neutralise the impact of IFRS 16 on recurring operating profit of consolidated companies as regards concession agreements only. Fixed rental expense representing the payment of lease liabilities (principal and interest) and the change in working capital related to lease liabilities is added back, while depreciation of the corresponding right-of-use asset is cancelled (see the revised definition in note 1.2.2). Adjusted profit attributable to owners of the Parent has been restated in the same manner.

The Group's other leased assets are virtually all held under operating leases. Lease liabilities for these contracts and for concession agreements differ from bank or bond debt and will not therefore be included in the calculation of net debt.

Consequently, payments made to decrease the lease liability will be considered within operating and not financing items in calculating free cash flow.

The alternative performance indicators used by the Group need to remain in line with the business model and dynamic to enable the Group's performance to be monitored and managed within the scope of internal and financial reporting. The Group has therefore maintained its current indicators but has revised their definition in order to neutralise the pure accounting effects of IFRS 16, particularly in its Travel Retail business.

Note 1.2 below sets out the revised definitions of the Group's alternative performance indicators.

Impact on the restated 2018 financial statements

The impacts of the first-time application of IFRS 16 in the period are shown below.

Impact on the income statement for first-half 2018

(in millions of euros)	First-half 2018 reported	Application of IFRS 16	First-half 2018 restated
Revenue	3,366	-	3,366
Other income from ordinary activities	43	-	43
Total income from ordinary activities	3,409	-	3,409
Purchases and changes in inventories	(1,162)	-	(1,162)
External charges	(1,220)	261	(959)
Payroll costs	(834)	-	(834)
Depreciation and amortisation other than on acquisition-related intangible assets	(90)	1	(89)
Depreciation of right-of-use assets		(232)	(232)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses	(34)	-	(34)
Restructuring costs	(45)	-	(45)
Gains (losses) on:	-	-	-
- Disposals of assets	205	-	205
- Lease modifications		(3)	(3)
- Fair value adjustments due to changes in control	-	-	-
Impairment losses on goodwill, property, plant and equipment and intangible assets	(13)	-	(13)
Other operating expenses	(18)	-	(18)
Other operating income	49	-	49
Income from equity-accounted companies	(4)	(1)	(5)
Profit before finance costs and tax	243	26	269
Financial income	16	-	16
Financial expenses	(41)	(2)	(43)
Interest expense on lease liabilities		(38)	(38)
Profit before tax	218	(14)	204
Income tax expense	(86)	2	(84)
Profit for the period	132	(12)	120
Attributable to:			
Owners of the Parent	119	(13)	106
Minority interests	13	1	14

The €26 million increase in profit before finance costs and tax for first-half 2018 includes €18 million relating to concession agreements and €8 million relating to buildings and other leases. Interest expense on lease liabilities amounts to €38 million, including €29 million relating to concession agreements and €9 million relating to buildings and other leases.

Recurring operating profit of fully consolidated companies for first-half 2018 increased by €7 million.

Impact on the 2018 income statement

(in millions of euros)	Full-year 2018 reported	Application of IFRS 16	Full-year 2018 restated
Revenue	7,258	-	7,258
Other income from ordinary activities	83	-	83
Total income from ordinary activities	7,341	-	7,341
Purchases and changes in inventories	(2,507)	-	(2,507)
External charges	(2,584)	534	(2,050)
Payroll costs	(1,716)	-	(1,716)
Depreciation and amortisation other than on acquisition-related intangible assets	(202)	2	(200)
Depreciation of right-of-use assets		(475)	(475)
Amortisation of acquisition-related intangible assets and other acquisition-related expenses	(75)	-	(75)
Restructuring costs	(79)	-	(79)
Gains (losses) on:	-	-	-
- Disposals of assets	205	-	205
- Lease modifications		(4)	(4)
- Fair value adjustments due to changes in control	-	-	-
Impairment losses on goodwill, property, plant and equipment and intangible assets	(47)	-	(47)
Other operating expenses	(27)	-	(27)
Other operating income	96	-	96
Income from equity-accounted companies	4	(1)	3
Profit before finance costs and tax	409	56	465
Financial income	20	-	20
Financial expenses	(79)	-	(79)
Interest expense on lease liabilities		(77)	(77)
Profit before tax	350	(21)	329
Income tax expense	(134)	4	(130)
Profit for the period	216	(17)	199
Attributable to:			
Owners of the Parent	194	(17)	177
Minority interests	22	-	22

The €56 million increase in profit before finance costs and tax for full-year 2018 includes €40 million relating to concession agreements and €16 million relating to buildings and other leases. Interest expense on lease liabilities amounts to €77 million, including €58 million relating to concession agreements and €19 million relating to buildings and other leases.

Recurring operating profit of fully consolidated companies increased by €16 million for full-year 2018.

Impact on the balance sheet at 1 January 2018

ASSETS (in millions of euros)	31 Dec. 2017 reported	Application of IFRS 9	Application of IFRS 16	1 Jan. 2018 restated
Intangible assets	1,058	-	-	1,058
Goodwill	1,809	-	-	1,809
Right-of-use assets	-	-	2,378	2,378
Property, plant and equipment	733	-	(9)	724
Investments in equity-accounted companies	123	-	(2)	121
Other non-current assets	219	(9)	-	210
Deferred tax assets	206	3	39	248
Total non-current assets	4,148	(6)	2,406	6,548
Inventories	583	-	-	583
Trade receivables	1,418	(2)	(2)	1,414
Other current assets	943	-	(9)	934
Cash and cash equivalents	546	-	-	546
Total current assets	3,490	(2)	(11)	3,477
Assets held for sale	6	-	-	6
Total assets	7,644	(8)	2,395	10,031

EQUITY AND LIABILITIES (in millions of euros)	31 Dec. 2017 reported	Application of IFRS 9	Application of IFRS 16	1 Jan. 2018 restated
Share capital	800	-	-	800
Reserves	809	(8)	(102)	699
Profit attributable to owners of the Parent	176	-	(12)	164
Equity attributable to owners of the Parent	1,785	(8)	(114)	1,663
Minority interests	139	-	(2)	137
Total equity	1,924	(8)	(116)	1,800
Provisions for pensions and other post-employment benefit obligations	163	-	-	163
Non-current provisions for contingencies and losses	220	-	-	220
Non-current debt	1,560	-	(5)	1,555
Non-current lease liabilities	-	-	2,115	2,115
Other non-current liabilities	120	-	-	120
Deferred tax liabilities	234	-	(3)	231
Total non-current liabilities	2,297	-	2,107	4,404
Current provisions for contingencies and losses	147	-	-	147
Current debt	375	-	(5)	370
Current lease liabilities	-	-	431	431
Trade payables	1,386	-	(22)	1,364
Other current liabilities	1,515	-	-	1,515
Total current liabilities	3,423	-	404	3,827
Liabilities related to assets held for sale	-	-	-	-
Total equity and liabilities	7,644	(8)	2,395	10,031

Impact on the balance sheet at 31 December 2018

ASSETS (in millions of euros)	31 Dec. 2018 reported	Application of IFRS 16	31 Dec. 2018 restated
Intangible assets	1,196	-	1,196
Goodwill	1,624	-	1,624
Right-of-use assets	-	2,552	2,552
Property, plant and equipment	800	(6)	794
Investments in equity-accounted companies	73	(3)	70
Other non-current assets	196	-	196
Deferred tax assets	176	39	215
Total non-current assets	4,065	2,582	6,647
Inventories	566	-	566
Trade receivables	1,296	(2)	1,294
Other current assets	883	(11)	872
Cash and cash equivalents	710	-	710
Total current assets	3,455	(13)	3,442
Assets held for sale	699	2	701
Total assets	8,219	2,571	10,790

EQUITY AND LIABILITIES (in millions of euros)	31 Dec. 2018 reported	Application of IFRS 16	31 Dec. 2018 restated
Share capital	800	-	800
Reserves	851	(114)	737
Profit attributable to owners of the Parent	194	(17)	177
Equity attributable to owners of the Parent	1,845	(131)	1,714
Minority interests	156	(2)	154
Total equity	2,001	(133)	1,868
Provisions for pensions and other post-employment benefit obligations	135	-	135
Non-current provisions for contingencies and losses	190	-	190
Non-current debt	1,024	(4)	1,020
Non-current lease liabilities	-	2,283	2,283
Other non-current liabilities	237	-	237
Deferred tax liabilities	248	(4)	244
Total non-current liabilities	1,834	2,275	4,109
Current provisions for contingencies and losses	146	-	146
Current debt	1,069	(4)	1,065
Current lease liabilities	-	458	458
Trade payables	1,215	(27)	1,188
Other current liabilities	1,541	-	1,541
Total current liabilities	3,971	427	4,398
Liabilities related to assets held for sale	413	2	415
Total equity and liabilities	8,219	2,571	10,790

