Press release Croix, 31 August 2018

2018 HALF-YEAR RESULTS

In different contexts, the 3 Auchan Holding businesses continued their transformations in line with their schedules

- **Major operational progress was made in the transformation of the 3 businesses**
- **Ceetrus and Oney's strong operational and financial performances continued**
- **Auchan Retail remained committed to its Vision 2025. Its financial results were impacted by the significant costs of this transformation and by contrasting situations in different geographical areas**

The strong operational performances of the 3 Auchan Holding businesses continued with a number of successes in the first half of 2018:

Ceetrus took major steps in its transformation from a commercial real-estate company to a mixed-use real-estate developer:

- changing its identity from Immochan to "Ceetrus";
- selling 1,305 flats as part of the development of the Coresi neighbourhood in Brasov, Romania;
- purchasing 3 shopping centres in Portugal and launching 2 new programmes in Ukraine;
- being selected in July 2018 by SNCF Gares & Connexions to transform the Gare du Nord in Paris.

Against this background, Ceetrus' revenue grew by 5.7% to €345 million. EBITDA[1] increased by 4.8% to €225 million.

ONEY's business activity experienced dynamic growth, reflected by:

- a 6.4% increase in loan production ;
- a 9.6% increase in the number of customers ;
- 51 new commercial partners in the first six months of the year for its flagship *3x 4x* Oney product, giving a total of 400 partners;
- continued international expansion with the launch of *3x 4x* in Italy and Belgium, new countries for Oney;
- Fia-net, acquired in September 2016, and Oneytech merged to create OneyTrust, the only French business that is able to offer its partners turnkey digital identification solutions.

Oney also made progress with its human and digital transformation.

[1] *EBITDA corresponds to operating profit from continuing operations adjusted for net depreciation, amortisation and impairment expenses*

Oney's net banking income increased by 5.6% to €218 million and its net profit by 17.3% to €30.5 million.
To speed up with development, Oney is currently looking at the possibility of forming strategic, commercial and capital partnerships.

AUCHAN RETAIL's transformation progressed in line with its stated schedule. The business made significant operational progress in realising its Vision 2025:

- the creation of a set of "new generation" service platform in France and internationally known as Horizon with Groupe Casino, METRO and the Schiever group, sets the tone for next generation retailing. Horizon is one of the top tier international platform for collaboration with suppliers, covering more than 40 countries in Europe, Asia and South America. The Spanish international group DIA joined Horizon International in August 2018;
- Auchan Retail prioritised multi-format and convenience stores with the opening of 250 new points of sale, 94% of which were convenience and ultra-convenience stores. The brand convergence programme continued with almost 50% of the stores in question moving over to a single brand per country;
- Auchan Retail continued to reinvent its customer experience: the alliance set up with Alibaba was consolidated in China with the roll-out of the O2O (*online-to-offline*) delivery service in 165 stores at 30 June. Sun Art, Auchan Retail's Chinese subsidiary, also entered into a strategic agreement with Suning, the leading Chinese distributor of electronics products and household appliances, with a view to improving the customer experience in electronic products and services in its stores. Finally, in Russia, Auchan Retail is currently developing its business model to respond to new consumer expectations;
- Digitisation at the company continued. In recent months, Auchan Retail has furthered its collaboration with Google started two years ago. The companies' teams around the world continue to work together to develop new customer experiences based on artificial intelligence, machine learning and vocal technologies to provide personalised phygital shopping.

In the first half of 2018, Auchan Retail's revenue was stable at constant exchange rates excluding the impact of IFRS 15 (-3.2% at current exchange rates). Operating charges from continuing operations incurred in connection with the transformation had a negative impact on the results for the first half of the year. EBITDA fell by 22.8% to €619m. It contracted particularly in France, Russia and Italy, countries that were the subject of particularly active action plans.

