# PRESS RELEASE

Sèvres, July 28, 2014

## 2014 Second-quarter Revenue
## 2014 Interim Results

- **Sustained growth of Healthcare and Consumer Goods**
- **Revenue down 4.1% in the first-half and 5.2% in the second quarter**
- **Recurring operating income of €123.8 million, representing 7.1% of sales**
- **Attributable net income of €42.1 million**

**In a statement, Richard Bielle, Chairman of CFAO's Management Board said: "**In the first half of the year, CFAO delivered strong performances.
Eurapharma confirmed its growth potential with excellent like-for-like growth supported by the positive contribution from recent developments.
In the consumer goods sector, many projects have been put in place successfully. They have already enriched the group's diversity, bringing in new employees who can contribute their expertise and are eager to help CFAO Group to grow.
During the first six months, the automotive business was affected by a sharp contraction of the Algerian auto market and the gradual termination of some vehicle distribution agreements.
The consolidation of our partnership with Toyota in West Africa, the renewal of our partnership with General Motors in the Maghreb and the signing of new distribution agreements with Volkswagen in East Africa confirm our model as a distributor of the world's top brands. These partnerships and other projects in the pipeline will strengthen our capacity for growth and reinforce our leadership in Africa."

### 1. 2014 first-half and second-quarter revenue

Throughout this press release, "like-for-like" changes correspond to changes observed on a constant Group structure and exchange rate basis.

Changes in Group structure in the first half of 2014 chiefly concerned the first-time consolidation of General Import & Distribution in Nigeria (Consumer Goods business line), which is now wholly-owned.
These changes had a positive impact on revenue in both the second quarter and first half of the year, of €22.7 million and €45.8 million, respectively.

Exchange rate fluctuations had a negative €25.3 million impact on the translation of revenue into euros in the second quarter and a negative €44.0 million impact in the first half. It has mainly concerned the following countries: Algeria, Ghana, Kenya, Zambia and Democratic Republic of Congo.

| **Revenue trends by business line** | Second quarter 2013 (in €m) | Second quarter 2014 (in €m) | Change (like-for-like) | Change (reported) | First-Half 2013 (in €m) | First-Half 2014 (in €m) | Change (like-for-like) | Change (reported) |
|---|---|---|---|---|---|---|---|---|
| Equipment & Services | 576.4 | 488.1 | -12.3% | -15.3% | 1,150.7 | 982.1 | -12.1% | -14.7% |
| Healthcare | 288.0 | 300.9 | +5.9% | +4.5% | 549.3 | 588.4 | +8.4% | +7.1% |
| Consumer Goods | 65.2 | 92.1 | +7.1% | +41.2% | 126.7 | 181.5 | +7.6% | +43.3% |
| **Group total** | **929.5** | **881.1** | **-4.9%** | **-5.2%** | **1,826.7** | **1,751.9** | **-4.2%** | **-4.1%** |

***Note**: as of the beginning of 2014, CFAO's organizational structure is based around our three strategic development areas: equipment & services, healthcare and consumer good.*

***Equipment & Services**: Automotive, Equipment & Services (the Equipment and Rental Services businesses now form part of this business line and Sub-Saharan Africa includes an area of West Africa comprising French-speaking Africa, Nigeria, Ghana and East Africa) and Technologies*
***Healthcare**: Eurapharma*
***Consumer Goods**: FMCG Industries & Distribution (comprising the beverages, plastic products and FMCG businesses) and CFAO Retail*

CFAO's second-quarter revenue was down 5.2% compared to the same period in 2013 still impacted by the downbeat performance of the Automotive business in Algeria. For the first half as a whole, CFAO sales decreased by 4.1%.

The table below presents the breakdown of the revenue of the **Equipment and Services** business line

| **Equipment & Services revenue trends** | First-Half 2013 (in €m) | First-Half 2014 (in €m) | Change (reported) |
|---|---|---|---|
| Automotive | 1 057.9 | 898.4 | -15.1 % |
| Equipment | 43.9 | 38.7 | -11.9 % |
| Rental services | 13.2 | 14.0 | +6.0 % |
| Technologies | 35.8 | 31.0 | -13.4 % |
| **Equipment & Services total** | **1,150.7** | **982.1** | **-14.7 %** |

In the first half of 2014, CFAO **Automotive**'s revenue fell 15.1% to €898.4 million.

