



Lagardère

**LETTER
TO
SHAREHOLDERS**



Paris, 21 April 2020

Dear Madam, dear Sir, dear shareholders,

Our General Meeting, which has been convened for 5 May 2020, is unprecedented in the history of the Lagardère group. On this occasion, you are being asked to choose between the implementation of a responsible, clear and ambitious strategy led by the Managing Partners and Supervisory Board, and Amber Capital's radical, unsettling and uncertain proposal.

We have listened to Amber Capital and carefully reviewed their criticisms of us. We have also had the benefit of interacting with some of you over the course of the past few weeks and have heard your reactions to these criticisms.

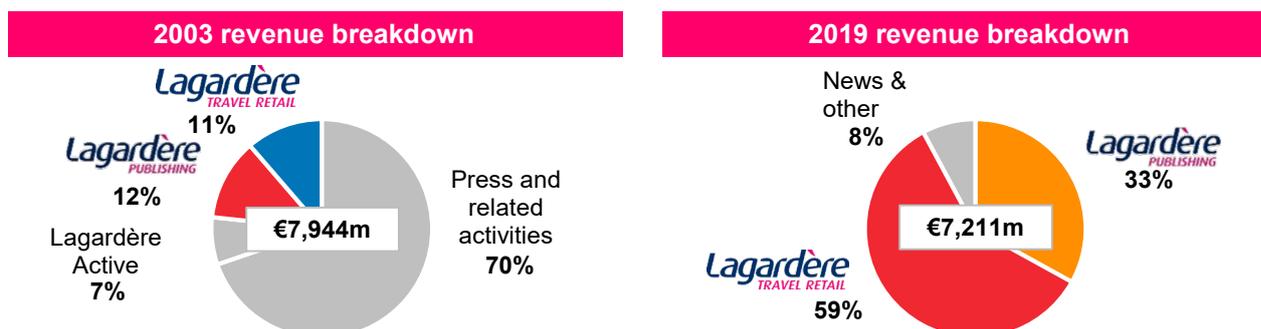
Timing wise, we regret that Amber Capital has chosen to step up its campaign in the midst of the Covid-19 pandemic, causing additional uncertainty, when all of the Group's efforts should be focused on the management of this unprecedented crisis. However, we remain firmly committed to shareholder dialogue and are always open to constructive proposals from them. This dialogue actively contributes to the work of the Supervisory Board, which represents you all.

To allow you to make an informed choice, it is important that you can hear our answers to the criticisms which have been made. This letter is an opportunity to share with you some facts and figures which bring a different perspective to that presented by Amber Capital on the performance of the Group, its Managing Partners and Supervisory Board.

In line with the measures implemented by the French government, we have chosen to maintain the date of our Annual General Meeting, which will take place behind closed doors. The impact of the uncertainty that Amber Capital's campaign places upon our governance cannot last any longer, in the interest of the Group and all its shareholders.

Between now and 5 May, each and everyone one of you has the opportunity to exercise your right to vote at our General Meeting, which will be broadcast live and available to replay on our website.

An ambitious transformation strategy



Notes:

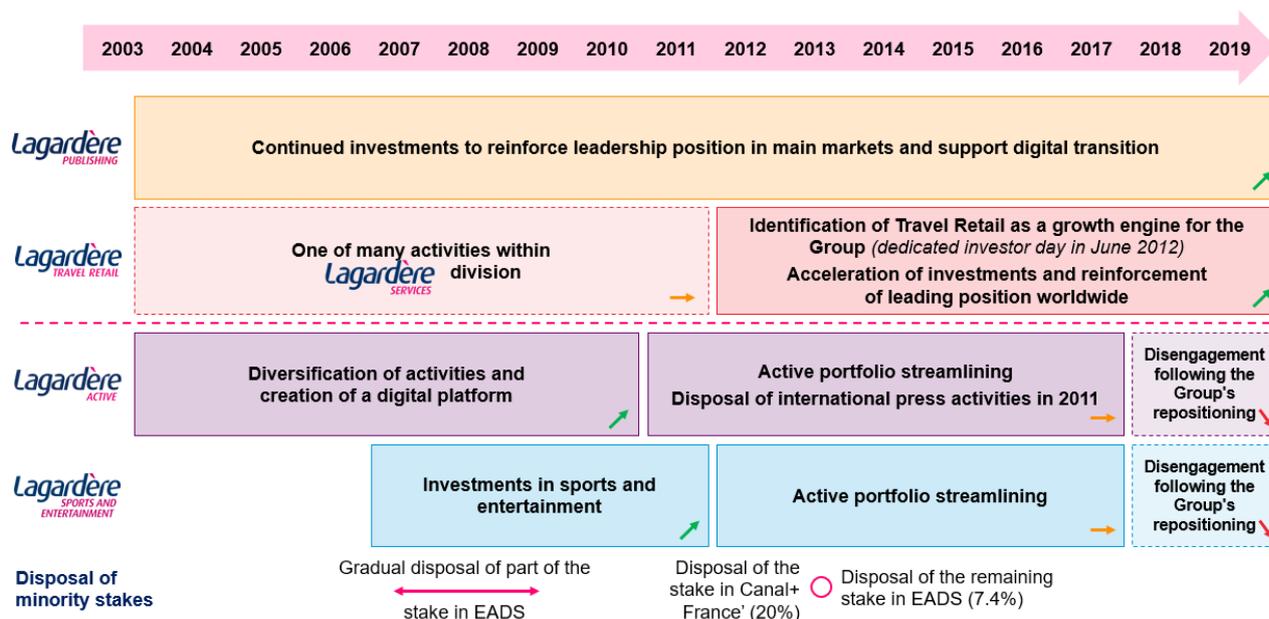
Consolidated 2003 revenue, excluding proportional consolidation

Press and related activities: Press and Distribution Services (excluding Lagardère Travel Retail)

Since 2003, the Managing Partners have implemented an ambitious transformation strategy. Previously, 70% of the Group's revenue was generated by press-related activities, and we were among the first to anticipate the growing structural challenges facing this industry. A clear strategic vision was devised and implemented, aimed at diversifying and creating a portfolio of activities with attractive long-term prospects.

The Group's strategic priorities were reviewed each year with the help of the Supervisory Board. Value-creating activities were developed (Lagardère Publishing and Lagardère Travel Retail). Conversely, activities with low returns and inadequate results (Sport) or with structurally challenged prospects were streamlined and then divested together with the Group's minority stakes. This strategic refocusing process has significantly accelerated since 2018, with 20 assets disposed and significant investments in our core businesses.

Recent transformation of the Group



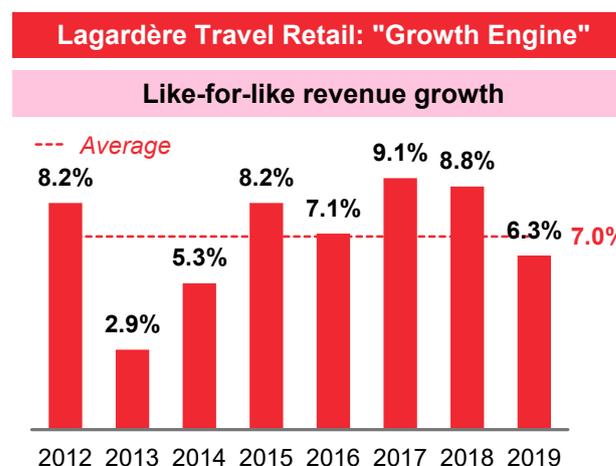
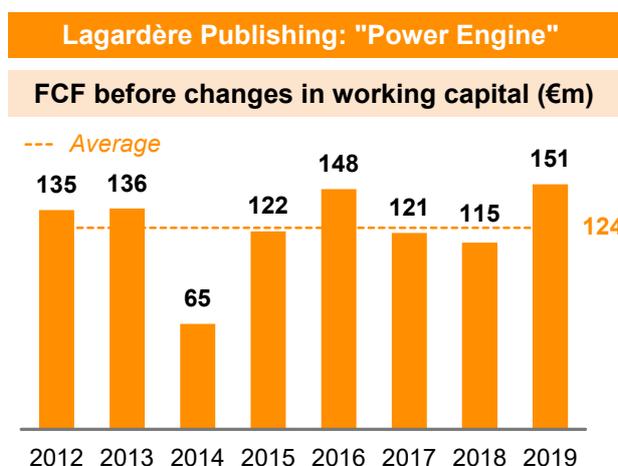
Investments in Lagardère Publishing have been continuous and frequent since 2003 and have delivered strong results. It has grown from 11th position in the world to become the 3rd largest publisher. Growth has been achieved by successful acquisitions in attractive markets such as France, Spain, the United States, the United Kingdom and Australia. Its profitability and resilience are strong valuation creation drivers for the Group in the long term.