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Detailed analysis by business activity

CEETRUS

Committed to a transformation process, Immochan acknowledged its conversion from commercial real-estate company to mixed-use real-estate developer by becoming “Ceetrus” in June. Through engaging in dialogue with local communities and residents to create urban spaces that are “smart, lively, sustainable and that have a positive impact”, Ceetrus now builds, in addition to traditional shopping malls, living and meeting spaces that integrate shops, recreational areas, dwellings, offices and urban infrastructure.
For example, mixed-use projects are being carried out in Romania, Hungary, Spain and Luxembourg. At the end of June, 1,305 apartments had been sold as part of the development of the Coresi neighbourhood in Brasov, Romania (shopping centre, 3,000 future dwellings and 40,000m^2 of offices).
In March 2018, Ceetrus strengthened its competitive position in Portugal by acquiring three shopping centres: Forum Montijo, Forum Sintra and Sintra Retail Park (19.5 million visitors per year and with a total surface area of 130,000m^2). Two new developments also opened in Ukraine: “RetailPark Petrovka” (a mixed retail and leisure development - 11,770m^2) and the first phase of the “Rive Gauche” development (5,000m^2 of GLA, an Auchan hypermarket and currently 1,000 parking spaces). Renovations and extensions over a total area of 30,000m^2 were made at the La Lézarde site at Montivilliers in France (investment programme of €70 million) and the Aushopping centre in Noyelles Godault (extension of 13,350m^2 in 2018; to be increased by 14,650m^2 in 2019).
Ceetrus is committed to improving the attractiveness of its retail sites through innovation. In June, as part of the “Beyond Retail Challenge”, an international competition open to start-ups, Ceetrus selected 5 projects to contribute to transforming shopping centres into meeting places offering interesting experiences and new connections.

Lastly, on 9 July 2018, Ceetrus won the tender run by SNCF Gares et Connexions to transform the Gare du Nord in Paris. Defined in conjunction with local stakeholders, the project provides an innovative response to major urban challenges: animating open areas, developing retailing, reflecting users’ needs, and reconnecting with the city. In time, Ceetrus will make the Gare du Nord a new urban centre with an international dimension, surrounded by shops, offices, co-working spaces, social hubs, services and restaurants.

As at 30 June 2018, Ceetrus recorded revenue of €345 million, corresponding to organic growth of €18.5 million (+5.6%). These results reflect the ambitious investment plan in terms of acquisitions and site creations (+3.8%) as well as the policy to improve existing sites (+1.8%). The impact of the disposals was small. At the end of June, development ambitions were achieved, with €331 million of investments net of disposals.
Excluding non-recurring items, EBITDA increased by 4.8%, reflecting strong rental income, a 0.8 percentage point increase in occupation rates year-on-year (to 96%) and sound company management (operating costs).

For Benoît Lheureux, General Manager of Ceetrus:
“With 40 years of experience in commercial property alongside its historic partner, Auchan Retail, Ceetrus is now exploring new property sectors. The first half of 2018 demonstrates our ability to enliven our shopping centres at the same time as building tailored living spaces that combine shops, recreational areas, dwellings, offices and services. Ceetrus' financial results in the first six months of the year reflect its sound financial health and provide us with encouragement to continue with our policy of investment and diversification in Europe and Asia.”

The first half of 2018 was marked by the acceleration of the human and digital transformation project at Oney and dynamic growth in business activity. This growth was driven by the commercial expansion of its entire product range, and by the accelerated development of trading partnerships with 51 new partners. As a result, Oney made significant progress in realising its aim of becoming the European leader in split payments and digital identification.
Oney's online and offline payment splitting solution has principally been rolled out through increasing the number of its trading partners in France and Spain. This product has allowed Oney to win 90% of the tenders in which it participated over the last 18 months.
Oney signed an international partnership with a major retailer to install the solution in 4 countries, and the integration of its API with the various payment service providers (PSPs) is underway.

This solution was launched in Italy on 1 June 2018, and will shortly be rolled out in Belgium, a new country for Oney. This progress has allowed Oney to provide trading partners on a number of markets with a single solution.

In the first half of the year, Fia-net, acquired in September 2016, and Oneytech merged to form OneyTrust, an Oney subsidiary with expertise in digital identification. With 300 customer-partners, 50 million transactions and €7 billion analysed each year, OneyTrust is currently the only French business that is able to offer its partners turnkey digital identification solutions using a set of transaction validation solutions that offer a fluid and secure customer experience.
A number of commercial agreements are currently being finalised with large businesses in a variety of business sectors.