The table below presents the number of new vehicles sold by geographic area in first-half 2013 and first-half 2014:

| **CFAO new vehicle volumes (in units)** | **First-half 2013** | **First-half 2014** | **Change vs. first-half 2013** |
|---|---|---|---|
| West Africa | 11,858 | 10,722 | -9% |
| East Africa | 3,597 | 3,093 | -14% |
| Algeria and Morocco | 20,588 | 13,654 | -34% |
| French Overseas Territories and Vietnam | 5,220 | 4,832 | -7% |
| **Total** | **41,263** | **32,301** | **-22%** |

***Note**: Sub-Saharan Africa is now divided into two zones: West Africa which includes Nigeria and Ghana and East Africa*

Volumes were particularly low in the Maghreb (down 37% in Algeria and down 20% in Morocco) and in East Africa with the non-renewal of Nissan and Renault distribution agreements.

The table below presents CFAO **Automotive**’s revenue trends by geographic area in first-half 2013 and first-half 2014:

| CFAO Automotive revenue (in € millions) | First-half 2013 | First-half 2014 | Change vs. first-half 2013 |
|---|---|---|---|
| West Africa | 421.4 | 397.5 | -5.7% |
| East Africa | 121.8 | 106.9 | -12.2% |
| Algeria and Morocco | 322.9 | 210.4 | -34.8% |
| French Overseas Territories and Vietnam | 191.8 | 183.7 | -4.2% |
| **Total** | **1057.9** | **898.4** | **-15.1%** |

Business was particularly weak in Algeria. After two years of exceptionally strong growth in 2011 and 2012, volumes were down from the beginning of 2013 in strongly declining markets. Sales in Morocco are down by 14%.
In West Africa, the division's sales are down by 5.7% impacted by a weak demand in Ghana and Nigeria where Nissan sales are progressively stopped.
In East Africa, sales are strongly recovering in Zambia and in Tanzania but disappointing in Kenya, Zimbabwe and Madagascar.
Lastly, in the French overseas territories, sales are not progressing neither in La Réunion nor in New Caledonia where the non-renewal of Nissan distribution agreement is impacting directly the volumes.

**Equipment** revenue is down 11.9% at €38.7 million. Both machinery equipment and elevators sales have been weak during the first half of 2014 with a low demand from markets connected by the mining and building industries.

The **Rental Services** business continues to be on a favorable momentum and posted a +6.0% growth during the first half of 2014.

CFAO **Technologies** revenue is down by 13.4% at €31.0 million with lower invoicing from the Gabon subsidiary during the first half of the year.

**Eurapharma**’s pharmaceutical products distribution business posted sustained revenue growth in first-half 2014, both on a reported basis at +7.1% and on a like-for-like basis at +8.4%.

The table below presents revenue for Eurapharma’s pharmaceutical products distribution business by geographic area in first-half 2013 and first-half 2014:

| Eurapharma (in € millions) | First-half 2013 | First-half 2014 | Change vs. first-half 2013 |
|---|---|---|---|
| French-speaking Sub-Saharan Africa | 195.6 | 215.9 | +10.4% |
| English-speaking Sub-Saharan Africa | 41.8 | 41.8 | +0.1% |
| Algeria | 43.4 | 53.2 | +22.5% |
| French Overseas Territories | 179.1 | 184.6 | +3.1% |
| France (export) and Denmark (Missionpharma) | 89.4 | 92.9 | +3.9% |
| **Total** | **549.3** | **588.4** | **+7.1%** |

Sales in French-speaking Africa were up +10.4% with strong performances in mostly all the countries of the zone but were weaker in the English-speaking side impacted by a forex translation effect on revenue in Ghana, Kenya and Nigeria.

The French overseas territories enjoyed growth of +3.1% in the first half of the year after a +1.9% growth during the second quarter.

Lastly, the pre-wholesale business in Algeria was again particularly brisk during the period with a nearly +30% growth.