Impact on the consolidated statement of cash flows for first-half 2018

(in millions of euros)	First-half 2018 reported	Application of IFRS 16	First-half 2018 restated
Profit for the period	132	(12)	120
Income tax expense (benefit)	86	(2)	84
Finance costs, net	25	40	65
Profit before finance costs and tax	243	26	269
Depreciation and amortisation expense	122	231	353
(Gains) losses on disposals of assets	(205)	5	(200)
(Income) loss from equity-accounted companies	4	1	5
Changes in working capital	(112)	(9)	(121)
Other cash flows related to operating activities	25	(1)	24
Cash flows from operating activities	77	253	330
Income taxes paid	(11)	-	(11)
Net cash from operating activities	66	253	319
Net cash from investing activities	88	-	88
Total cash from operating and investing activities	154	253	407
Net cash used in financing activities	(63)	(253)	(316)
Total other movements	(11)	-	(11)
Change in cash and cash equivalents	80	-	80
Cash and cash equivalents at beginning of period	477	-	477
Cash and cash equivalents at end of period	557	-	557

Impact on the consolidated statement of cash flows for full-year 2018

(in millions of euros)	Full-year 2018 reported	Application of IFRS 16	Full-year 2018 restated
Profit for the period	216	(17)	199
Income tax expense (benefit)	134	(4)	130
Finance costs, net	59	77	136
Profit before finance costs and tax	409	56	465
Depreciation and amortisation expense	268	473	741
(Gains) losses on disposals of assets	(205)	4	(201)
(Income) loss from equity-accounted companies	(4)	1	(3)
Changes in working capital	55	(4)	51
Other cash flows related to operating activities	37	-	37
Cash flows from operating activities	560	530	1,090
Income taxes paid	(77)	-	(77)
Net cash from operating activities	483	530	1,013
Net cash from investing activities	(204)	-	(204)
Total cash from operating and investing activities	279	530	809
Net cash used in financing activities	(59)	(530)	(589)
Total other movements	(37)	-	(37)
Change in cash and cash equivalents	183	-	183
Cash and cash equivalents at beginning of period	477	-	477
Cash and cash equivalents at end of period	660	-	660

1.2 CHANGE IN ACCOUNTING PRINCIPLES AND VALUATION METHODS

With the exception of those mentioned below, the accounting methods used to prepare these interim financial statements are the same as those used to prepare the 2018 consolidated financial statements and are described in note 3 to those 2018 consolidated financial statements.

Changes in the accounting methods described below are also expected to concern the Group's consolidated financial statements at 31 December 2019.

1.2.1 LEASES

(replaces note 3.2 to the 2018 consolidated financial statements)

IFRS 16 eliminates the distinction between finance leases and operating leases. As a result, a lease liability is recognised in the lessee's balance sheet, representing the present value of lease payment commitments including fixed lease payments and guaranteed minimum payments for Travel Retail. This lease liability is recognised against a right-of-use asset corresponding to the items under lease (retail premises, office buildings, etc.).

The Group's main leases correspond to concession agreements in transport hubs and hospitals, and to a lesser extent building leases. Vehicles and equipment account for only a small part of leased assets.

The Group has decided not to restate contracts with an initial term of less than 12 months and leases with a low-value underlying asset.

The Group sub-lets retail premises and office space under operating leases in which it acts as lessor. The associated income from sub-letting such premises continues to be included within other income.

Special terms of concession agreements in the Travel Retail business

In the course of its ordinary business operations, Lagardère Travel Retail enters into concession agreements with concession grantors (airports, railway stations, hospitals, etc.). These contracts grant the concession operator access to certain passenger flows and to the resulting revenue against the payment of fees (rent) in respect of the leased retail premises and the right to use those premises. These fees are either variable, fixed, or variable with a guaranteed minimum payment. They can be renegotiated with the concession grantor in the event of changes in the economic terms and conditions of the contract or in applicable regulations.

The formulae used to calculate these variable payments are generally based on a percentage of revenue earned by product category and/or on trends in passenger flows and/or changes in various external indices including inflation.

Guaranteed minimum payments may be fixed by the concession agreement and/or calculated based on a minimum percentage of fees paid in the previous year and may include a minimum amount. In this case, the fees are considered as fixed payments in substance, as despite having a variable component, they are unavoidable.

Measurement of the right-of-use asset and the lease liability

The lease liability and the right-of-use asset are equal at the start of the lease, and adjusted where applicable for:

- ▶ prepayments, which are recognised as an increase in the right-of-use asset;
- ▶ benefits granted by lessors, which are recognised as a deduction from the right-of-use asset;
- ▶ initial direct costs incurred to obtain the contract, which are recognised as an increase in the right-of-use asset;

- penalties due in respect of early termination or non-renewal options, if these options are reasonably certain to be exercised, which are recognised as an increase in the lease liability.

The right-of-use asset is then depreciated on a straight-line basis until the date the contract is reasonably certain to expire. Where ownership of the leased asset is transferred at the end of the lease, or where the lessee has a purchase option, the depreciation period represents the useful life of the underlying asset.

The lease liability is measured and recognised at amortised cost using the effective interest rate method.

Temporary differences relating to the right-of-use asset and to the lease liability give rise to the recognition of deferred tax.

The date on which lease contracts are reasonably certain to expire, used to calculate the duration of the lease, is determined by local management for each individual lease, and is reviewed at the end of each reporting period. For concession agreements, which account for the bulk of the Group's lease contracts, the duration is fixed by the concession grantor. The concession operator (lessee) does not generally have the ability to extend the duration of the concession. Similarly, most concessions are extended through a tender process.

The discount rates used, calculated at the start of each lease term, take account of the Group's centralised financing structure and have been adapted to reflect the specific economic environment of the entity's country. Discount rates applied to euro-denominated leases are determined based on the yield curve for euro-denominated swaps plus the financing component. Discount rates applied to foreign currency leases are determined based on the yield curve for the currency concerned, plus the financing component in the same currency. The rate applied for each lease takes into account the lease payment profile.

Lease modifications and remeasurements

In the event of a reduction in the lease term or in the surface area leased, the right-of-use asset and lease liability are reduced accordingly in line with the percentage decrease, with the offsetting entry posted to gains and losses on lease modifications in the income statement. The residual lease liability is then adjusted against the right-of-use asset, after discounting the asset at the discount rate revised as of the date of the modification.

Increases in the lease term or in the surface area leased do not generate gains or losses on lease modifications, but lead to remeasurement of the lease liability using a discount rate revised as of the date of the modification.

Changes in the amount of the lease stipulated in the lease contract that do not involve modification of the leased surface area or lease term, will lead to a remeasurement of the lease liability with no revision of the discount rate, recognised against the right-of-use asset.

Presentation in the income statement and in the statement of cash flows

In the income statement, the depreciation charged against the right-of-use asset, gains and losses on any lease modifications, and interest expense on lease liabilities are shown on separate lines. The variable portion of lease payments, along with rental expenses under leases with a term of less than 12 months or with a low-value underlying asset, continue to be recorded in the income statement within external charges.

The resulting impact on profit is negative at the commencement of the lease and positive at the end of the lease. The cumulative impact on the lease term is zero in the income statement, with the exception of gains and losses on any lease modifications.

In the consolidated statement of cash flows, the fixed portion of lease payments, previously included in cash flows from operating activities, is presented as a decrease in the lease liability and associated interest expense within cash flows from financing activities. The variable portion of lease payments

continues to be recorded in cash flows from operating activities. IFRS 16 has no impact on the change in net cash and cash equivalents.

1.2.2 PERFORMANCE INDICATORS USED BY THE GROUP

(replaces note 3.3 to the 2018 consolidated financial statements)

Lagardère uses alternative performance indicators which serve as key measures 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 elements taken from the consolidated financial statements prepared under IFRS and a reconciliation with those accounting items is provided either in this financial report or in any other documents in which they are presented.

