Conference Call July 13, 2017
Casino Q2 2017 Sales

Good morning, Ladies and Gentlemen, and thank you for joining this conference call dedicated to Casino Group's Q2 2017 Sales.

As usual I will comment the quarterly performance at group level and then for each of our three reporting segments.

You remember that given the disposal process started by GPA for its Electronics business Viavarejo, we no longer report any sales for these activities that are treated as discontinued.

<u>Let's start with the Group Net sales</u>

The calendar effect in Q2 is almost nil at group level, with the shift of Easter from March last year to April this year being offset by changes in national Holidays in France.

Ex calendar and petrol**,** total Group net sales amounted to 9.3 Bn€, a +7.9% growth, with a positive impact of currencies of 4.3% and a positive of +0.1% related to petrol sales.

Total sales grew organically by 3.3% in Q2 2017 above the previous quarter (+3.1%) with a sequential improvement for our French operations. In Brazil, given a lower inflation, the real growth is actually stronger in Q2 than in Q1.

Comparable sales numbers continued to improve and grew +3.0% in Q2 at group level on the back of a +3.9% in Q2 2016 (excluding Via Varejo and Nova). As we will see it when I detail the different segments, this is driven by strong performances of our major French banners.

I will now go across each of these segments and will start with the performance of our Retail operations in France, excluding e-commerce.

<u>FRANCE RETAIL</u>

Let's start with a wrap-up on our trading environment in the second quarter of 2017.

- As expected, market deflation stopped in the second quarter. According to INSEE, YoY FMCG prices were positive in modern trade around +0.3%. A positive evolution of prices had not been seen since Q3 2013.

- If we look at the French food market, consumption at constant prices over the first two months of Q2 2017, was up +2.2% (INSEE).

- Advanced indicators are well oriented, with the consumer confidence index reaching a 10 year high, with a strong surge in June at 108. This indicator has been above its long term average of 100 for the fifth consecutive month.

Gross sales in France amounted to 5.3 B€ up 2% on a l-f-l basis.

Net sales grew +1.8 l-f-l of which +2.9% in food. Our retail banners outperformed the French food market in Q2:

- City center banners enjoyed a strong improvement of their traffic which supported sales
- Better execution in fresh products and improvement execution in HM and SM delivered goods results
- Omni-channel initiatives are well perceived by customers

Let's review first the Business units we operate in the SM and Proximity formats and which account for 62% of our French sales.

Monoprix posted a strong +3.6% in their lfl sales in Q2, the best quarter since 2011. Traffic was up +3.5%. Several initiatives supported the business: a stronger penetration of the loyalty card, extended openings hours, strong on line sales, success of delivery options.

Food and non-food categories performed well. All Non -food categories: Textile, Home furnishing and Health and beauty (31% of the sales) were positive in this quarter.

Organic sales of Monoprix were up +3.9%. Stores opening offset the temporary impact of the renovation of two important flagships in Paris and Versailles, presently closed.

Supermarchés Casino grew organically +2.3% and 3.2 % in comparable sales. Traffic increased and market share up was +0.1pt on a cumulative basis end of P6. Focus on key product families like fresh and gourmet, with more service and improvement of delivery options such as click and collect and fast Home delivery were top priorities of the management.

Franprix comparable sales grew +3.2 % l-f-l, thanks to a strong traffic improvement of +6.4% with the finalisation of the roll out of the Mandarine concept, 73% of the 880 stores have now been renovated of which 95% of the integrated stores as of June 2017. As expected, organic sales are now positive +2.6%, with 30 openings in H1. Franprix has been awarded the "cross canal" award by LSA a major magazine of the retail industry.

The **Proximity** sales were only slightly negative for our integrated stores in Q2, but quite positive for franchise networks Vival and Spar at +6.8%. If we consider the combined comparable growth of our integrated and franchised stores, l-f-l were positive +2.5%

The Petit Casino banner has continued to improve its assortment and to develop its franchised network.

Leader Price showed a +0.5% in l-f-l sales evolution with stable market share and traffic. Renovation under a new concept has been started, with 46 stores transformed as end of june 2017. Leader Price has 158 drives.

Géant posted a positive evolution of its l-f-l at 0.8% on the back of a strong +2.2 % in Q2 2016. Selling spaces were reduced by -1.1% in H1, contributing an increase of +0.6% of the sales per Sqm.