The first half of 2018 was also marked by the strengthening of historic partnerships, including those with Leroy Merlin, Norauto and Alinéa, which reiterated their confidence by entering into new long-term relationships and extending the range of Oney solutions offered to their customers.

The human transformation project has also progressed. In this connection, Oney was rewarded for its HR commitments by being named "Top Employer France 2018" for the second year in a row by the Top Employers Institute.

Net banking income rose by 5.6% compared with the first half of 2017, to €218.1 million. In the first half of the year, Oney passed the 10 million customer threshold, with customer numbers up 9.6% over 6 months. Net profit rose by 17.3% compared with the first half of 2017, to €30.5 million.

In the first six months of the year, Oney announced that it was reviewing the possibility of forming strategic partnerships to accelerate its international development and its human and digital transformation alongside its historic business activity.

"The Group's human and digital transformation programme really took off in the first half of 2018. Our international acceleration with the launch of 3x 4x Oney in Italy and Belgium represents an additional stage in our growth plan. This acceleration will allow Oney to become better known and to identify new partners through offering them solutions that are ever more innovative, and that meet current and future business needs," **stated Jean-Pierre Viboud, General Manager of Oney.**

As part of its Vision 2025, Auchan Retail continued to make progress on its transformation in the first half of the year, in line with the proposed schedule, in an environment impacted by major changes. This was reflected in major operational progress for Auchan Retail.

Setting the tone of next generation retailing

Auchan Retail is reinventing its business and acting as a platform business. In the first half of 2018, Auchan Retail entered into a number of major cooperation agreements both in France and internationally. Its ambition, in which it remains open to additional partners, is to be a major purchaser of both local and international products.

In the first half of 2018, Auchan Retail, Groupe Casino, METRO and Schiever announced the creation of a set of new generation service platform called Horizon, open to working with new partners. The Spanish international group, DIA, joined Horizon International in August 2018, demonstrating the platform's open and attractive nature.
Horizon is one of the top tier international platforms for collaboration with suppliers, covering more than 40 countries in Europe, Asia and South America.
These agreements stand out for the calibre of the parties and their geographic complementarity, as well as for a number of initiatives that anticipate the French law on Agriculture and Food and that focus on everyone's interests: those of consumers, farmers and manufacturers.

Being a multi-format phygital retailer

Auchan Retail continued to develop through prioritising convenience stores: the group opened 250 new points of sale, 94% of which were convenience or ultra-convenience stores, notably in Portugal with the opening of 6 new MyAuchan stores and in China, which had 246 Auchan Minute stores as at 30 June. Also in China, Sun Art and Alibaba pooled their phygital experience to develop a network of supermarkets outside major cities, called *He Xiao Ma*. The two pilot stores opened in Suzhou and Nantong in June.

The convergence of the banners towards a single brand per country continued. Almost 50% of the stores in question have already switched over. The increases in these stores' customer numbers and revenue is being borne out over time, with revenue increasing by between 2% and 12%, depending on the country, in the 6 months following the brand change.

In France, the conversion of the Simply Market stores into the Auchan Supermarché brand was completed. This branding change contributed to the increased market share enjoyed by the Auchan supermarkets in the first half of the year. The drive and food home delivery (Auchan Direct) formats also grew. The number of Auchan Direct orders in Paris increased by 25% over the period. Meanwhile, the switch-over of the Chronodrive stores to the Auchan Drive brand began in the first half of the year.
In France, Auchan Retail significantly slowed the fall in its market share in its catchment areas (from -0.8 points in the first half of 2017 to -0.2 points in the first half of 2018[2]). April and May saw market share gains for the first time in a year[(2).]

