

## Alternative performance indicators

Management believes that alternative indicators which are not defined in any IFRS standard provide additional information that is useful to shareholders when analysing the Group's underlying trends as well as its performance and financial position. These indicators are used by management to analyse performance. As they are not defined in any IFRS standard, they are not directly comparable with indicators with similar names reported by other companies. Furthermore, they are not intended to replace the IFRS indicators presented in the financial statements, nor should they be seen as more important.

This document has been drawn up in line with Position no. 2015-12 issued by France's securities regulator (*Autorité des Marchés Financiers* – AMF) on alternative performance indicators.

2015 data have been restated at 31 December 2016 to retroactively take into account the disposal of operations in Thailand and Vietnam, the reclassification of Via Varejo and Cnova Brazil as discontinued operations and the change in presentation within net financial expense.

### Alternative performance indicators not published in the financial statements

#### *Underlying financial income/expense*

Underlying financial income/expense corresponds to net financial income/expense restated for changes in the fair value of equity derivatives (such as total return swaps and forward and call options on GPA shares) and the effects of discounting tax liabilities in Brazil.

The Group uses this indicator to measure recurring financial income/expense.

The table below reconciles underlying financial income/expense to the aggregates reported in the consolidated financial statements:

(€ millions)	2016	2015 restated
Net finance costs	(324)	(240)
Other financial income	286	162
Other financial expenses	(321)	(503)
Plus/(minus):		
Changes in fair value of derivative instruments not qualifying for hedge accounting	(69)	327
Other	18	17
<b>Underlying financial income/expense</b>	<b>(411)</b>	<b>(237)</b>

***Underlying net profit***

***Underlying net profit, Group share***

***Underlying minority interests***

***Underlying earnings per share***

Underlying net profit corresponds to net profit from continuing operations adjusted for (i) the impact of other operating income and expenses (as defined in the "Significant Accounting Policies" section of the notes to the annual consolidated financial statements), (ii) the effects of non-recurring financial items and (iii) non-recurring income tax expenses/benefits.

Non-recurring financial items result from restatements made to calculate underlying financial income/expense (see above).

Non-recurring income tax expense/benefits correspond to (i) tax effects that are directly related to the above restatements, and (ii) to direct non-recurring tax effects. In other words, the tax on underlying profit before tax is calculated at the standard average tax rate paid by the Group.

Underlying minority interests represent the share of underlying net profit attributable to non-controlling interests. This indicator is therefore equal to net profit from continuing operations attributable to non-controlling interests, adjusted for other operating income and expense, non-recurring financial items and non-recurring income tax expense/benefits attributable to non-controlling interests (see the definition for underlying net profit, Group share).

Basic underlying earnings per share corresponds to underlying net profit, Group share for the period divided by the weighted average number of shares outstanding during the period that make up the share capital. Diluted underlying earnings per share is calculated by adjusting profit attributable to shareholders and the weighted average number of shares outstanding, for the impact of all potentially dilutive instruments.

The Group uses these indicators to measure changes in recurring profit from operations. The table below reconciles underlying net profit to the aggregates reported in the consolidated financial statements:

<b>(€ millions)</b>	<b>2016</b>	<b>2015 restated</b>
<b>Net profit (loss) from continuing operations</b>	36	111
Plus/(minus):		
Other operating income (expense)	625	349
Other financial income (expense) <sup>(1)</sup>	(51)	344
Tax effect related to the above restatements and direct non-recurring tax effects	(155)	(206)
<b>UNDERLYING NET PROFIT</b>	<b>455</b>	<b>597</b>
o/w attributable to non-controlling interests	114	240
<b>o/w Group share</b>	<b>341</b>	<b>357</b>
Basic underlying earnings per share	2.62	2.74
Diluted underlying earnings per share	2.56	2.31

(1) see paragraph above on "underlying financial income/expense".

#### **Free cash flow before and after dividends**

Free cash flow before dividends is defined by the Group as cash flow from operating activities, as presented in the consolidated statement of cash flows, less net capital expenditure (see below) and net interest paid.

Free cash flow after dividends is defined by the Group as free cash flow before dividends received less dividends paid.

This indicator allows the Group to measure cash flow arising from and used in operating activities. Management believes that free cash flow provides investors with critical perspective on the liquidity available to shareholders, debt repayments and acquisitions, after the necessary investments have been made in fixed assets to support ongoing business operations, interest on borrowings and long-term value creation. Free cash flow is used to measure Group performance and overall liquidity.

The table below reconciles free cash flow before and after dividends to the aggregates reported in the consolidated financial statements:

(€ millions)	Continuing operations		Discontinued operations		Group	
	2015	2016	2015	2016	2015	2016
<b>Net cash from operating activities</b>	<b>1,896</b>	<b>1,786</b>	<b>1,025</b>	<b>(122)</b>	<b>2,921</b>	<b>1,664</b>
Cash outflows related to acquisitions of property, plant and equipment, intangible assets and investment property	(1,222)	(1,160)	(267)	(66)	(1,488)	(1,226)
Cash inflows related to disposals of property, plant and equipment, intangible assets and investment property	150	368	11	5	161	373
Interest paid, net	(371)	(165)	(277)	(272)	(648)	(436)
<b>Free cash flow before dividends</b>	<b>453</b>	<b>829</b>	<b>492</b>	<b>(455)</b>	<b>945</b>	<b>374</b>
Dividends paid to equity holders of the parent	(352)	(521)	-	-	(352)	(521)
Dividends paid to non-controlling interests	(88)	(78)	(82)	-	(170)	(78)
Dividends paid to deeply subordinated perpetual bond holders	(48)	(47)	-	-	(48)	(47)
<b>Free cash flow after dividends</b>	<b>(34)</b>	<b>183</b>	<b>410</b>	<b>(455)</b>	<b>376</b>	<b>(272)</b>
<i>o/w France</i>					<i>6</i>	<i>102</i>
<i>o/w other</i>					<i>370</i>	<i>(374)</i>

### **Gross capex**

#### **Net capex**

Gross capex corresponds to "Cash outflows related to acquisitions of property, plant and equipment, intangible assets and investment property", as presented in the consolidated statement of cash flows.