Food sales were up +4% (on the back of a +1.9% in Q2 last year). This growth was supported by the strong results achieved for the fresh categories: Traiteur, Fruit and Vegetable, organic ranges, which are at the center of the banner 2017 priorities as previously discussed. Géant increased its market share by 0.1pt in the last Kantar period.

Non-food sales were negative as expected with a demanding comparison base. The banner has 108 drives and is developing its multi-channel strategy with the support of Cdiscount. The on-line platform of our group is now the exclusive supplier of Géant for Technical and Home ranges, offering a one hour availability in store.

E- Commerce

GMV of Cdiscount reached 685 M€ in Q2 2017, growing +7.4% adjusted for the discontinued activities and the leap year. Excluding the TV product families, where the comparison base was abnormally high last year and the change in the Sales period, GMV grew +11.5%, with a continuous acceleration during the quarter.

Market place sales accounted for 35% of volumes sold, + 314 bp above the level of last year.

Traffic was again up double digit at +11.6%, with mobile visits representing now 59% of the total, up 767 bp Y-o-Y.

As per the panellist Kantar, Cdiscount increased its market share in may 2017 for high tech and House appliances by 151 bp. in value and 229 bp. in volume.

Cdiscount is continuously working on the improvement of the client experience, the enlargement and the pricing of its offer and on its delivery options.

Let's move now to our Food retail activities in Latam which comprise Grupo Exito and GPA (excluding Viavarejo).

LATAM FOOD

In Q2 organic sales are up +6.4% with l-f-l up +3.7%, with a strong base in 2016 (organic growth +11.8% and comparable +7.1%)

In Brazil, GPA gross sales amounted to 3.3 B€ up 9.9% in organic.

Net sales sales of GPA were up +9.1% in organic and +5.9% on a comparable basis (vs 9.8% and 5.8% respectively in Q1). Once adjusted for a food inflation lower by 300 bps in Q2 vs Q1, the second quarter shows an improvement of the sales momentum both for Assai and for Multivarejo.

- Assai continued to show impressive trends, above the Q1 figures: with a double digit traffic growth, an acceleration in comparable sales growth +13.5% (vs +12.9% in Q1) and + 29.2% (vs. 28.8% in Q1) in organic with 4 new stores added over the last quarter. Food inflation has continuously slowed down, to land at +2.3% in Q2 2017, vs +5.2% in Q1 2017. Assai accounts for 40 % of the total sales vs. 34.4% a year ago and is gaining market share. Recently converted stores generate under the Assai banner 2.5 times more sales than under the Extra banner.

- Multivarejo comparable sales grew+ 1.6%, with strong l-f-l for Extra HM at +7.6% vs +5.4% in Q1. Non-food sales accelerated in HM supported by better assortment in mobile, general merchandise and household appliances. Extra Hiper gained market share in the four available periods of 2017. Innovative actions were implemented during the quarter to support traffic. A personalized promotion program generated by a special app targeting the 12 million Loyalty card holders called "My discount"was launched.

CONCLUSION

As a conclusion, I would like to underline the following key elements in our Q2 numbers.

1/ In France food sales l-f-l grew at 2.9% and we outperformed the French food market. Our most differentiated banners, which are the most profitable as well, continue to grow fast thanks to very good traffic trends and continuous expansion. Traffic is supported by renovation of stores and innovation in processes. Our renewed focus on fresh and organic categories has delivered excellent results across all banners, including HM where food l-f-l are up 4%.

2/ Non Food sales in HM are down as expected and we continue to reduce selling spaces to increase our sales density in those stores and to improve our margin per sqm. Adjusted for non-recurring events, Cdiscount posted a double digit growth of its GMV and will now manage non-food assortment for technical products in our Géant store.

3/ In Brazil, the sales performance in real terms in Q2 was stronger than in Q1. The rebalancing of the portfolio of stores with a higher exposure to cash carry has been faster than initially planned and quite successful with massive uplifts after transformations. GPA will continue to develop the footprint of Assai, while improving execution for the other banners. The HM recovery is under way.

4/ Regarding our trading profit in H1, on the basis of unaudited numbers that can change, we consider today to be fully in line to achieve our yearly objectives. More specifically,

- H1 2017 group trading profit should increase more than 20% vs. H1 2016.
- Trading profit for France, including real estate developments should be above 115 M€, with real estate results being down year on year as planned and food retail activities growing significantly.