[2] *IRI, Integral Store, change in Auchan Retail France's market share of each store's catchment area*

Improving the customer experience

In China, the alliance formed between Auchan Retail and Alibaba in November 2017 was consolidated. The *Taoxianda* O2O (online to offline) service, offering home delivery of fresh produce and consumer goods in less than one hour within 3 kilometres of a store and which launched in March 2018, had, as at 30 June, already been rolled out in 165 stores and 93 towns in China. All 479 stores of Sun Art, the Chinese subsidiary of Auchan Retail, will offer this service by the end of 2018. The delivery service is now accessible via Alibaba's *Taoxianda* platform and the *RT Mart Fresh* and *Auchan Dao Jia* (formerly *Auchan Fresh*) applications, thereby increasing the channels through which consumers may be contacted.
On 30 June 2018, Sun Art also entered into a strategic agreement with Suning, the leading Chinese distributor of electronics products and household appliances, to improve the customer experience in electronic products and services in all its stores by September 2018.
In Russia, in order to respond to new consumer expectations, Auchan Retail offered its customers a new shopping experience in 4 Audastores, covering all store formats. Auchan Retail in Russia also developed its business model by redesigning its product offering and its promotions policy.

Transforming the business through digital retailing

Auchan Retail entered into relationships with the best possible partners to accelerate its digitisation: with Alibaba to develop O2O in China and with Salesforce to coordinate and manage its customer relationships in 12 of Auchan's 14 countries. As part of its drive to accelerate the digitisation process, Auchan Retail extended the worldwide collaboration it entered into with Google 2 years ago. Auchan Retail is now Google's main client-distributor worldwide, with 270,000 employees using the G-Suite solution and connected in 4,000 active communities. Auchan Retail also entered into an agreement with Google Cloud to use its Cloud solutions. In the first half of 2018, it developed artificial intelligence modules, such as the Google Assistant virtual wine advisor, compatible with *Google Home* and other platforms, and the Auchandrive voice ordering service. Finally, in recent months Auchan Retail has furthered its collaboration with Google started two years ago. The companies' teams around the world continue to work together to develop new customer experiences using artificial intelligence, machine learning-based product recommendation and vocal technologies to provide personalised phygital shopping, developments which are due to be rolled out in the next few months.

These are striking examples of the company's rapid digitisation, illustrated by a number of highly customer-centric developments in the Auchan Retail countries in the first half of 2018.

In the first six months of 2018, Auchan Retail generated revenue of €25.1 billion, stable at constant exchange rates compared with 30 June 2017 and excluding the impact of IFRS 15 (-3.2% at current exchange rates and adjusted for the impact of IFRS 15).
The continuing difficulties in France, Russia and Italy and the operating expenses associated with the transformation programme (a total of €112 million in the first six months of the year) negatively impacted the results. EBITDA was €619 million, down 22.8%.

According to Wilhelm Hubner, General Manager of Auchan Retail:
"Auchan Retail's transformation programme is in full swing and our teams worldwide are working hard to implement it in accordance with our fixed guidelines and schedules. Our financial results do not yet reflect this energy and the significant progress that has already been made. Nevertheless, at the same time as continuing to invest to ensure this transformation's success and committing our teams both to reinventing our business and providing day-to-day services to our customers, we have managed, despite the circumstances, to maintain our levels of revenue. This commitment will continue in the second half of the year for the benefit of our customers and with a view to continuing our transformation. This gives me confidence for future years, as we are moving in the right direction."

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Auchan Holding: Maintaining a strong financial position

The consolidated financial statements as at 30 June 2018 reflect the adoption of IFRS 9 and IFRS 15 on 1 January 2018. The 2017 figures have not been restated.

Consolidated pre-tax revenue slightly up at constant exchange rates, excluding the impact of IFRS 15

At 30 June 2018, Auchan Holding recorded consolidated revenue excluding taxes of €25.7 billion, down 3.0% at current exchange rates. It included the negative impact of changes in the exchange rates of the Russian rouble, the Chinese yuan, the Taiwanese dollar and the Ukrainian hryvnia.
At constant exchange rates and restated for the impact of IFRS 15, revenue was slightly up (+0.2%). The revenue of Ceetrus and Oney increased significantly, while that of Auchan Retail was stable.
At constant exchange rates, revenue fell by 0.8% in France and 2.3% in Eastern Europe (-9.6% at current exchange rates, adversely impacted by Russia, with all other countries posting growth in their revenue). Revenue increased by 0.3% in Western Europe (excluding France) as a result of strong performances in Portugal and Spain. In Asia, revenue also increased by 0.3% (-3.4% at current exchange rates).
Business activity continued to grow in Africa with revenue in Senegal tripling over the period.

