<u>Press release</u> **Croix, 30 August 2019**

AuchanHolding

2019 half-year results

Improved profitability indicators (excluding one-offs) of Auchan Holding, thanks to the performance of Auchan Retail, which is benefiting from the first visible effects of the "Renaissance" initiative

- **Improvement in all Auchan Retail's profitability indicators thanks to the first effects of the "Renaissance" initiative**
- **Strong operational and financial performances by Ceetrus**
- **29% rise in Auchan Holding's current operating profit**
- **Significant impact on Auchan Holding's net profit as a result of the disposal of the Auchan Retail operations in Italy and Vietnam**

The 2019 consolidated financial statements reflect the following accounting principles:

- *Under **IFRS 5**, the financial results of Oney and Auchan Retail's operations in Italy and Vietnam are taken to "net profit/(loss) from assets held for sale and discontinued operations" in respect of the first six months of 2019 and the first six months of 2018.*
- ***IFRS 16** has been applied as from 1 January 2019 without restating the comparative period in 2018 (an option provided for by the standard).*
- *To facilitate interpretation, **the analyses are based on the 2019 accounts before the application of IFRS 16**. The financial information after the application of IFRS 16 is set out in the notes.*

All documents and remarks are based on the operations carried out in 12 countries i.e. excluding Italy and Vietnam and before the application of IFRS 16

Auchan Retail implemented a new strategy at the beginning of 2019 with:

- in the near term, the **Renaissance** initiative, involving unprecedented decisions and significant disposals in order to begin turning around its financial results and enhance its financial flexibility;
- in the medium term, initiatives that will allow Auchan Retail to reassert its unique commercial and operational character.

In the first six months of the year, this strategy led to:

- a turnaround in profitability indicators that is already visible;
- action taken to make deep-seated changes by 2022 in the management of resources and its offering.

The new dynamic is beginning to bear fruit: improvement in profitability indicators

- **Revenue: the increased revenue in nine countries is offset by the falls in Russia and in France.**

Auchan Retail's **revenue** amounted to €22.7 billion for the year ended 30 June 2019, a fall of 2.4% at current exchange rates. This revenue was **down 0.4%** at constant exchange rates, and restated as a result of the removal from the scope of consolidation of the revenue from home electronics and appliances in stores as a result of the concession agreement signed with Suning in 2018 in China. On a like-for-like basis, revenue fell by 0.8%.

At constant exchange rates, revenue grew in nine Auchan Retail countries and fell in Russia and France.

In geographic terms, revenue was down in France by 1.3% on a comparable basis (down 1.7% overall), in a strong competitive environment.

Revenue in Southern Europe grew by 1.1% in overall terms, driven by the strong growth in revenue in Portugal. Revenue also grew in both Spain and Luxembourg, with the new *Lifestore La Cloche d'or* being opened in Luxembourg in the second quarter.

Revenue in Central and Eastern Europe fell by 0.4% at constant exchange rates (and by 2.1% at current exchange rates). This fall is due to the impact of revenue in Russia, which fell sharply at constant exchange rates. This fall masks the growth in all other countries in the region (Ukraine, Hungary and Romania, etc.) and particularly in Poland.

"Asia" fell by 5.6% at constant exchange rates (a 5.0% fall at current exchange rates), a fall linked in very large part to the fact that the revenue from home electronics and appliances, which were the subject of a concession agreement between Sun Art Retail, Auchan Retail's Chinese subsidiary, and a third party, is no longer consolidated.

Business activity grew in Senegal with revenue up 33% over the period.

- **EBITDA margin growth**

Auchan Retail's gross profit remained steady in the first half of the year, despite the fall in revenue. Gross profit rose by 1 point to 23.1%, thanks to good management of the product mix, promotions and markdowns.

The increase in operating expenses was kept under control, thanks to the first effects of the Renaissance plan (operational optimisation, renegotiation of rents, optimisation of energy consumption and maintenance costs). Auchan Retail also achieved its objective of a 20% reduction in its electricity consumption by m² of floor area in stores compared to 2014. This commitment, made at the Cop 21 in 2015 and reiterated at the One Planet Summit, has therefore been met. Certain expenses are, however, the subject of targeted increases, as a result of the increase in staff costs in Eastern Europe and Asia or the cost of energy.

Overall, **Auchan Retail's EBITDA was €768 million**, up 12.1% compared with the end of June 2018 (up 6% on a comparable basis). The EBITDA margin was 3.4%, compared with 2.5% at the end of June 2018 (figures that included the operations in Italy and Vietnam). The EBITDA margin returned to its 2016 level.