The decision to accelerate the growth of Travel Retail was taken in 2012. Since then, a global footprint has been built through significant organic and external investments. Today, Lagardère Travel Retail is ranked number 4 worldwide in a sector with attractive long-term growth potential.



With the Group refocused around Lagardère Publishing and Lagardère Travel Retail, Lagardère is ideally positioned to accelerate value creation for shareholders. The recent performance of its two pillars has been remarkable:

- Like-for-like revenue for Lagardère Publishing, the Group’s “Power Engine”, has grown steadily at an average rate of 0.5% per year over 2012-2019 with stable average cash flow of €124m over the same period (free cash flow before changes in working capital).
- Like-for-like revenue for Lagardère Travel Retail, the Group’s “Growth Engine”, has grown strongly at a rate of 7.0% per year over 2012-2019, with cash flow growing progressively by an average of 14% per year to €87m in 2019 (free cash flow before changes in working capital).



Note: Like-for-like revenue growth: revenue growth at constant perimeter and exchange rates

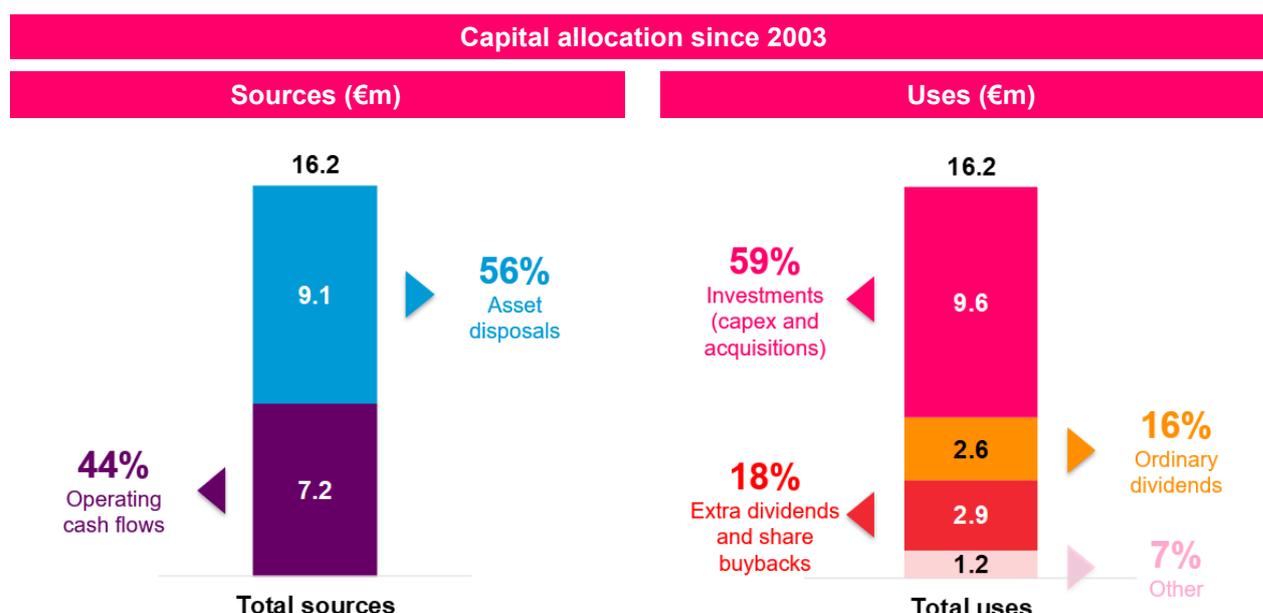
A balanced capital allocation policy, in the interest of all shareholders