Auchan Holding’s gross profit margin increased by 0.5 basis points to 23.9%, due in particular to the growth in the gross profit margin of 10 Auchan Retail countries.

The commitment of the 3 companies to their transformation was reflected in a significant increase in operating expenses, in particular for Auchan Retail, which posted falls in profits in France, Russia and Italy. As a result, Auchan Holding’s EBITDA was €888 million at 30 June 2018, down 17.0% year-on-year, with an EBITDA margin of 3.5%. It included a negative exchange rate impact of €34 million.

Operating profit from continuing operations was €145 million, compared with €326 million as at 30 June 2017, impacted by Auchan Retail's transformation costs.

Other operating profit and expenses comprised an expense of €28 million compared with an expense of €101 million in the first half of 2017.

Accordingly, operating profit was €117 million, compared with €225 million as at 30 June 2017.

As at 30 June 2018, Auchan Holding posted a net loss from continuing operations of €4 million, down €109 million, close to break-even. In the first half of 2017, net profit included a non-recurring gain generated by the sale of Alinéa.

A significant rise in investments and a continuing strong financial position

Auchan Holding's cash flow from operations was €699 million in the first half of the year, down €198 million year-on-year. Ceetrus and Oney's cash flows from operations increased.

In the first half of 2018, Auchan Holding's investments net of disposals grew by €407 million. This rise is attributable to the investments made in the programme of convergence to a single brand for each Auchan Retail country, particularly in France, Spain and Italy. Ceetrus continued to grow and increased its investments, particularly in France and Luxembourg. Ceetrus also invested in two major projects, one in Portugal (acquisitions of shopping centres in Lisbon (Rio Tejo) and the other in Italy (Cinisello)). Finally, disposals fell by €107 million (in the first half of 2017, the disposal of Alinéa and the Bussolengo mall in Italy had generated €95 million).

On 30 June 2018, net financial debt amounted to €4,457 million, with gearing (i.e. the ratio of net financial debt to equity) remaining under control at a level of 34.8%.

According to Régis Degelcke, Chairman of the Management Board of Auchan Holding:
"Auchan Holding's results are substantially impacted by its ongoing transformation costs. This is particularly the case for Auchan Retail, the results of which are not consistent with the commitment and expectations of the teams for the first half of the year. Nevertheless, in all 3 businesses, the transformation is progressing in line with the schedules set for each business; I am confident that the teams fully appreciate the need to digitally transform our businesses. The significant global and local partnerships entered into with major businesses in the digital sector are helping us to accelerate. This points to a successful future."

Key figures in the first half of 2018 (per IAS/IFRS)

€ million	**H1 2018**	H1 2017	**Change at current exchange rates**	**Change at constant exchange rates**
Revenue	**25,683**	**26,466**	**-3.0%**	**-0.5%**
EBITDA[3]	894	1,074	-16.7%	-14.0%
Operating profit from continuing operations	**145**	**326**	**-55.5%**	**-53.6%**
Other operating profit and expenses	(28)	(101)	-72.7%	
Operating profit (loss)	117	225	-48.3%	
Net profit from continuing operations	**(4)**	**105**	**N/A**	**N/A**
Net profit from assets held for sale and discontinued operations		40	N/A	N/A
Profit for the period	**(4)**	**145**	**N/A**	**N/A**
of which attributable to owners of the parent	(151)	(7)	N/A	N/A

€ million	**H1 2018**	H1 2017	**Change (€m and %)**	
Investments net of disposals	800	393	407	x 2.0
Of which current investments	*639*	*505*	*+134*	*+26.5%*
Net financial debt	4,457	3,715	+742	+20.0%
Total equity	12,822	12,063	+759	+6.3%

The Management Board met on 28 August to approve the financial statements for first half of 2018, chaired by Régis Degelcke.