EBITDA in France almost doubled over the period (up 98%). It also grew in Southern Europe (up 12%) and in Senegal. In Asia, EBITDA was up 10.5% (2.2% on a comparable basis) thanks to the strategy implemented in China. EBITDA fell only in Eastern Europe. The strong growth in Poland and Romania was not sufficient to offset the fall in EBITDA in Russia, which was impacted by the fall in its revenue.

Renaissance plan: a proactive series of actions in the first half of the year

The improvement in results is primarily due to the implementation of the **Renaissance** initiative, which seeks to find solutions to help turn around loss centres. A number of decisions have been taken.

- **Action taken at store level**

A number of initiatives have been put in place to improve the results of loss-making stores: firstly, by taking action to reduce costs (indirect purchases, optimisation of energy consumption and maintenance costs, increasing the versatility of roles) and by seeking to renegotiate rents (Poland, France, Russia and Spain). Secondly, by reducing or repurposing floor areas in stores. Moreover, concessions may be granted to third-party partners over certain sales spaces: after the successful concessions in respect of home electronics and appliances spaces in China, tests will be carried out with various partners in France in the second half of 2019.

- **Site disposals and closures**

In the first six months of the year, Auchan Retail began work on disposing of or closing sites that had no realistic prospect of returning to profitability: 21 stores in France, 10 stores in Russia, 15 stores in Spain and 1 store in Ukraine.

- **Disposal of operations in Italy and Vietnam**

Faced with repeated losses in Italy since 2011, and as announced on 13 May 2019, on 31 July, Auchan Retail entered into an agreement to sell Auchan S.p.A. to the Italian cooperative group Conad and to sell its integrated Sicilian supermarkets to the Arena Group.

On 27 June 2019, Auchan Retail also entered into an agreement to sell stores and its e-commerce business in Vietnam to the Vietnamese company Saigon Coop, scheduled to complete in the second half of 2019.

- **Rationalisation of investments**

In March 2019, Auchan Retail announced that it would rationalise its investments in 2019 to concentrate on maintaining its stores, its information systems and its supply chain.

At the end of the first half of 2019, Auchan Retail’s current investments net of disposals were down 41% and, excluding China, were more than halved when compared with the first six months of 2018.

Acceleration of initiatives already underway in China thanks to a new structure

The appointment of a new Chief Executive Officer at Sun Art, who has worked at the company for 19 years, accelerated the combination of the back offices of operations under the Auchan and RT-Mart banners, a combination that was completed at the end of June. This decision was taken by Auchan Retail, the major shareholder in Sun Art and the company's controlling shareholder, in conjunction with the other shareholders, in particular Alibaba.

Results improved in the first half of the year. B2B revenue diversification (grocery stores, wholesalers, canteens, etc.) increased significantly. The in-store experience has been substantially renewed, with emphasis placed on fresh products and the catering offering. The digital shift, begun by Sun Art at the end of 2017, is paying off. The O2O (online-to-offline) home delivery service offered by stores performed strongly in the first half of the year. The success of the alliance with Alibaba was confirmed thanks to value creation through the use of data.

Investment in China has been sustained and has been directed at store remodellings and digital transformation.

Action taken to make deep-seated changes by 2022:

- **a target EBITDA margin of 6.0%**
- **a company initiative that seeks to provide Auchan Retail with a strong identity**

In addition to short-term measures, Auchan Retail is committed to making deep-seated changes to the way in which it manages its resources.

The company will continue to reduce its operating costs. The ambition is to realise **€1.1 billion of cost savings** (on a full year basis compared with 2018, excluding China and on a comparable basis), with a **target EBITDA margin of 6.0%** by 2022.

In terms of the offering and services, the Auchan Retail teams are currently finalising a business project, with delivery scheduled for 2022, that seeks to give Auchan Retail a unique character and transform it into

- firstly, a selector-designer of a unique offering (variety of tastes, nutrition, products that are local, traceable and transparent, co-designed with its stakeholders). By way of example, Auchan Retail will double the revenue from its exclusive products, which will all be scored by its customers, and 100% of its own-brand food products will be scored by a nutritional labelling scheme, such as Nutriscore in France.
- and secondly, a creator of connections and experiences to become the leading retailer working with local producers, based on a network of more than 4,000 regional platforms worldwide. The aim is therefore to double the proportion of local products in each store. At the same time, to better serve its customers, Auchan Retail will create innovative shopping experiences and services to improve its anticipation of their wishes and needs. By 2022, 15% of Auchan Retail’s revenue will be generated outside hypermarkets and supermarkets.