Recurring operating profit of fully consolidated companies

The Group's main performance measure is recurring operating profit of fully consolidated companies, which is calculated as follows:

Profit before finance costs and tax

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
- ▶ Items related to leases:
 - excluding gains and losses on lease modifications
 - excluding depreciation of right-of-use assets under concession agreements
 - including decreases in lease liabilities under concession agreements
 - including interest paid on lease liabilities under concession agreements
 - including changes in working capital relating to lease liabilities under concession agreements
- ▶ Specific major disputes unrelated to the Group's operating performance

= Recurring operating profit

Less:

- ▶ Income from equity-accounted companies before impairment losses
-

= Recurring operating profit of fully consolidated companies

In the Travel Retail business, fees (rent) paid to concession grantors are either variable, fixed, or variable with a minimum guaranteed amount. Applying IFRS 16 to these contracts distorts the understanding of the division's performance since it only applies to the fixed portion of rental payments, and therefore the readability of the financial statements in monitoring operations. To ensure that the indicator remains relevant and reflects the economic substance of concession agreements, the Group has decided to neutralise the impact of IFRS 16 on recurring operating profit of consolidated companies as regards concession agreements only.

Profit before finance costs and tax includes amortisation of certain intangible assets with finite useful lives which resulted from allocation of the acquisition price of business combinations. The Group has decided to neutralise the effects of these items when calculating recurring operating profit and recurring operating profit of fully consolidated companies, so that book amortisation with no effect on cash generated by the businesses acquired is eliminated from the measurement of performance.

The application from 1 January 2010 of the revised versions of IFRS 3 and IAS 27 on business combinations resulted in the recognition in the income statement of the following items that were previously charged to goodwill: acquisition-related expenses and changes in liabilities corresponding to earn-out clauses when such changes occur more than 12 months after the acquisition date. These items are excluded from the calculation of recurring operating profit.

The reconciliation between recurring operating profit of fully consolidated companies and profit before finance costs and tax is presented in note 3.

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 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 previous period adjusted for consolidated companies divested during the period;
- ▶ revenue for the previous period and revenue for the current year adjusted on the basis of exchange rates applicable in the previous 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 ceased to exercise 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).

Like-for-like revenue is set out in note 4.

Free cash flow

Free cash flow is calculated as the sum of cash flow from operating activities, income taxes paid, the decrease in lease liabilities and the related 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 operating activities and free cash flow is set out in note 3.

Lease liabilities differ from bank or bond debt and will not therefore be included in the calculation of net debt. Consequently, payments made to decrease the lease liability will be considered within operating and not financial items in calculating free cash flow.

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

As indicated in note 1.2.1, IFRS 16 eliminates the distinction between finance leases and operating leases. Accordingly, liabilities under finance leases are now excluded from debt and included within lease liabilities.

The reconciliation between balance sheet items and net debt is set out in note 16.

NOTE 2 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

2.1 FIRST-HALF 2019

The main changes in scope of consolidation in first-half 2019 were as follows:

Lagardère Publishing

- Acquisition by Hachette Livre in February 2019 of Gigamic, a French board game publisher.

Lagardère Sports and Entertainment

- Disposal in March 2019 of the 60% interest in SLS Développement, a network of sports facilities that includes L'Usine in Paris.

Lagardère Active

- Disposal on 31 January 2019 of the Boursier.com website and its financial markets information and publishing activities, previously held by Lagardère Active subsidiary Newsweb, to the Les Échos-Le Parisien group.
- Disposal on 7 February 2019 of the 20% interest held by LARI in Jacaranda FM Proprietary Limited, owner of Jacaranda FM, South Africa's number 1 private radio station, to the Kagiso Media group.
- Disposal on 14 February 2019 of the following magazine publishing assets in France to Czech Media Invest: *Elle* and its various extensions, *Version Femina*, *Art & Décoration*, *Télé 7 Jours* and its various extensions, *France Dimanche*, *Ici Paris* and *Public*.
- Disposal on 28 February 2019 of Billetreduc.com to the Fnac Darty group.
- Disposal on 28 February 2019 of Plurimedia to Media Press Group.

On 24 May 2019, Lagardère also signed an agreement to sell its Television business (excluding Mezzo) to the M6 group. The business includes Gulli and its international extensions, Canal J, TiJi, Elle Girl TV, MCM, MCM Top, RFM TV, and the related advertising sales brokerages. The transaction was cleared by the French broadcasting authority (CSA) and the competition authorities in July.

2.2 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

As indicated in note 4.3 to the consolidated financial statements for the year ended 31 December 2018, as part of its strategic refocusing around two priority areas (Lagardère Publishing and Lagardère Travel Retail) announced in spring 2018, Lagardère Active has restructured to transform its business into several standalone units. The new structure of Lagardère Active includes five business units (News, Press, TV, Audiovisual Production and Distribution, and Pure Players & B2B).

At 31 December 2018, goodwill was allocated to each business unit based on the percentage of discounted cash flows they represent.

With the exception of the News unit, which includes radio operations in France (Europe 1, Virgin Radio and RFM), *Paris Match*, *Le Journal du Dimanche*, advertising sales brokerage and the management of Elle brand licences, each unit will leverage the opportunities best enabling it to continue its development.

Among the groups of assets classified as held for sale (disposal groups) at 31 December 2018, magazine publishing titles in France, digital businesses (including Boursier.com, Plurimedia and BilletrEduc) and international radio operations with the exception of Mediamark (Jacaranda, ADI Côte d'Ivoire and ADI Sénégal) were sold in the first half of 2019 (see note 6).

The following disposal groups were classified as assets held for sale and associated liabilities at 30 June 2019:

- ▶ **Audiovisual production:** Lagardère Studios – this business has been classified as held for sale since 31 December 2018.
- ▶ **TV channels:** Lagardère signed an agreement to sell its Television business (excluding Mezzo) to the M6 group on 24 May 2019. The transaction was cleared by the French broadcasting authority (CSA) and competition authorities in July.

The Mezzo channel (60%-owned by Lagardère) was classified as held for sale at 30 June 2019 given the advanced stage in the disposal process. On 17 July 2019, the Lagardère group, together with France Télévisions, sold its stake in Mezzo to the Les Échos-Le Parisien and Canal+ groups.

- ▶ **Other:** Mediamark investments (advertising sales brokerage for Jacaranda radio, pending clearance from the local authorities), Disney Hachette Presse investments, LabelBox.

Measurement

The TV Channels disposal group was not written down in light of the sale price stipulated in the agreement signed with the M6 group on 24 May 2019.

At 30 June 2019, the estimated sale value of audiovisual production assets along with Mediamark and Disney Hachette Presse investments exceeds their carrying amount.

Since the carrying amount of LabelBox is higher than its estimated sale value, a write-down of €4 million was taken in first-half 2019, recognised in full against goodwill (see note 7).

The table below provides a breakdown by balance sheet item, along with the contribution of each of the disposal groups to revenue and recurring operating profit of fully consolidated companies:

ASSETS (in millions of euros)	Audiovisual production	TV Channels and Mezzo	Other	Total
Intangible assets	11	24	-	35
Goodwill	99	81	1	181
Right-of-use assets	1	-	-	1
Property, plant and equipment	5	2	-	7
Investments in equity-accounted companies	-	-	3	3
Other non-current assets	1	-	-	1
Deferred tax assets	5	6	-	11
Total non-current assets	122	113	4	239
Inventories	40	16	-	56
Trade receivables	79	30	-	109
Other current assets	23	16	-	39
Short-term investments	-	-	-	-
Cash and cash equivalents	8	3	-	11
Total current assets	150	65	-	215
Total assets held for sale	272	178	4	454

EQUITY AND LIABILITIES (in millions of euros)	Audiovisual production	TV Channels and Mezzo	Other	Total
Provisions for pensions and other post-employment benefit obligations	2	1	-	3
Non-current provisions for contingencies and losses	2	-	-	2
Non-current debt	20	-	-	20
Non-current lease liabilities	-	-	-	-
Other non-current liabilities	1	-	-	1
Deferred tax liabilities	1	12	-	13
Total non-current liabilities	26	13	-	39
Current provisions for contingencies and losses	5	-	-	5
Current debt	3	-	-	3
Current lease liabilities	-	-	-	-
Trade payables	60	27	1	88
Other current liabilities	60	12	1	73
Total current liabilities	128	39	2	169
Total liabilities related to assets held for sale	154	52	2	208
Revenue	92	41	6	139
Recurring operating profit	5	4	-	9