The significant investments in both of our core businesses were partly financed by the proceeds of the asset disposal program, including our traditional press activities, and the sale of minority stakes, which generated €9bn in proceeds and crystallized €4bn in capital gains.

These proceeds combined with the cash flow generated by our activities represented a cumulative total of €16.2bn in cash over 2003-2019. 59% of this amount has been reinvested in the Group's businesses, through both capital expenditure and acquisitions.

Our capital allocation policy has always been balanced, combining significant investment in the growth of our core businesses with attractive cash returns for shareholders. This dividend policy (16% of cumulative uses of funds over the period) has been consistent over time and is proportionate to the Group's cash generation capacity. In accordance with the commitment made by the Group in 2001, this policy was supplemented by extra dividends and share buybacks only when we disposed of significant minority interests (18% of uses of funds). This shareholder return policy reflects the resilience of our operating performance, while maintaining a solid and optimised balance sheet.

Lagardère Publishing and Lagardère Travel Retail have benefited from a growing share of the Group's investments since 2012, accounting for 95% of total investments in 2019.



Notes:

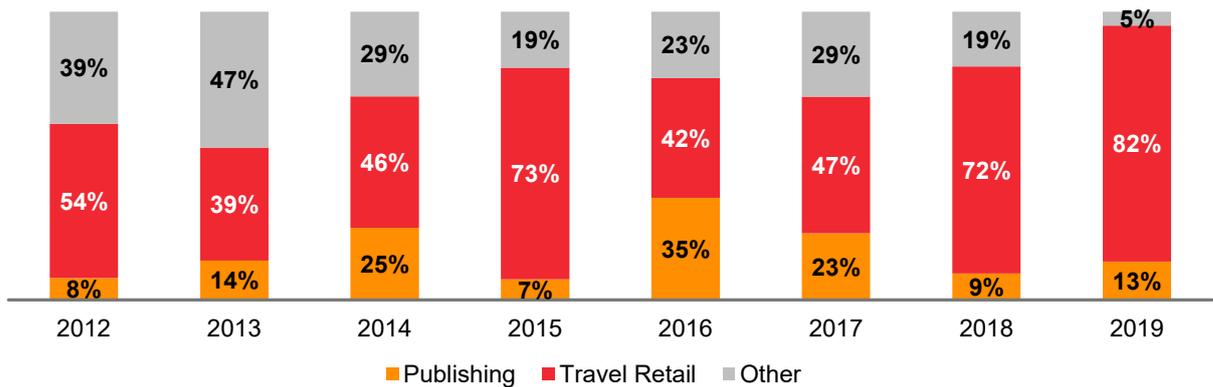
Consolidated financial data, excluding proportional consolidation of EADS (2003-2006)