"These interim results show that the action taken by the Auchan Retail teams is contributing to the near-term turnaround of our company. The corner has been turned. We have needed to take decisions in certain areas, and the initiative, if exceptional items are excluded, is beginning to bear fruit. The work on turning the business around is ongoing. The results at the end of June demonstrate our willingness to strengthen our financial and economic balances. The decision to dispose of our operations in Italy and Vietnam is evidence thereof, even though such disposals have had a strong negative impact on our results.

With the slate wiped clean, we are committed over the longer term to making deep-seated changes so that Auchan Retail may once again enjoy the financial and strategic resources it needs to better serve its various stakeholders" said **Edgard Bonte**, Executive Chairman of Auchan Retail.

CEETRUS

With a view to supporting the transformation of the Retail division and changes in lifestyles, Ceetrus is reinventing its shopping sites and is co-developing, alongside local authorities, neighbourhoods that combine retail, dwellings, offices and leisure and service spaces.

In the first half of the year, Ceetrus opened *La Cloche d'or* in Luxembourg**.** Comprising a shopping centre and 250 dwellings, it offers a high-end shopping experience in a 75,000 m² mall (with Breeam "excellent" certification) with more than 130 brands and satisfies a strong local demand for housing (completion scheduled for the first quarter of 2020). In Spain, Ceetrus launched the Xperience concept by opening S*ant Boi Xperience*, a 14,500 m^2 leisure, food and retail park near Barcelona, contributing to the creation of 350 direct and indirect jobs, and the 9,500 m^2 Parque Rioja Xperience in Logroño, with the creation of 200 direct and indirect jobs.

Ceetrus has also renovated the Piacenza shopping centre in Italy. Renamed Belpò following consultation with local residents, the site has been transformed into a 360° living zone, combining retail (60 stores, i.e. +100 %) and services (with a medical clinic and gym scheduled for September 2019).

In France, the development of the *Roncq* site is ongoing. After the transfer and the expansion of Leroy Merlin and the introduction of new brands in 2018 and 2019, a strip mall has been added to the site. Aushopping in Avignon Nord has been enhanced by the creation of a food and drink area. In Bordeaux, after the remodelling of the mall at the end of 2018 and the opening of Primark in April 2019, a food and drink area will open in October 2019. Lastly, the development of Aushopping Noyelles Godault is ongoing.

Ceetrus co-launched the works at Quai 22, a new neighbourhood in Saint-André-Lez-Lille, alongside the town, the Métropole Européenne de Lille, the SEM Ville Renouvelée and LinkCity. This neighbourhood will eventually contain 700 dwellings, 14,000 m² of managed accommodation, 10,000 m² of offices and 17,000 m² of retail and services (delivery to begin in 2022)

In order to gain in efficiency, and to ensure a greater transversality of skills, good practices and innovations, Ceetrus is developing the company's management by creating four portfolios of transnational sites: France, Italy-Luxembourg, Spain-Portugal-Hungary and Poland-Romania-Russia-Ukraine) and a Major Projects division.

Ceetrus reported €297.0 million in revenue for the six months ended 30 June 2019, representing an increase of 9.6% compared with the first six months of 2018 at constant exchange rates. These results are in line with Ceetrus's investment plan, both in terms of the acquisition and development of sites (+7.8%) and the renovation of existing sites (+2.6 %). The disposal programme is continuing. The disposals, added to the exchange rate differences, had an impact of -1.2%. The fair value of the assets stands at €8.1 billion. They increased by 1.2% when compared with 31 December 2018. EBITDA grew by 3.6% from June 2018. This increase is attributable to firm rental income and the acquisitions and expansions carried out.

In the words of Benoit Lheureux, Ceetrus CEO: *"In the first quarter, we benefited from the impact of the acquisitions made in 2018 and from strong rental income, in an environment that remains difficult, particularly in personal and household goods. Our expenses remained under control, despite the fact that the company is focused on transforming its sites. Investments have fallen in 2019."*

AUCHAN HOLDING

Growth in profit from continuing operations thanks to the improvement in the performance of Auchan Retail[1]

Key figures for the first half of 2019

€ million	H1 2019 Pre-IFRS 16 IFRS 5	H1 2018 Pre-IFRS 16 IFRS 5	Change at current exchange rates	H1 2019 Post-IFRS 16 IFRS 5	H1 2018 reported
Revenues	**22,954**	**23,569**	**(2.6%)**	**22,954**	**25,683**
EBITDA[2]	984	926	+6.3%	1,313	888
EBITDA margin	*4.3%*	*3.9%*	*+0.4 pt*	*5.7%*	*3.5%*
Current Operating profit	**307**	**238**	**+29.0%**	**364**	**145**
Operating profit (loss)	333	229	+45.4%	390	117
Net profit from continuing operations	**159**	**122**	**+30.3%**	**124**	**(4)**
Net profit from assets held for sale and discontinued operations	(1,450)	(126)	NA	(1,458)	-
Profit for the period	**(1,291)**	**(4)**	**NA**	**(1,334)**	**(4)**
of which attributable to owners of the parent	(1,445)	(151)	NA	(1,472)	(151)