NOTE 3 SEGMENT INFORMATION

The Group is currently implementing the strategic plan approved in 2018 to refocus on its strongest two divisions, Lagardère Publishing and Lagardère Travel Retail. At 30 June 2019, for internal management reporting purposes, Lagardère continues to be structured around four business divisions:

- ▶ **Lagardère Publishing** includes the Group's Book Publishing and e-Publishing businesses, which cover such areas as Education, General Literature, Illustrated Books, Partworks, Dictionaries, Youth Works, Mobile Games, Board Games and Distribution.
- ▶ **Lagardère Travel Retail** consists of retail operations in travel areas and concessions in three fields: Travel Essentials, Duty Free & Fashion, and Foodservice.
- ▶ **Lagardère Sports and Entertainment** is a globally integrated Sports and Entertainment marketing agency delivering a full range of services for sports rights holders, brands, athletes and media companies.
- ▶ **Lagardère Active** encompasses the Press, Audiovisual (Radio, Television, Audiovisual Production and Distribution), Digital and Advertising Sales Brokerage businesses.

In addition to the above divisions, the Group has a "corporate" reporting unit ("Other Activities") used primarily to report the effect of financing obtained by the Group, the net operating costs of Group holding companies, and the activities of Matra Manufacturing & Services (whose revenues are reported under "Other income from ordinary activities").

Transactions between business divisions are generally carried out on arm's length terms.

First-half 2019 income statement

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Sports and Entertainment	Lagardère Active	Other Activities	Total
Revenue	1,050	1,995	319	254	-	3,618
Inter-segment revenue	(6)	-	-	-	-	(6)
Consolidated revenue	1,044	1,995	319	254	-	3,612
Other income from ordinary activities	4	11	1	22	2	40
Total income from ordinary activities	1,048	2,006	320	276	2	3,652
Recurring operating profit (loss) of fully consolidated companies	36	46	67	7	(3)	153
Income (loss) from equity-accounted companies before impairment losses	-	(1)	1	1	(1)	-
Recurring operating profit (loss)	36	45	68	8	(4)	153
Restructuring costs	(7)	(6)	(4)	5	-	(12)
Gains/losses on disposals	-	1	-	32	5	38
<i>Disposals of assets</i>	-	-	-	32	5	37
<i>Gains and losses on lease modifications(*)</i>	-	1	-	-	-	1
Impairment losses(**)	-	(2)	-	(4)	-	(6)
<i>Fully consolidated companies</i>	-	(2)	-	(4)	-	(6)
Amortisation of acquisition-related intangible assets	(2)	(36)	(1)	-	-	(39)
Acquisition-related expenses	-	(1)	-	(1)	-	(2)
Purchase price adjustment	(2)	-	-	-	-	(2)
Impact of IFRS 16 on concession agreements	-	28	-	-	-	28
<i>Depreciation of right-of-use assets</i>	-	(218)	-	-	-	(218)
<i>Decrease in lease liabilities</i>	-	199	-	-	-	199
<i>Interest paid on lease liabilities</i>	-	31	-	-	-	31
<i>Changes in working capital relating to lease liabilities</i>	-	16	-	-	-	16
Profit before finance costs and tax	25	29	63	40	1	158
Items included in recurring operating profit (loss)						
Depreciation and amortisation of property, plant and equipment and intangible assets	(16)	(63)	(43)	(5)	-	(127)
Depreciation of right-of-use assets – Buildings and other	(16)	(7)	(8)	(9)	(1)	(41)
Cost of free share plans	(2)	(1)	(1)	(1)	(1)	(6)

(*) Including €1 million relating to concession agreements.

(**) Impairment losses on goodwill, property, plant and equipment and intangible assets.

First-half 2018 income statement – restated

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Sports and Entertainment	Lagardère Active	Other Activities	Total ^(*)
Revenue	1,006	1,724	213	429	-	3,372
Inter-segment revenue	(6)	-	-	-	-	(6)
Consolidated revenue	1,000	1,724	213	429	-	3,366
Other income from ordinary activities	4	12	4	21	2	43
Total income from ordinary activities	1,004	1,736	217	450	2	3,409
Recurring operating profit (loss) of fully consolidated companies	45	34	30	33	(3)	139
Income (loss) from equity-accounted companies before impairment losses	-	(5)	-	-	-	(5)
Recurring operating profit (loss)	45	29	30	33	(3)	134
Restructuring costs	(5)	(1)	(1)	(37)	-	(45)
Gains/losses on disposals	-	(4)	-	205	1	202
<i>Disposals of assets</i>	-	-	-	205	-	205
<i>Gains and losses on lease modifications^(**)</i>	-	(4)	-	-	1	(3)
Impairment losses ^(***)	-	(2)	(2)	(9)	-	(13)
<i>Fully consolidated companies</i>	-	(2)	(2)	(9)	-	(13)
Amortisation of acquisition-related intangible assets	(3)	(28)	(1)	-	-	(32)
Acquisition-related expenses	-	-	-	(2)	-	(2)
Purchase price adjustment	-	2	-	-	-	2
Impact of IFRS 16 on concession agreements	-	23	-	-	-	23
<i>Depreciation of right-of-use assets</i>	-	(197)	-	-	-	(197)
<i>Decrease in lease liabilities</i>	-	183	-	-	-	183
<i>Interest paid on lease liabilities</i>	-	29	-	-	-	29
<i>Changes in working capital relating to lease liabilities</i>	-	8	-	-	-	8
Profit (loss) before finance costs and tax^(*)	36	19	26	190	(2)	269
Items included in recurring operating profit (loss)						
Depreciation and amortisation of property, plant and equipment and intangible assets ^(*)	(14)	(53)	(15)	(7)	-	(89)
Depreciation of right-of-use assets – Buildings and other	(16)	(6)	(8)	(2)	(4)	(36)
Cost of free share plans	(2)	(1)	-	(2)	(2)	(7)

(*) Data restated for the retrospective application of IFRS 16 (see note 1.1).

(**) Including a €4 million loss relating to concession agreements a €1 million gain relating to buildings and other leases.

(***) Impairment losses on goodwill, property, plant and equipment and intangible assets.

First-half 2019 statement of cash flows

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Sports and Entertainment	Lagardère Active	Other Activities and eliminations	Total
Cash flows from (used in) operating activities	(41)	333	29	22	(8)	335
Decrease in lease liabilities	(16)	(207)	(7)	-	(1)	(231)
Interest paid on lease liabilities	(6)	(31)	(1)	(2)	-	(40)
Cash flow from operations before income taxes paid	(63)	95	22	19	(9)	64
Income taxes paid	(19)	(7)	(5)	(11)	19	(23)
Cash flow from operations	(82)	88	17	8	10	41
Net cash from (used in) investing activities relating to intangible assets and property, plant and equipment	(17)	(72)	(25)	(8)	22	(100)
- Purchases	(17)	(72)	(25)	(12)	(1)	(127)
- Proceeds from disposals	-	-	-	4	23	27
Free cash flow	(99)	16	(8)	-	32	(59)
Net cash from (used in) investing activities relating to investments	(26)	(16)	7	82	(1)	46
- Purchases	(27)	(21)	(1)	(1)	(1)	(51)
- Proceeds from disposals	1	5	8	83	-	97
Interest received	1	2	-	1	-	4
(Increase) decrease in short-term investments	-	-	-	-	-	-
Cash flow from (used in) operations and investing activities	(124)	2	(1)	83	31	(9)

First-half 2018 statement of cash flows – restated

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Sports and Entertainment	Lagardère Active	Other Activities and eliminations	Total(*)
Cash flows from (used in) operating activities	(48)	342	41	-	(5)	330
Decrease in lease liabilities	(15)	(189)	(7)	(2)	(4)	(217)
Interest paid on lease liabilities	(6)	(30)	(1)	(1)	-	(38)
Cash flow from operations before income taxes paid	(69)	123	33	(3)	(9)	75
Income taxes paid	(18)	(7)	(1)	(17)	32	(11)
Cash flow from operations	(87)	116	32	(20)	23	64
Net cash from (used in) investing activities relating to intangible assets and property, plant and equipment	(21)	(62)	(23)	190	(1)	83
- Purchases	(21)	(64)	(23)	(10)	(1)	(119)
- Proceeds from disposals	-	2	-	200	-	202
Free cash flow	(108)	54	9	170	22	147
Net cash from (used in) investing activities relating to investments	1	(5)	1	5	(1)	1
- Purchases	-	(6)	-	(11)	(1)	(18)
- Proceeds from disposals	1	1	1	16	-	19
Interest received	1	1	-	1	1	4
(Increase) decrease in short-term investments	-	-	-	-	-	-
Cash flow from (used in) operations and investing activities	(106)	50	10	176	22	152

(*) Data restated for the retrospective application of IFRS 16 (see note 1.1).