Appendices

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

Consolidated income statement for the first half of 2018

€ million	H1 2018	H1 2017	Change at current exchange rates	Change at constant exchange rates
Revenue	**25,683**	**26,466**	**-3.0%**	**-0.5%**
Cost of sales	(19,556)	(20,285)	-3.6%	
Gross profit	**6,127**	**6,181**	**-0.9%**	**1.6%**
gross profit margin	*23.9%*	*23.4%*	*+0.5 pt*	
Payroll expenses	(3,205)	(3,122)	2.7%	4.6%
External expenses	(1,990)	(1,951)	2.0%	3.9%
Depreciation, amortisation and impairment	(797)	(784)	1.7%	4.5%
Other operating profit and expenses	10	1	N/A	N/A
Operating profit from continuing operations	**145**	**326**	**-55.6%**	**-53.6%**
Current operating margin	*0.6%*	*1.2%*	*-0.6 pt*	
Other operating profit and expenses	(28)	(101)	-72.7%	-72.7%
Operating profit	**117**	**225**	**-48.3%**	**-44.5%**
Net cost of financial debt	(18)	(18)	3.3%	-33.4%
Other financial revenue and expenses	(22)	11	N/A	N/A
Income tax expense	(80)	(111)	-28.1%	-24.7%
Share of net profit (loss) of associates	(2)	(2)	-3.8%	5.2%
Net profit from continuing operations	**(4)**	**105**	**N/A**	**N/A**
Net profit from assets held for sale and discontinued operations	0	40	N/A	N/A
Profit for the period	**(4)**	**145**	**N/A**	**N/A**
Profit for the period - attributable to owners of the parent	(151)	(7)	N/A	N/A

Consolidated statement of financial position as at 30 June 2018

ASSETS (in € million)	30/06/2018	31/12/2017	Chge. 2017/2018
Goodwill	3,729	3,692	37
Other intangible assets	1,048	1,052	(4)
Property, plant and equipment	11,435	11,636	(201)
Investment property	5,044	4,627	417
Investments in associates	247	184	63
Customer loans - credit activity	1,329	1,265	64
Other non-current financial assets	508	504	4
Derivative financial instruments (non-current)	119	129	(10)
Deferred tax assets	347	350	(3)
NON-CURRENT ASSETS	**23,805**	**23,439**	**366**
Inventories	4,323	4,910	(587)
Customer loans - credit activity	1,370	1,647	(277)
Trade receivables	449	526	(77)
Current tax assets	170	113	57
Other current receivables	2,412	2,339	73
Derivative financial instruments (current)	90	52	38
Cash and cash equivalents	2,457	2,619	(162)
Assets classified as held for sale			
CURRENT ASSETS	11,271	12,206	(935)
TOTAL ASSETS	**35,076**	**35,645**	**(569)**

LIABILITIES (in € million)	30/06/2018	31/12/2017	Chge. 2017/2018
Share capital	604	604	0
Share premiums	1,914	1,914	0
Reserves and net income attributable to owners of the parent	6,757	7,394	(637)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**9,275**	**9,912**	**(637)**
Non-controlling interests	3,547	3,369	178
TOTAL EQUITY	**12,822**	**13,281**	**(459)**
Provisions	280	282	(2)
Non-current borrowings and other financial liabilities	3,342	3,728	(386)
Debts financing the credit activity	1,324	928	396
Derivative financial instruments (non-current)	17	22	(5)
Other non-current liabilities	461	341	120
Deferred tax liabilities	597	627	(30)
NON-CURRENT LIABILITIES	**6,022**	**5,927**	**95**
Provisions	251	247	4
Current borrowings and other financial liabilities	3,748	1,487	2,261
Debts financing the credit activity	865	1,387	(522)
Derivative financial instruments (current)	18	52	(34)
Trade payables	7,139	8,799	(1660)
Current tax liabilities	123	140	(17)
Other current liabilities	4,088	4,325	(237)
Liabilities classified as held for sale			
CURRENT LIABILITIES	16,232	16,436	(204)
TOTAL LIABILITIES	**35,076**	**35,645**	**(569)**

AuchanHolding

Contact for investors

François-Xavier Gimonnet - Tel. +33 3 20 81 68 54 – fxgimonnet@auchan.com

Press contact

Marie Vanoye – Tel. +33 3 20 81 68 52 – mvanoye@auchan.com

www.auchan-holding.com / @Auchannews