In the first six months of 2019, Auchan Holding posted **revenue** of **€23.0 billion**, down 2.6 % on the first six months of 2018. This factors in the removal from the scope of consolidation of the revenue from home electronics and appliances that are the subject of the concession agreement in China and a slight negative exchange rate impact (the fall in the value of the rouble being offset by the increase in the rise in the value of the yuan).

When these effects are excluded, **Auchan Holding's revenue fell by 0.6%**, with the fall in Auchan Retail's revenue being partly offset by the growth in Ceetrus's revenue.

Gross margin at Auchan Holding **increased substantially to 24.0%**, up +0.8 points from the first six months of 2018, thanks to the increase in Auchan Retail's gross margin.

Before the application of IFRS 16, Auchan Holding's **EBITDA increased by 6.3% to €984 million**, thanks to the first effects of the Renaissance plan at Auchan Retail and the growth in Ceetrus's

[1] pre-IFRS 16

[2] EBITDA: Operating profit from continuing operations excluding other operating profit and expenses and excluding depreciation, amortisation and impairment expenses, excluding non-recurring items

EBITDA. **The EBITDA margin was 4.3%**, compared with 3.9% at the end of June 2018. This is the highest half-year EBITDA margin recorded since the first half of 2013.

Auchan Holding's operating profit from continuing operations increased by 29% to €307 million, compared with €238 million at the end of June 2018.

Operating profit was €333 million (up 45.4% from the first half of 2018).

The net cost of financial debt was €30 million (compared with €13 million at the end of June 2018), principally as a result of the increase in average debt.

Income tax expense was €125 million, up €52 million.

Auchan Holding posted a net profit from continuing operations of €159 million compared with €122 million one year earlier.

The disposals made by Auchan Retail during the first six months of 2019 gave rise to a net loss of €1,291 million. This net loss includes exceptional losses of €1,450 million comprising the net results of the businesses that are being disposed of, namely Oney Bank, Auchan Retail Italy and Auchan Retail Vietnam. These exceptional items were principally impacted by the loss on disposing of the business activities of Auchan SPA (an Auchan Retail subsidiary in Italy), which incorporates:

- the losses from the operations of Auchan Retail in Italy over the first 6 months of 2019;
- the capital loss on disposal;
- the waiver by Auchan Retail of the loans granted to Auchan Spa;
- the company's capital increase equal to nearly 2.5 years of losses.

A fall in investments which limits the natural rise in debt

Overall, cash flows improved by €475 million compared with the first six months of 2018, thanks to:

- a significant reduction in investments net of disposals[3] of €696 million, explained partly by the rationalisation of investments by Auchan Retail and partly by the increased rotation of assets at Ceetrus;
- no dividend being paid to AFM (the holding structure for the Mulliez family's interests) in 2019, partly offset by the buyback by Auchan Holding of €120 million of shares held by employee shareholders;
- the improvement in Auchan Holding's cash flows from operations were up €27 million year-on-year, to €726 million;
- a €38 million fall in the impact of working capital requirements compared with the first six months of 2018;
- the adverse impact of new prepaid card regulations in China leading to the reclassification of €173 million as "Restricted cash" and the reclassification of €41 million of cash from discontinued operations

At 30 June 2019, **net financial debt was €5,241 million**, compared with €3,729 million at the end of December 2018 and €4,457 million at 30 June 2018. It includes neither the proceeds from the sale of Oney nor the capital increase carried out prior to the disposal of the Italian operations.

[3] *Excluding Disposals of operations net of cash disposed of and changes in loans and advances granted as well as the reclassification of finance lease liabilities as other liabilities after IFRS 16*

Outlook for 2019

In the second half of 2019, the Auchan Holding businesses will continue working to achieve a near-term turnaround in financial results.

Auchan Holding should, in the fourth quarter of 2019, complete the disposal of 50.1% of the share capital in Oney Bank to BPCE.