Balance sheet at 30 June 2019

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Sports and Entertainment	Lagardère Active	Other Activities and eliminations	Total
Segment assets	3,106	4,562	1,099	527	(35)	9,259
Investments in equity-accounted companies	28	34	4	2	-	68
Segment liabilities	(1,706)	(3,243)	(781)	(562)	47	(6,245)
Capital employed	1,428	1,353	322	(33)	12	3,082
Assets held for sale and associated liabilities						246
Net cash and cash equivalents (net debt)						(1,590)
Equity						1,738

Balance sheet at 31 December 2018 – restated

	Lagardère Publishing	Lagardère Travel Retail	Lagardère Sports and Entertainment	Lagardère Active	Other Activities and eliminations	Total(*)
Segment assets	3,137	4,530	1,086	548	-	9,301
Investments in equity-accounted companies	28	34	4	3	1	70
Segment liabilities	(1,878)	(3,203)	(822)	(615)	95	(6,423)
Capital employed	1,287	1,361	268	(64)	96	2,948
Assets held for sale and associated liabilities						286
Net cash and cash equivalents (net debt)						(1,367)
Equity						1,867

(*) Data restated for the retrospective application of IFRS 16 (see note 1.1).

NOTE 4 REVENUE

Revenue breaks down as follows by business and by division:

	First-half 2019	First-half 2018
Lagardère Publishing	1,044	1,000
Education	117	121
Illustrated Books	121	121
General Literature	467	448
Partworks	151	142
Other	188	168
Lagardère Travel Retail	1,995	1,724
Travel Essentials	797	733
Duty Free & Fashion	761	710
Foodservice	438	281
Lagardère Sports and Entertainment	319	213
Marketing rights	125	107
Media rights	124	41
Lagardère Live Entertainment	31	21
Other	39	44
Lagardère Active	253	429
Press	60	188
International Radio	-	29
French Radio	53	59
TV channels	41	43
Audiovisual production	92	89
Other	6	21
Total	3,611	3,366

In the first half of 2019, the Lagardère group delivered consolidated revenue of €3,612 million, up 7.3% on a consolidated basis and up 6.7% based on constant Group structure and exchange rates (like-for-like – see definition in note 3 to the 2018 consolidated financial statements). Like-for-like consolidated revenue growth over the period was mainly driven by continued momentum in Travel Retail.

The difference between consolidated and like-for-like revenue data is mainly attributable to the €56 million positive foreign exchange effect (calculated based on the average rate for the period), resulting chiefly from the appreciation of the US dollar against the euro.

The negative €23 million scope effect essentially relates to acquisitions carried out at Lagardère Travel Retail in the United States during 2018, and to disposals carried out at Lagardère Active in the first six months of 2019.

NOTE 5 RESTRUCTURING COSTS

Restructuring costs amounted to €12 million in first-half 2019 and chiefly concern:

- ▶ €7 million at Lagardère Publishing relating to the streamlining of distribution centres in the United Kingdom;
- ▶ €6 million at Lagardère Travel Retail, mainly as a result of discontinuing the sale of certain brands in the Pacific region and to integration costs for Hojeij Branded Foods, acquired in 2018.

In first-half 2018, restructuring costs amounted to €45 million, including €37 million at Lagardère Active, mainly as a result of a provision set aside to cover its ongoing restructuring into standalone units in connection with the Group's strategic refocusing, and €6 million at Lagardère Publishing, mainly in connection with the streamlining of distribution centres in the United Kingdom.

NOTE 6 CAPITAL GAINS AND LOSSES

In the first half of 2019, the Group recorded a net gain of €37 million relating to the following major transactions:

- ▶ a €23 million pre-tax gain on the disposal of digital businesses (including BilletReduc, Plurimedia and Boursier.com) at Lagardère Active;
- ▶ an €11 million pre-tax gain on the disposal of International Radio operations (Jacaranda, ADI Côte d'Ivoire and ADI Sénégal) at Lagardère Active;
- ▶ a €5 million earn-out collected on the 2017 sale of an office building in Levallois-Perret (France) in the Other Activities division;
- ▶ a €2 million pre-tax loss booked on the disposal of magazine publishing titles in France at Lagardère Active, namely: *Elle* and its various extensions, *Version Femina*, *Art & Décoration*, *Télé 7 Jours* and its various extensions, *France Dimanche*, *Ici Paris* and *Public*.

At 30 June 2018, capital gains and losses represented a net gain of €205 million, including a €245 million pre-tax gain on the May 2018 sale of an office building in the eighth *arrondissement* of Paris (France) that previously hosted Lagardère Active's radio and TV channel teams, and a €40 million pre-tax loss on the disposal of the Lagardère Active's 42% stake in the Marie Claire group in June 2018.

NOTE 7 IMPAIRMENT LOSSES ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Total impairment losses recognised by consolidated companies in first-half 2019 amounted to €6 million, including €4 million to write down the full amount of LabelBox goodwill following its classification as held for sale, and €2 million to write down property, plant and equipment at Lagardère Travel Retail.

Lagardère Sports and Entertainment

As stated in note 10 to the consolidated financial statements for 2018, the value of Lagardère Sports and Entertainment's assets remains subject to performance conditions for contracts in progress based on the advertising environment and the sporting context specific to each event, the ability to renew current contracts or win new ones and the related profit margins.

At 30 June 2018, impairment tests were carried out only on those assets for which an indication of impairment had been identified at that date. Accordingly, the Group recorded total impairment losses of €13 million, including €9 million recognised against goodwill at Lagardère Active, €2 million against intangible assets at Lagardère Sports and Entertainment and €2 million against property, plant and equipment at Lagardère Travel Retail.

NOTE 8 OTHER OPERATING EXPENSES

	First-half 2019	First-half 2018
Net change in asset impairment losses	(18)	(5)
Financial expenses other than interest	(1)	(1)
Foreign exchange losses	-	(3)
Other operating expenses	(5)	(9)
Total	(24)	(18)

The net change in asset impairment losses includes write downs at Lagardère Publishing against advances paid to writers totalling €16 million in first-half 2019 and €18 million in first-half 2018. The balance mainly concerns net changes in allowances on trade receivables and inventories at Lagardère Sports and Entertainment and Lagardère Publishing.

NOTE 9 OTHER OPERATING INCOME

	First-half 2019	First-half 2018
Net reversals of provisions for contingencies and losses	8	20
Operating subsidies	5	7
Audiovisual tax credit	3	3
Other tax credits	1	1
Other operating income	9	18
Total	26	49

Other operating income mainly comprises income generated by Lagardère Travel Retail from subletting retail premises in an amount of €7 million in first-half 2019 compared with €12 million in first-half 2018.

In first-half 2019, net changes in provisions for contingencies and losses related to net reversals of provisions at Lagardère Active, Lagardère Publishing, Lagardère Travel Retail and Other Activities in an amount of €4 million, €1 million, €1 million and €2 million, respectively.

NOTE 10 FINANCIAL INCOME AND EXPENSES

Financial income and expenses break down as follows:

	First-half 2019	First-half 2018 ^(*)
Interest income on loans	1	2
Investment income and gains on sales of marketable securities	2	1
Gains on derivative financial instruments acquired as hedges of net debt	5	4
Other financial income	2	9
Financial income	10	16
Interest expense on borrowings	(28)	(27)
Loss on derivative financial instruments acquired as hedges of net debt	(2)	(11)
Other financial expenses	(4)	(5)
Financial expenses	(34)	(43)
Total	(24)	(27)

(*) Data for first-half 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

Net finance costs amounted to €24 million for first-half 2019, a decrease of €3 million on the prior-year period, chiefly reflecting a smaller loss on derivative instruments acquired as hedges of net debt.