Net capex corresponds to gross capex less "Cash inflows related to disposals of property, plant and equipment, intangible assets and investment property", as presented in the consolidated statement of cash flows.

These two items make up free cash flow.

The table below reconciles **net capex in continuing operations** to the aggregates reported in the consolidated financial statements:

(€ millions)	2016	2015 restated
Cash outflows related to acquisitions of property, plant and equipment, intangible assets and investment property	(1,160)	(1,222)
Cash inflows related to disposals of property, plant and equipment, intangible assets and investment property	368	150
<b>Capex net in continuing operations</b>	<b>(792)</b>	<b>(1,072)</b>

**Net investment**

Net investment, recorded in the statement of cash flows, is equal to the sum of (i) acquisitions of financial assets less financial asset disposals and (ii) the effect of changes in scope of consolidation resulting in a gain/loss of control or related to equity-accounted entities.

This indicator measures non-operational investments.

The table below reconciles **net investments in continuing operations** to the aggregates of reported in consolidated financial statements:

<b>(€ millions)</b>	<b>2016</b>	<b>2015 restated</b>
Cash outflows related to acquisitions of financial assets	(118)	(42)
Cash inflows related to disposals of financial assets	11	7
Effect of changes in scope of consolidation resulting in a gain/loss of control	(116)	(160)
Effect of changes in scope of consolidation related to equity-accounted entities	(5)	-
<b>Net investment in continuing operations</b>	<b>(228)</b>	<b>(195)</b>

## **Non-GAAP indicators published in the financial statements**

The indicators presented below are included in the consolidated financial statements. Only the definitions of these indicators are provided. The corresponding reconciliation tables can be found in the notes to the financial statements.

### ***Trading profit***

Trading profit is defined as operating profit before (i) certain non-recurring items that would distort analyses of the Group's recurring operating performance due to their unusual, abnormal or infrequent nature and material value, and (ii) certain items which, by definition, are not included in an assessment of a business unit's recurring operating performance, such as impairment losses on non-current assets, and income/expenses related to changes in the scope of consolidation.

Trading margin corresponds to trading profit expressed as a proportion of net sales.

### ***EBITDA***

EBITDA (earnings before interest, taxes, depreciation and amortisation) is defined as trading profit plus recurring depreciation and amortisation expense included in trading profit.

EBITDA margin corresponds to EBITDA expressed as a proportion of net sales.

### ***Cash flows from operating activities***

Cash flows from operating activities, as presented in the statement of cash flows, corresponds to net cash from operating activities before changes in working capital and income tax paid. It is calculated based on consolidated net profit excluding non-cash items or items unrelated to operating activities (such as depreciation, amortisation and provisions other than on current assets, fair value adjustments, expenses related to share-based payments, gains/losses on disposal of non-current assets, and gains/losses due to changes in percentage ownership of subsidiaries resulting in the gain/loss of control or of non-controlling interests).

### ***Net cash***

Net cash corresponds to cash and cash equivalents less bank overdrafts.

### ***Net debt***

Net debt corresponds to loans and other borrowings including related derivatives with a negative fair value acquired as hedges and reverse factored trade payables reclassified as financial liabilities, less (i) cash and cash equivalents, (ii) financial assets held for cash management purposes and as short-term investments, (iii) related derivatives with a positive fair value acquired as hedges, (iv) financial assets arising from a significant disposal of non-current assets and (v) net assets held for sale attributable to owners of the parent of the selling subsidiary.

## **Other terms**

### ***Constant exchange rates***

The expression "at constant exchange rates" means applying prior-year exchange rates to the current year, with all other things being equal.

### ***Same-store sales (or like-for-like sales)***

Same-store sales include e-commerce sales and sales of merchandise excluding fuel from consolidated stores open for at least 12 months. The figure is calculated at constant exchange rates.

### ***Organic sales***

Organic sales correspond to consolidated sales at constant scope of consolidation and exchange rates.

### ***Gross merchandise volume (GMV)***

GMV (gross merchandise volume or merchandise volume including tax) is an indicator used in the e-commerce business. It corresponds to net sales including tax from the Cnova group website and independent marketplace merchants.

### ***Food sales***

Food sales are defined as net sales before tax of fast moving consumer goods, fresh produce and processed products.

### ***Calendar effect***

The calendar effect measures the theoretical impact on net sales growth of calendar differences from one year to the next. It includes:

- ✓ the impact of the change in the number of business days per calendar week from one year to the next (increase/decrease in number of days compared to Y-1 over a given period: month, quarter or year),
- ✓ the impact of calendar differences in business days affected by sharp increased and decreases in net sales (public holidays, school holidays, long weekends, major promotional campaigns, seasonal sale periods and key holidays).

### ***Customer traffic***

Customer traffic corresponds to the number of check-out transactions.