Consolidated income statement for the first half of 2019

€ millions	H1 2019 IFRS 5 Before IFRS 16	H1 2018 IFRS 5 Before IFRS 16	Chg. at current exch. rates	H1 2019 IFRS 5 IFRS 16
Revenue	**22,954**	**23,569**	**-2.6%**	**22,954**
Cost of sales	(17,434)	(18,111)	-3.7%	(17,434)
Gross profit	**5,519**	**5,457**	**1.1%**	**5,519**
Gross margin	*24.0%*	*23.2%*	*0.8 pt*	*24.0%*
Payroll expenses	(2,876)	(2,833)	1.5%	(2,876)
External expenses	(1,638)	(1,694)	-3.3%	(1,309)
Depreciation, amortisation and impairment	(703)	(702)	-	(977)
Other operating income and expenses	4	9	NA	5
Operating profit from continuing operations	**307**	**238**	**29.0%**	**364**
Current operating margin	*1.3%*	*1.0%*	*0.3 pp*	*1.6%*
Other operating income and expenses	26	(10)	NA	26
Operating profit	**333**	**229**	**45.4%**	**390**
Net cost of financial debt	(30)	(13)	NA	(30)
Other financial income and expenses	(19)	(20)	-5.0%	(121)
Tax expenses	(125)	(73)	71.2%	(116)
Share of net profit/(loss) of associates	0	(2)	NA	1
Net profit from continuing operations	**159**	**122**	**30.3%**	**124**
Net profit from assets held for sale and discontinued operations	(1,450)	(126)	NA	(1,458)
Profit for the period	**(1,291)**	**(4)**	**NA**	**(1,334)**
Profit/(loss) for the year - attributable to owners of the parent	(1,445)	(151)	NA	(1,472)
of which attributable to non-controlling interests	155	147	5.4%	139
EBITDA	**984**	**926**	**6.3%**	**1,313**
EBITDA margin	*4.3%*	*3.9%*	*0.4 pt*	*5.7%*

Consolidated statement of financial position at 30 June 2019

ASSETS (in € millions)	30/06/2019 excl. IFRS 16	31/12/2018	Change H1 2019/2018	30/06/2019 IFRS 16
Goodwill	3,029	2,992	37	3,029
Other intangible assets	1,027	1,036	(9)	1,027
Property, plant and equipment	9,770	10,941	(1,171)	12,559
Investment property	5,266	5,265	1	5,385
Investments in associates	246	222	24	247
Customer loans - credit activity	0	0	(0)	0
Other non-current financial assets	605	436	169	604
Derivative financial instruments (non-current)	150	126	24	150
Deferred tax assets	364	342	22	391
NON-CURRENT ASSETS	20,457	21,359	(902)	23,392
Inventories	3,747	4,797	(1,050)	3,747
Customer loans - credit activity	0	136	(136)	0
Trade receivables	392	498	(106)	392
Current tax assets	181	158	23	181
Other current receivables	2,228	2,444	(216)	2,126
Derivative financial instruments (current)	67	123	(56)	67
Cash and cash equivalents	2,840	3,420	(580)	2,840
Assets classified as held for sale	3,893	3,000	893	4,166
CURRENT ASSETS	13,347	14,576	(1,229)	13,519
TOTAL ASSETS	33,805	35,935	(2,130)	36,911

LIABILITIES (in € millions)	30/06/2019 before IFRS 16	31/12/2018	Change H1 2019/2018	30/06/2019 IFRS 16
Share capital	584	591	(7)	584
Share premiums	1,914	1,673	241	1,914
Reserves and net income attributable to owners of the parent	4,009	5,674	(1,665)	3,885
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	6,508	7,939	(1,431)	6,383
Non-controlling interests	3,566	3,509	57	3,546
TOTAL EQUITY	10,073	11,448	(1,375)	9,930
Provisions	397	265	(132)	395
Non-current borrowings and other financial liabilities	5,835	4,198	1,637	5,835
Debts financing the credit activity	469	462	7	469
Derivative financial instruments (non-current)	26	17	9	26
Other non-current liabilities	478	458	20	3,027
Deferred tax liabilities	493	531	(38)	486
NON-CURRENT LIABILITIES	7,699	5,931	1,768	10,238
Provisions	521	284	237	540
Current borrowings and other financial liabilities	2,406	3,162	(756)	2,406
Debts financing the credit activity	84	399	(315)	84
Derivative financial instruments (current)	33	22	11	33
Trade payables	6,263	8,457	(2,194)	6,258
Current tax liabilities	153	119	34	153
Other current liabilities	3,780	4,375	(595)	4,194
Liabilities classified as held-for-sale	2,795	1,738	1,057	3,077
CURRENT LIABILITIES	16,034	18,557	(2,523)	16,744
TOTAL LIABILITIES	33,805	35,935	(2,130)	36,911

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