FIRST-HALF 2019 RESULTS

- Impacted by the increase in pork prices, recurring operating loss of €5.3 million, with a recurring operating margin of negative 1.5%
- Net loss of €8.8 million

Pouzauges – 10 September 2019: *"The results for first-half 2019 are disappointing mainly due to a sharp rise in the price of pork meat linked to the shortage of global supply following the swine fever epidemic. In addition to this price effect, there was also slower activity due to lacklustre consumption in the Charcuterie market. The second half is also likely to prove complex as prices continue to rise. Operations are expected to grow, buoyed by a remodelled and innovative offering, as demonstrated by the clear success of zero-nitrite charcuterie and Jars prepared meals, which were both ranked among the 12 best innovations of the period by an independent research company.*
In consolidated entities, International Operations has returned to profitability following the refocusing of Fleury Michon America on airline catering.
In June and July 2019, the Group stepped up its diversification by acquiring a stake in Frais Emincés in France and in Marfo Food Group BV in the Netherlands, which will drive forward our goal of "Helping people eat better every day" thanks to Frais Emincés' fruit and vegetable range and Marfo's airline catering business. This acquisition has made airline catering a new core business for the Group, giving it great potential for profitable growth."
Régis Lebrun, Chief Executive Officer of Fleury Michon

In first-half 2019, the Group recorded consolidated revenue of €348.8 million*, down 2.7% year on year, without taking into account its PFI joint venture in Italy and Platos Tradicionales joint venture in Spain.

Recurring operating loss for the first six months of the year stood at €5.3 million, with operating loss totalling €5.7 million for an operating margin of negative 1.6%. Net loss for the period came to €8.8 million, for a net margin of negative 2.5%.

IFRS income statement items (in €m)*	First-half 2018	First-half 2019
Revenue	358.4	348.8
Recurring operating profit (loss)	10.9	-5.3
Recurring operating margin	3.1%	-1.5%
Non-recurring operating loss	*-0.9*	*-0.4*
Operating profit (loss)	10.0	-5.7
Operating margin	2.8%	-1.6%
Net financial income (expense)	*-0.6*	*0.4*
Income tax benefit (expense)	*-2.9*	*1.2*
Share in profits and losses of equity-accounted companies	*-0.2*	*-4.8*
Consolidated net profit (loss)	6.3	-8.8
Net margin	1.8%	-2.5%

** The consolidated financial statements were approved by the Board of Directors on 10 September 2019. They have been reviewed by the Statutory Auditors. The final revenue figure totalled €348.8 million, compared with the €349.1 million reported on 18 July 2019.*

REVENUE PERFORMANCE

Revenue by business segment (in €m)	Second quarter			First half		
	2018	2019	Change	2018	2019	Change
French Supermarkets	157.8	151.1	-4.2%	305.6	297.0	-2.8%
International Operations[1]	13.5	13.6	+0.7%	24.1	24.6	+2.1%
Sales and Services	14.6	14.2	-2.7%	28.7	27.2	-5.2%
Total	**185.9**	**178.9**	**-3.8%**	**358.4**	**348.8**	**-2.7%**

(1) At current exchange rates.

As previously announced, the Group recorded consolidated revenue of €348.8 million in first-half 2019, down 2.7% year on year, without taking into account the joint ventures in Italy and Spain.
Revenue from French Supermarkets (85.1% of the Group's business) was down 2.8%, affected by a computer virus in the second quarter, which resulted in deliveries being suspended for three days. The calendar effect for the days on which deliveries were not made due to the computer virus was a negative 4.0% for the quarter and a negative 2% for the half year (Number of days with no deliveries/Number of days with deliveries throughout the period).
Within International Operations (7.0% of revenue), which was up 2.1% at current exchange rates, Fleury Michon America (formerly DDF Canada) reported 9.4% growth at current exchange rates (7.0% growth at constant exchange rates). Additionally, joint ventures in Italy and Spain, which are not fully consolidated, and International Operations turned in a positive performance.
Sales and Services accounted for 7.9% of revenue, down 5.2%. This segment was affected by the drop in non-strategic, historical eat-out activities. However, Room Saveurs and Good Morning reported growth of 4.7% over the period.

Effect of changes in Group structure (in €m)*	First-half 2018	First-half 2019	Change
Constant Group structure	352.8	339.6	-3.7%
Changes in Group structure[1]	5.6	9.2	+64.0%
Total	358.4	348.8	-2.7%

[1] Including acquisition of Paso (April 2018). * At current exchange rates.

RECURRING OPERATING LOSS AND OPERATING LOSS

Operating loss came to €5.7 million in first-half 2019 versus an operating profit of €10.0 million in first-half 2018. This decline is essentially linked to French Supermarkets. International Operations improved its profitability, driven by the turnaround at Fleury Michon America (formerly DDFC). The downturn in French Supermarkets was due to the drop in business, as well as a sharp rise in supply costs, primarily for pork meat. Prices rose rapidly as the global supply of pig stocks dropped following the swine fever epidemic. The effects of the resulting rise in wholesale rates will mainly be felt in the second half of the year given the time needed to negotiate with retailers.

SHARE IN PROFITS AND LOSSES OF EQUITY-ACCOUNTED COMPANIES AND NET LOSS

Despite a strong revenue performance from both entities (PFI in Italy and Platos Tradicionales in Spain), the share in profits and losses of equity-accounted companies totalled a net loss of €4.8 million in the first six months of 2019. In Spain, the sustained level of growth has not yet been optimised from an industrial production point of view, which is currently creating additional costs and bringing down profitability. In Italy, earnings were affected by higher fixed costs for a production site, as well as a less favourable product sales mix in first-half 2019.

Taking this into account, consolidated net loss came to €8.8 million for a net margin of negative 2.5%, versus a positive 1.8% in first-half 2018.

FINANCIAL POSITION

Fleury Michon's financial position is healthy. In light of its results, the Group ended the first half of the year with equity of €222.2 million, down 2.6% from €228.0 million at end-June 2018. Net debt[1] stood at €140.0 million, compared with €90.9 million at end-June 2018. This was affected by the repayment of bank borrowings without taking out new loans, the acquisition of an interest in Frais Emincés in the first half of the year, and the transition to IFRS 16 and the subsequent restatement of data (for around €10 million), among other factors. Group gearing[2] was 63.0%, versus 39.9% at 30 June 2018.

OUTLOOK

After a challenging six months, and in an unpredictable pork market with abnormally high prices, the Group expects to see an improvement in the second half of the year. However, it will not be sufficient to offset the operating loss and net loss recorded in the first half.

All business segments (French Supermarkets, Sales and Services and International Operations) and joint ventures are expected to improve in 2020, both in terms of business and earnings.

[1] Long- and short-term borrowings, less cash and cash equivalents and investments.
[2] Net debt/equity.

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NEXT ANNOUNCEMENT
25 October 2019 after market close Third-quarter 2019 revenue

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