Other financial income and expenses include the €3 million negative foreign exchange effect on lease liabilities in first-half 2018, versus a foreign exchange effect on lease liabilities of virtually nil in first-half 2019.

Note 13 sets out interest expenses on lease liabilities.

NOTE 11 INCOME TAX

Income tax breaks down as follows:

	First-half 2019	First-half 2018 ^(*)
Current taxes	(25)	(62)
Deferred taxes	5	(22)
Total	(20)	(84)

(*) Data at 30 June 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

Income tax expense for first-half 2019 came to €20 million, a decrease of €64 million compared to first-half 2018, due primarily to:

- ▶ €83 million in tax payable on the disposal by Lagardère Active of an office building in the eighth *arrondissement* of Paris in 2018. Income tax expense on property disposal gains in first-half 2018 included €43 million in current tax expense and €40 million in deferred tax expense, generated by the utilisation of €116 million in available tax-loss carryforwards during the period;
- ▶ €13 million in future tax savings recognised in first-half 2018 on the restructuring costs of transforming Lagardère Active into standalone units.

NOTE 12 EARNINGS PER SHARE

Basic earnings per share

Earnings per share is calculated by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. Changes in the number of shares as a result of employees exercising their share options (movements throughout the year) are included using the average of opening and closing balances for the period.

Diluted earnings per share

The only dilutive ordinary shares are free shares, when it is probable that they will vest at the vesting date set in the plan (specific case of performance shares).

	First-half 2019	First-half 2018 ^(*)
Profit for the year attributable to owners of the Parent (in millions of euros)	52	106
Number of shares making up the share capital at 30 June	131,133,286	131,133,286
Treasury shares	(1,088,978)	(1,280,778)
Number of shares outstanding at 30 June	130,044,308	129,852,508
Number of shares outstanding at 1 January	129,558,068	129,180,711
Average number of shares outstanding during the period	129,958,558	129,705,288
Basic earnings per share attributable to owners of the Parent (in euros)	0.40	0.82
Free shares with a dilutive impact	1,345,060	2,586,230
Average number of shares including dilutive share options and free shares	131,303,618	132,291,518
Diluted earnings per share attributable to owners of the Parent (in euros)	0.40	0.80

(*) Data at 30 June 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

NOTE 13 LEASES

When the Group acts as lessee, the present value of lease payment commitments that are fixed or fixed in substance and due under concession agreements in transport hubs and hospitals, building leases or leases of other equipment, are recognised within lease liabilities against a corresponding right-of-use asset.

The variable portion of lease payments under concession agreements, based on passenger flows or revenue earned by retail outlets, continues to be shown in external charges.

In accordance with the full retrospective approach, lease liabilities have been discounted using discount rates of between 0.05% and 9.16%.

Changes in right-of-use assets and lease liabilities were as follows in first-half 2019 and first-half 2018:

Right-of-use assets

	Gross amount			Depreciation and impairment losses			Carrying amount		
	Concession agreements	Buildings and other	Total	Concession agreements	Buildings and other	Total	Concession agreements	Buildings and other	Total
At 1 January 2019	3,229	912	4,141	(1,220)	(369)	(1,589)	2,009	543	2,552
New leases	184	13	197				184	13	197
Depreciation				(218)	(41)	(259)	(218)	(41)	(259)
Impairment losses				-	-	-	-	-	-
Translation adjustments	20	2	22	(6)	(2)	(8)	14	-	14
Lease modifications	16	9	25				16	9	25
Lease remeasurements	(4)	1	(3)				(4)	1	(3)
Changes in scope of consolidation	-	(9)	(9)	-	4	4	-	(5)	(5)
Terminated leases	(104)	(61)	(165)	104	61	165	-	-	-
At 30 June 2019	3,341	867	4,208	(1,340)	(347)	(1,687)	2,001	520	2,521

	Gross amount			Depreciation and impairment losses			Carrying amount		
	Concession agreements	Buildings and other	Total	Concession agreements	Buildings and other	Total	Concession agreements	Buildings and other	Total
At 1 January 2018	3,019	766	3,785	(1,086)	(321)	(1,407)	1,933	445	2,378
New leases	338	77	415				338	77	415
Depreciation				(197)	(36)	(233)	(197)	(36)	(233)
Impairment losses				-	-	-	-	-	-
Translation adjustments	(19)	1	(18)	8	-	8	(11)	1	(10)
Lease modifications	(133)	(5)	(138)				(133)	(5)	(138)
Lease remeasurements	6	-	6				6	-	6
Changes in scope of consolidation	1	(10)	(9)	-	5	5	1	(5)	(4)
Terminated leases	(138)	(14)	(152)	138	14	152	-	-	-
At 30 June 2018	3,074	815	3,889	(1,137)	(338)	(1,475)	1,937	477	2,414

Lease liabilities

	Non-current lease liabilities			Current lease liabilities			Total lease liabilities		
	Concession agreements	Buildings and other	Total	Concession agreements	Buildings and other	Total	Concession agreements	Buildings and other	Total
At 1 January 2019	1,729	554	2,283	395	63	458	2,124	617	2,741
New leases	183	13	196	-	-	-	183	13	196
Interest expense	-	-	-	32	10	42	32	10	42
Lease payments	-	-	-	(230)	(41)	(271)	(230)	(41)	(271)
Reclassifications(*)	(208)	(35)	(243)	208	35	243	-	-	-
Translation adjustments	11	-	11	3	-	3	14	-	14
Lease modifications	15	8	23	-	-	-	15	8	23
Lease remeasurements	(4)	2	(2)	-	-	-	(4)	2	(2)
Changes in scope of consolidation	-	(5)	(5)	-	(1)	(1)	-	(6)	(6)
At 30 June 2019	1,726	537	2,263	408	66	474	2,134	603	2,737

(*) Reclassifications relate to the current portion of lease liabilities, reclassified within current lease liabilities.

	Non-current lease liabilities			Current lease liabilities			Total lease liabilities		
	Concession agreements	Buildings and other	Total	Concession agreements	Buildings and other	Total	Concession agreements	Buildings and other	Total
At 1 January 2018	1,677	438	2,115	356	75	431	2,032	514	2,546
New leases	341	77	418	-	-	-	341	77	418
Interest expense	-	-	-	29	9	38	29	9	38
Lease payments	-	-	-	(213)	(42)	(255)	(213)	(42)	(255)
Reclassifications(*)	(193)	(35)	(228)	193	35	228	-	-	-
Translation adjustments	(10)	3	(7)	(1)	-	(1)	(11)	3	(8)
Lease modifications	(134)	(5)	(139)	-	-	-	(134)	(5)	(139)
Lease remeasurements	6	-	6	-	-	-	6	-	6
Changes in scope of consolidation	1	(3)	(2)	-	(2)	(2)	2	(6)	(4)
At 30 June 2018	1,688	475	2,163	364	75	439	2,052	550	2,602

(*) Reclassifications relate to the current portion of lease liabilities, reclassified within current lease liabilities.

Interest expense on lease liabilities represented €42 million in first-half 2019 versus €38 million in first-half 2018. The €4 million increase is mainly due to the inclusion of new leases, notably leases held by the Hojeij Branded Foods group, which was acquired in November 2018. Lease payments were €271 million in first-half 2019, €16 million higher than the first-half 2018 figure of €255 million, once again owing to new leases taken on by the Group.

Lease modifications in first-half 2019 relate primarily to changes in rent and guaranteed minimum payments and to increases in the premises leased under concession agreements. Changes in right-of-use assets and the corresponding lease liabilities are attributable to:

- an increase in lease terms and in the premises leased representing a positive €23 million;
- a reduction in lease terms representing a negative €12 million;

- rent modifications representing a positive €18 million;
- the impact of discounting future lease payments at a revised discount rate representing a negative €5 million.

Lease remeasurements correspond to changes in management estimates regarding the dates the leases are reasonably expected to terminate, and to the impact of indexing lease payments. Lease remeasurements led to a €3 million decrease in the value of right-of-use assets and lease liabilities at 30 June 2019.

Certain leases have not been restated and do not give rise to a right-of-use asset and a lease liability. These are leases with variable lease payments, with a term of less than 12 months, or with a low-value underlying asset. The corresponding rental expenses, representing €103 million at 30 June 2019, continue to be shown in external charges, including €96 million in respect of variable lease payments under concession agreements.