Operating cash flows include interest paid

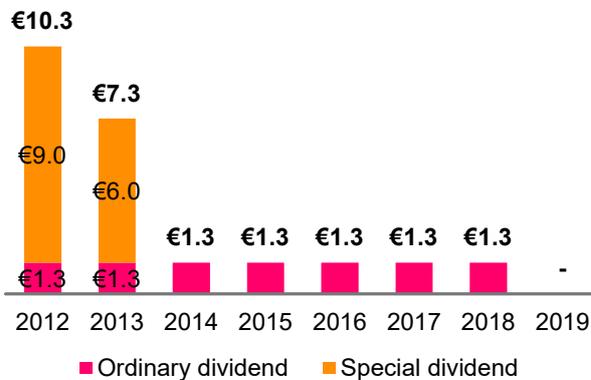
Extra dividends and share buybacks include the share buyback programs carried out from 2006 to 2008

Other notably includes dividends paid to minority shareholders, net financing cash flows and acquisitions of minority interests

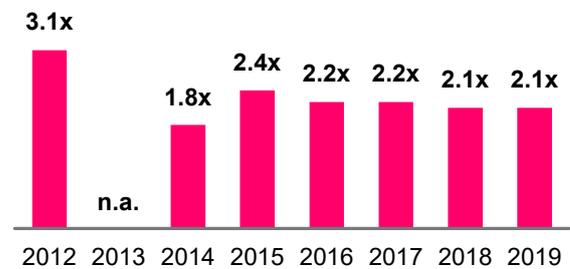
Breakdown of investments (capex and acquisitions) since 2012



Dividend per share since 2012 (€)



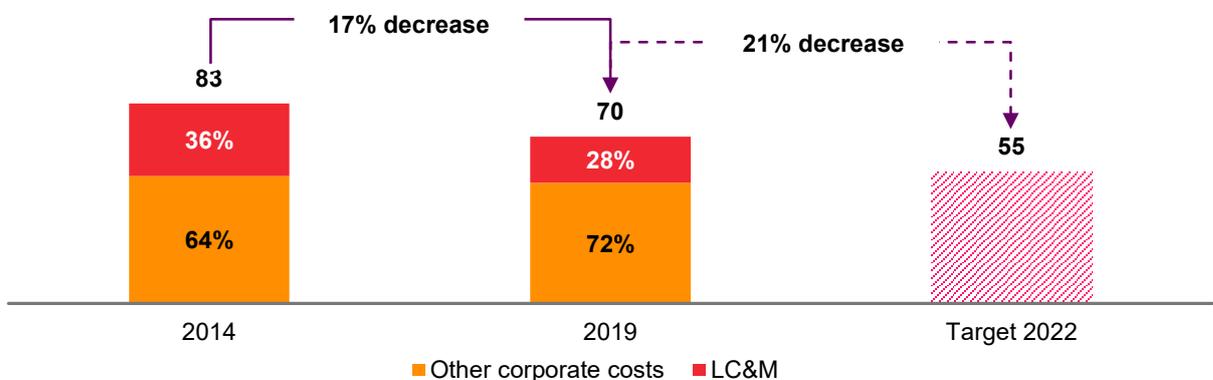
Net Debt / EBITDA ratio since 2012



Note: In 2013, net cash position following the disposal of EADS and Canal+ France stakes

A transparent and efficient organisation

Evolution of corporate costs (€m)



Like any large international business operating in multiple sectors, Lagardère incurs general expenses corresponding to (i) the executive and administrative functions of a listed group, and (ii) the cost of central corporate services (e.g., finance, legal, HR, communications, risk management etc.). The Group's divisions

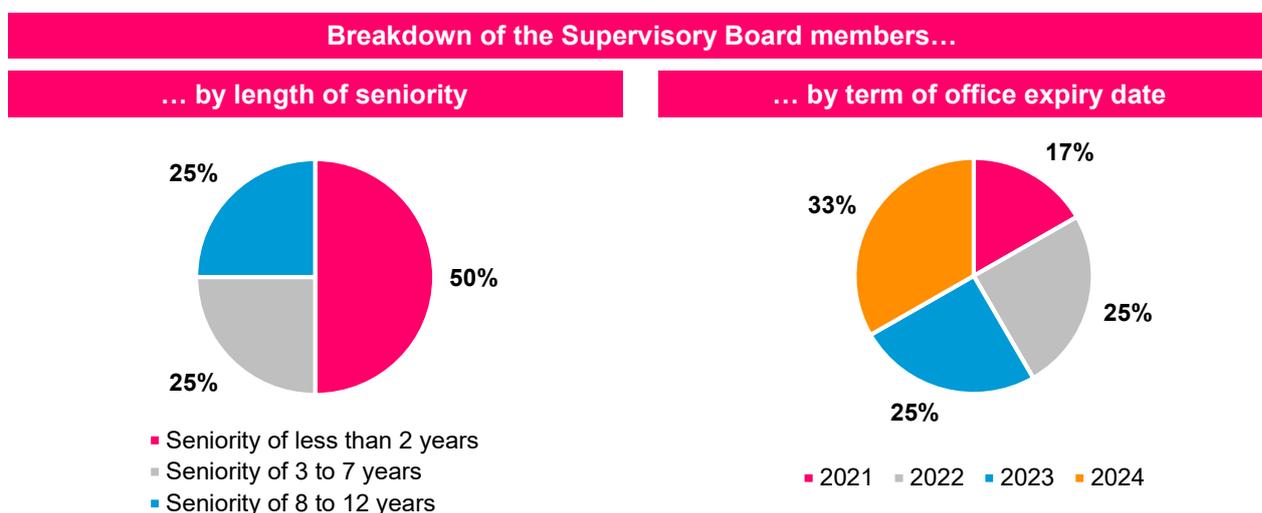
do not have such resources, and this centralisation generates synergies of scale and promotes best practices. These corporate costs are partly rebilled to the Group's divisions in the form of management fees, in accordance with applicable tax and accounting regulations.

The Managing Partners naturally monitor the optimisation of these corporate functions and ensure they are adapted to the Group's refocused profile. As we announced, an in-depth review of the corporate functions was launched at the end of 2018 and presented to the Supervisory Board in late 2019. The resulting restructuring plan was launched at the beginning of 2020 and will bring estimated annual savings of €15m.

The total cost of the Group's executive management is covered by the service agreement entered into with Lagardère Capital & Management (LC&M), the entity that employs the members of the Group's Executive Committee. This related-party agreement is reviewed in detail by the Audit Committee, the Supervisory Board and the Statutory Auditors each year, and a comprehensive description is included in the Group's annual report (see section 2.8 of the 2019 URD). In addition, the remuneration of the Managing Partners, which constitutes the bulk of the amounts billed by LC&M, is submitted for your approval each year at the Annual General Meeting.

To provide additional transparency over this agreement, the Supervisory Board recently commissioned an independent expert to prepare a contractual audit report on its application. The conclusions of Ledouble, which have been made public, confirm that the amounts billed each year (i) have decreased by almost 37% since 2014, and (ii) correspond to the actual costs incurred by LC&M in carrying out its mission, which are documented each year in detail for the Audit Committee and are in line with the amounts presented in the Group's annual reports.

Supervisory Board largely renewed over the last two years, in line with the Group's needs, providing a constructive challenge to management



The Supervisory Board has welcomed four new members in less than two years. In February 2020, Nicolas Sarkozy and Guillaume Pepy were co-opted, bringing undeniable added value to the Group's governance bodies, given their exceptional career paths and unique expertise. By the end of 2020, the Supervisory Board will also include two additional members representing the Group's employees. Your Supervisory Board will pursue its progressive renewal over the course of the next few years – with several terms expiring each year between 2021 and 2024 – in order to ensure that the Group's governance is always aligned with its needs.

Your Supervisory Board has a combination of expertise, experience and valuable skills, the result of a demanding and transparent review and selection process, which enables it to fulfil its role and responsibilities, wholly independently of the Managing Partners.

In order to provide the Managing Partners with constructive advice on the numerous development opportunities that are available to the Group, the Supervisory Board has set up a Strategy Committee, which will interact on a regular basis with the Managing Partners on the Group's strategic priorities, competitive environment and significant development opportunities.