Rental expenses as restated for IFRS 16 represent €296 million for first-half 2019, including €246 million under concession agreements and €50 million under buildings and other leases. Rental expenses as restated represented €263 million in first-half 2018, including €220 million under concession agreements and €43 million under buildings and other leases.

The table below shows the maturity of undiscounted lease liabilities:

Lease liabilities	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	Beyond 5 years	Total
Concession agreements	469	436	397	317	243	482	2,344
Buildings and other	81	94	90	81	73	293	712
At 30 June 2019	550	530	487	398	316	775	3,056

Lease liabilities	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022	31 Dec. 2023	Beyond 5 years	Total
Concession agreements	456	410	381	332	253	510	2,342
Buildings and other	81	79	89	84	75	305	713
At 31 December 2018	537	489	470	416	328	815	3,055

At 30 June 2019 the residual weighted average term of concession agreements and building leases was six years and nine years, respectively.

Concession agreements and building leases signed at 30 June 2019 but not yet effective represented total undiscounted lease payment commitments of €85 million.

The Group sub-lets retail premises and office space under operating leases in which it acts as lessor. The associated income from sub-letting such premises continues to be included within other income.

NOTE 14 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Investments in **associates and joint ventures** are accounted for under the equity method in the Group's consolidated financial statements. The Group's main equity-accounted companies are as follows:

	Joint shareholder	Main business	% interest		Balance sheet		Income statement	
			30 June 2019	31 Dec. 2018	30 June 2019	31 Dec. 2018 ^(*)	First-half 2019	First-half 2018 ^(*)
Lagardère & Connexions	SNCF Participations	Travel Retail	50%	50%	1	1	-	(1)
Other					2	4	(1)	(1)
Total joint ventures					3	5	(1)	(2)
S.D.A. (Société de Distribution Aéroportuaire)	Aéroport de Paris	Travel Retail	45%	45%	10	12	(2)	-
Relay@ADP	Aéroport de Paris	Travel Retail	50%	50%	7	6	2	1
Éditions J'ai Lu		Publishing	35%	35%	17	17	-	-
Inmedio		Travel Retail	49%	49%	13	13	-	-
Yen Press		Publishing	49%	49%	10	10	-	-
Saddlebrook International Sports		Sports	30%	30%	4	4	-	-
Other					4	3	1	(4)
Total associates					65	65	1	(3)
Total investments in equity-accounted companies					68	70	-	(5)

(*) Data at 30 June 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

At 31 December 2018, SDA and Relay@ADP were joint ventures between Lagardère Travel Retail and Aéroports de Paris. Lagardère Travel Retail has exercised significant influence over the ventures since the second quarter of 2019, following changes in the governance structure to benefit ADP, with no associated change in the respective percentage interests. The entities continue to be accounted for by the equity method and have been classified as associates in the table above.

Joint ventures and associates at Lagardère Travel Retail

As part of its business operations, Lagardère Travel Retail manages certain travel retail contracts in the form of 50/50 joint ventures entered into with concession grantors. The main joint ventures and associates set up by Lagardère Travel Retail with its partners are (i) Société de Distribution Aéroportuaire and Relay@ADP, with Aéroports de Paris, (ii) Lagardère & Connexions, with SNCF Participations, (iii) SVRLS@LAREUNION, with Servair, and (iv) Lyon Duty Free, with Lyon airport authorities.

Revenue generated by these joint ventures and associates (on a 100% basis) totalled €645 million in first-half 2019 versus €590 million in first-half 2018. Fully consolidated entities invoiced joint ventures amounts of €243 million in first-half 2019 and €214 million in first-half 2018.

	Figures on a 100% basis		Lagardère's share (50%)	
	First-half	First-half 2018 ^(*)	First-half	First-half 2018 ^(*)
Total revenue	645	590	322	295
Group revenue with joint ventures	(301)	(268)	(151)	(134)
Adjusted revenue	344	322	172	161
Recurring operating profit	4	3	2	1
Profit before finance costs	3	2	2	1
Profit before tax	1	1	1	-
Profit for the period	0	1	0	0
Net debt (period end)	(108)	(104)	(54)	(52)

(*) Data for first-half 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

NOTE 15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the statement of cash flows are calculated as follows:

	30 June 2019	31 Dec. 2018
Cash and cash equivalents	1,042	710
Short-term bank loans and overdrafts	(84)	(50)
Cash and cash equivalents	958	660

Cash and cash equivalents break down as follows:

	30 June 2019	31 Dec. 2018
Bank accounts	675	431
Money market funds	292	213
Term deposits and current accounts maturing in less than three months	75	66
Cash and cash equivalents	1,042	710

Changes in working capital as reported in the statement of cash flows can be analysed as follows:

	First-half 2019	First-half 2018 ^(*)
Change in inventories	65	52
Change in trade receivables	(48)	(185)
Change in trade payables	(19)	(173)
Change in other receivables and payables	(171)	195
Change in lease liabilities	(18)	(10)
Changes in working capital^(**)	(191)	(121)

(*) Data for first-half 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

(**) Increase/(decrease) in cash and cash equivalents.

Changes in working capital (typically negative in the first half) represented an outflow of €191 million in first-half 2019 compared to an outflow of €121 million in the first six months of 2018. The year-on-year change reflects a sharp €74 million decline at Lagardère Sports and Entertainment owing to an unfavourable calendar impact, with significant inflows in first-half 2018 and payments in first-half 2019.

Changes in working capital relating to lease liabilities concerned concession agreements and represented a negative €16 million in first-half 2019 and a negative €8 million in first-half 2018.

NOTE 16 DEBT**16.1 BREAKDOWN OF DEBT**

The **Group's debt** breaks down as follows:

	30 June 2019	31 Dec. 2018 ^(*)
Bonds	794	794
Bank loans	451	200
Debt related to put options granted to minority shareholders	7	10
Medium term notes (NEU MTN) ^(***)	30	-
Other debt	16	15
Non-current debt excluding financial instruments designated as hedges of debt	1,298	1,019
Financial instruments designated as hedges of debt	4	1
Non-current debt	1,302	1,020
Bonds	499	499
Bank loans	-	-
Debt related to put options granted to minority shareholders	-	-
Medium term notes (NEU MTN) ^(***)	16	19
Commercial paper (NEU CP) ^(**)	711	477
Other debt	111	70
Current debt excluding financial instruments designated as hedges of debt	1,337	1,065
Financial instruments designated as hedges of debt	-	-
Current debt	1,337	1,065
Total debt	2,639	2,085

(*) Data at 31 December 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

(**) Negotiable European Commercial Paper.

(***) Negotiable European Medium Term Notes.

The main movements in debt during first-half 2019 were as follows:

- ▶ On 26 June 2019, Lagardère SCA announced that it had raised €253 million in financing through a Schuldscheindarlehen issue, a German Law private placement. The placement consisted of several euro-denominated tranches issued with five- and seven-year maturities at fixed and floating rates, for €187 million and €66 million, respectively. The effective interest rate is 1.49%.
- ▶ Continuation of the commercial paper programme with a ceiling of €850 million. Debt issuance under the programme represented €711 million at 30 June 2019 compared with €477 million at 31 December 2018.
- ▶ Continuation of the Negotiable European Medium Term Notes programme with a ceiling of €200 million. Debt issuance under the programme represented €46 million at 30 June 2019, of which €16 million due within one year and €30 million due within two years. At 31 December 2018, debt issuance under the programme represented €19 million due within one year.

Net debt breaks down as follows:

(in millions of euros)	30 June 2019	31 Dec. 2018 ^(*)
Short-term investments and cash and cash equivalents	1,042	710
Financial instruments designated as hedges of debt with a positive fair value ^(**)	7	8
Non-current debt ^(***)	(1,302)	(1,019)
Current debt	(1,337)	(1,066)
Net debt	(1,590)	(1,367)

(*) Data at 31 December 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

(**) At 30 June 2019, financial instruments designated as hedges of debt with a positive fair value were included in "Other non-current assets" in an amount of €2 million and in "Other current assets" in an amount of €5 million. At 31 December 2018, they were recognised in "Other non-current assets" for €5 million and "Other current assets" for €3 million.

(***) Non-current debt includes financial instruments designated as hedges of debt with a negative fair value, representing €4 million at 30 June 2019 and €1 million at 31 December 2018.