The handling of the Covid-19 crisis has proven the efficiency of the Group's governance

Our General Meeting will take place at a time where our Group is facing an unprecedented challenge with the Covid-19 crisis. Lagardère Travel Retail has been severely impacted by the sudden slowdown in air and rail traffic; Lagardère Publishing has been impacted to a lesser extent by the closure of physical bookstores.

In this unprecedented context, the Managing Partners and Supervisory Board, with the support of all the Group's employees, have implemented a comprehensive action plan to address the crisis and minimise its impacts, including:

- Optimisation of sales and prices when possible;
- Systematic cost reduction across activities, to limit the impact of the decrease in revenue on operating profit;
- Capex reviews and working capital optimisation to preserve cash;
- Cancellation of the proposed 2019 dividend to be paid in 2020, proposed by Arnaud Lagardère and approved unanimously by the Supervisory Board;
- 20% decrease in Executive Committee remuneration, at the initiative of its members, until the summer and further if the crisis is prolonged;
- Creation of a Covid-19 solidarity fund, to provide financial backing to the Group's initiatives to support its employees worldwide, with an endowment of (i) €5m out of the cash initially allocated to the dividend payment, (ii) all amounts corresponding to the reduction in Executive Committee remuneration and (iii) additional amounts voluntarily contributed by members of the Supervisory Board.

The Group is benefitting from its prudent financial policy over the years: at the end of 2019, the Group had €2.2bn in available cash, including a net cash position of €913m and an undrawn credit facility of €1.25bn.

Amber Capital's proposal has unproven added value and is a source of disruption and instability for the Group

Amid an unprecedented crisis, Amber Capital has chosen to be provocative and escalate the activist campaign it has been waging since 2017, by proposing to replace virtually your entire Supervisory Board. We feel the substance of this campaign is unjustified as Amber Capital recognises the Group's operational performance and approves the strategy decided by the Managing Partners, with the support of the Supervisory Board.

The timing of this attack is also inappropriate, when the Group should be concentrating all its efforts on limiting the impact of this crisis in the interest of all its stakeholders.

Amber Capital is proposing a clean sweep of the existing Supervisory Board and to appoint members with not particular in-depth knowledge or experience of the Group's businesses, whose selection process has not been transparent and whose independence from Amber Capital is far from assured.

This proposal is also irresponsible as it would end in institutional deadlock, especially in these exceptional circumstances where long-term thinking, intimate understanding of the Group's challenges and smooth functioning of the governance bodies are more critical than ever.

On this basis, the Supervisory Board has unanimously recommended rejecting the resolutions proposed by Amber Capital.

* * *

The Managing Partners, with the support of the Supervisory Board, are more determined than ever to continue to develop the Group around its two pillars and create long-term value for all stakeholders.

In the short term, our objective is to continue to rigorously manage the Covid-19 crisis and contain its impacts, first and foremost by protecting our employees, customers and partners.

Confronted with this unprecedented crisis, the Group will be able to draw on its values, which have been its strength for decades and form the basis of its purpose:

- A Group that, with its entrepreneurial spirit, agility and creativity, has the capacity to adapt to global revolutions, and whose diversification and complementary businesses ensure its sustainability.
- A Group above all attached to the commitment of its employees worldwide, advancing their personal fulfilment, defending the values of equality and promoting diversity.
- A Group that protects and disseminates the cultural and local heritage of the countries in which it operates, in the fields of literature, education, entertainment and cuisine.
- A Group that contributes to building a better environment by ensuring its strategic objectives are consistent with the interests of the planet.

We ask that you support this ambitious and responsible proposal in these difficult times on 5 May 2020.

Best regards,

Patrick VALROFF

Chairman of the Supervisory Board
Chairman of the Audit Committee

Arnaud LAGARDÈRE

General and Managing Partner,
Lagardère SCA