16.2 ANALYSIS OF DEBT BY MATURITY

Debt can be analysed as follows by maturity at **30 June 2019**:

	30 June 2020 ^(*)	30 June 2021	30 June 2022	30 June 2023	30 June 2024	Beyond 5 years	Total
Bonds	499	-	-	497	297	-	1,293
Bank loans	-	150	48	-	187	66	451
Financial instruments designated as hedges of debt	-	-	-	-	4	-	4
Debt related to put options granted to minority shareholders	-	-	-	-	1	6	7
NEU CP and NEU MTN	727	30	-	-	-	-	757
Other debt	111	12	-	-	-	4	127
At 30 June 2019	1,337	192	48	497	489	76	2,639

(*) Debt due within one year is reported in the consolidated balance sheet under "Current debt".

NOTE 17 OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD

The components of **other comprehensive income (expense)** can be analysed as follows:

	First-half 2019			First-half 2018 ^(*)		
	Attributable to owners ^(**)	Minority interests	Total equity	Attributable to owners ^(**)	Minority interests	Total equity
Translation reserve	7	-	7	24	2	26
- Currency translation adjustments	7	-	7	22	2	24
- Share of other comprehensive income of equity-accounted companies, net of tax	-	-	-	2	-	2
Valuation reserve	(12)	-	(12)	(3)	-	(3)
Change in fair value of derivative financial instruments	(12)	-	(12)	(3)	-	(3)
- Unrealised gains (losses) recognised directly in equity	(16)	-	(16)	(3)	-	(3)
- Amounts reclassified from equity to profit or loss	1	-	1	-	-	-
- Tax effect	3	-	3	-	-	-
Change in fair value of investments in non-consolidated companies	-	-	-	-	-	-
- Unrealised gains (losses) recognised directly in equity	-	-	-	-	-	-
- Tax effect	-	-	-	-	-	-
Other reserves	(13)	-	(13)	11	-	11
- Actuarial gains and losses on pensions and other post-employment benefit obligations	(17)	-	(17)	14	-	14
- Tax effect	4	-	4	(3)	-	(3)
Other comprehensive income (expense) for the period, net of tax	(18)	-	(18)	32	2	34

(*) Data for first-half 2018 restated for the retrospective application of IFRS 16 (see note 1.1).

(**) Equity attributable to owners of the Parent.

Currency translation adjustments recognised within other comprehensive income (expense) relate mainly to the following currencies:

	<u>First-half 2019</u>	<u>First-half 2018</u>
US dollar:	€8m	€33m
Pound sterling:	€(1)m	€-m
Other:	€-m	€(7)m
Total	€7m	€26m

NOTE 18 OFF-BALANCE SHEET COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The main changes in first-half 2019 compared to the commitments presented in notes 32 and 33 to the consolidated financial statements at 31 December 2018 were as follows:

Contractual obligations

Lagardère Sports and Entertainment

- ▶ At 30 June 2019, the minimum payments guaranteed under long-term contracts for sports rights sales totalled €899 million, compared to €981 million at 31 December 2018.
- ▶ At 30 June 2019, commitments received under contracts signed with distributors and partners totalled €1,591 million compared to €1,513 million at 31 December 2018.

Lagardère Travel Retail

In accordance with IFRS 16, minimum guaranteed payments under concession agreements give rise to the recognition of a right-of-use asset and lease liability in the balance sheet (see note 1.1).

Off-balance sheet commitments

Confirmed, unused lines of credit

On 11 May 2015, Lagardère SCA signed a five-year multicurrency syndicated loan with two possible one-year extensions for €1,250 million.

On 26 April 2016 and 27 April 2017, Lagardère SCA used the two possible extensions and on both occasions received the unanimous approval of the thirteen syndicated banks to extend its credit facility by one year.

Following these extensions, the facility will now fall due on 11 May 2022.

At 30 June 2019, the amount of undrawn credit on the syndicated loan amounted to €1,250 million.

NOTE 19 LITIGATION

Competition proceedings in Africa concerning the commercialisation of the rights of the Confederation of African Football (CAF)

These disputes are described in note 34 to the consolidated financial statements for the year ended 31 December 2018. Since the events described in the 2018 consolidated financial statements, Lagardère Sports received notification from the COMESA Competition Commission (CCC) dated 16 April 2019, conferring on it the status of respondent in the Commission's investigations. The CCC's investigating officers subsequently sent their report to the parties on 23 July 2019. The report alleges that the agency agreement between Lagardère Sports and the Confederation of African Football (CAF), as well as other agreements between the CAF and its various stakeholders, have some anti-competitive effects. This report together with the parties' replies will be submitted to a CCC committee for initial determination, whose decision may be appealed. Lagardère Sports considers the investigating authorities' position to be unfounded and that the contracts in question do not constitute anti-competitive behaviour in any form whatsoever.

Competition investigations in the school textbook market in Spain

This dispute is described in note 34 to the consolidated financial statements for the year ended 31 December 2018. Since the events described in the 2018 consolidated financial statements, the decision of the Spanish competition authority (CNMC) dated 30 May 2019 broadly confirmed the terms of the proposed decision and fined all of the litigants. Anaya group entities were ordered to pay damages of approximately €8 million. Anaya intends to appeal this decision.

Call on the vendor warranty granted in connection with the sale of distribution businesses in Belgium to the bpost group

Lagardère Travel Retail granted a vendor warranty in connection with the sale of its integrated distribution and retail subsidiaries to bpost in November 2016. Although the bpost group had sought to enforce the warranty on several occasions, Lagardère Travel Retail had considered its specific demands to be both inadmissible and unfounded and had responded to bpost to this effect. The bpost group launched arbitration proceedings before the International Chamber of Commerce on 27 March 2019. The procedural timetable will shortly be determined by the parties.

Other litigation

There have been no significant developments regarding the other litigation described in note 34 to the consolidated financial statements for the year ended 31 December 2018.

NOTE 20 RELATED PARTIES

During the first half of 2019, no new transactions were undertaken by the Lagardère group with related parties other than those described in note 35 to the consolidated financial statements for the year ended 31 December 2018.

NOTE 21 EVENTS AFTER THE REPORTING PERIOD

Sale of Mezzo to the Les Échos-Le Parisien and Canal+ groups

On 17 July 2019, the Lagardère group, together with France Télévisions, sold its stake in Mezzo to the Les Échos-Le Parisien and Canal+ groups.

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STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST HALF-YEARLY FINANCIAL INFORMATION FOR 2019

To the Partners,

In compliance with the assignment entrusted to us by your general shareholders' meetings and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code, we hereby report to you on:

- ▶ the limited review of the accompanying condensed half-yearly consolidated financial statements of Lagardère S.C.A., for the period from 1 January to 30 June 2019, and
- ▶ the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements were drawn up under the responsibility of the Managing Partners. Our role is to express a conclusion on these financial statements based on our limited review.

1. Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France. A limited review mainly consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without calling into question the conclusion expressed above, we draw your attention to the following notes:

- ▶ note 1.1 to the condensed half-yearly consolidated financial statements, which describes the accounting impacts related to the first application of IFRS 16 – Leases;
- ▶ note 7 to the condensed half-yearly consolidated financial statements, which explains that the value of the assets of the Lagardère Sports and Entertainment division still depends on the conditions in which current contracts will be completed, the ability to renew these contracts or to win new ones, as well as the related margin conditions.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly financial statements subject to our limited review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly financial statements.

French original signed at Courbevoie and Paris-La Défense on 24 July 2019

By the statutory auditors

MAZARS

Thierry Blanchetier

ERNST & YOUNG et Autres

Bruno Bizet

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PERSONS RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT – DECLARATION BY THE MANAGING PARTNERS

We hereby declare that, to the best of our knowledge, the condensed interim consolidated financial statements for the first half of 2019 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and all the entities included in the consolidation, and that the accompanying interim management report presented on pages 4 to 19 provides a fair view of the significant events of the first six months of the year, their impact on the financial statements and the principal related-party transactions, and that it provides a description of the main risks and uncertainties for the remaining six months of the year.

Paris, 24 July 2019

For Arjil Commanditée-Arco, Managing Partner

Pierre Leroy

Deputy Chairman and Chief Operating Officer



Lagardère SCA

French partnership limited by shares (*société en commandite par actions*) with share capital of
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