Revenue of **Consumer Goods** business line came in at €181.5 million in first-half 2014, up 43.3% on the same prior-year period and 7.6% like-for-like.

| **Consumer Goods revenue trends** | First-half 2013 (in €m) | First-half 2014 (in €m) | Change (reported) |
|---|---|---|---|
| Beverages | 99.1 | 111.2 | +12.1% |
| Plastic Products | 25.9 | 18.9 | -27.3%*(*)* |
| FMCG | 1.6 | 51.4 | - |
| Retail | - | - | - |
| **Consumer Goods total** | **126.7** | **181.5** | **+43.3%** |

*(*) The fall in Plastic Products revenue reflects the first-time consolidation of General Import & Distribution, through which certain plastic products are distributed. Like-for-like growth: +13.0%*

Both Beverages and Plastic products activities are enjoying a favorable momentum with a +12.1% and +13.0% (like-for-like) growth respectively.

FMCG revenue is still mainly made with the newly consolidated business of General Import & Distribution in Nigeria.

## 2. First-half 2014 financial and operating performance

| (in € millions) | First-half 2013 | First-half 2014 | Change |
|---|---|---|---|
| **Revenue** | **1,826.7** | **1,751.9** | **-4.1%** |
| Cost of sales | (1,423.2) | (1,347.3) | -5.3% |
| **Gross profit** | **403.8** | **404.6** | **+0.3%** |
| *as a % of revenue* | *22.1%* | *23.1%* | +1.0pt |
| Payroll expenses | (134.7) | (139.8) | +3.7% |
| Other recurring operating income and expenses | (132.7) | (141.1) | +6.3% |
| **Recurring operating income** | **136.1** | **123.8** | **-9.1%** |
| *as a % of revenue* | *7.5%* | *7.1%* | *-0.4pt* |
| Other non-recurring operating income and expenses | (0.2) | 1.9 | **-** |
| **Operating income** | **135.9** | **125.7** | **-7.5%** |
| *as a % of revenue* | *7.4%* | *7.2%* | *-0.2pt* |
| **EBITDA** | **166.0** | **154.4** | **-7.0%** |
| *as a % of revenue* | *9.1%* | *8.8%* | *-0.3pt* |
| Finance costs, net | (18.2) | (20.5) | +12.6% |
| **Income before tax** | **117.7** | **105.2** | **-10.6%** |
| Income tax | (40.7) | (41.7) | +2.4% |
| *Overall effective tax rate* | *34.6%* | *39.6%* | *+5.0pts* |
| Share in earnings of associates | 0.5 | 0.7 | - |
| **Net income of consolidated companies** | **77.5** | **64.3** | **-17.1%** |
| Net income attributable to non-controlling interests | 22.9 | 22.2 | -3.3% |
| **Net income attributable to owners of the parent** | **54.6** | **42.1** | **-23.0%** |
| Earnings per share (in €) | 0.89 | 0.68 | -22.6% |

The Group's **revenue** for the first half of 2014 came in down 4.1% compared with first-half 2013 at €1,751.9 million versus €1,826.7 million.
As stated above, changes in Group structure had a positive impact of €45.8 million and fluctuations in exchange rates had a negative impact of €44.0 million on first-half revenue.

On a like-for-like basis, revenue dropped by 4.2%.

**Gross profit** came in at €404.6 million in the six months to June 30, 2014, up 0.3% year on year. Gross profit margin increased by one point at 23.1% on the previous year (22.1% in first-half 2013). Gross profit margin rose slightly in the Automotive Equipment and Services business with a full impact of the lower parity of the Japanese yen, leading to lower purchasing prices for the Group.

**Payroll expenses** climbed 3.7% to €139.8 million for the first half of the year compared with €134.7 million in first-half 2013. This increase mainly reflects the ramp-up of the CFAO Consumer Goods businesses. In a context of lower revenue, these expenses represent 8.0% of revenue for the first half of 2014, compared with 7.4% in first-half 2013.

**Other recurring operating income and expenses** moved up 6.3% to a net expense of €141.1 million in first-half 2014, versus €132.7 million for the same period in 2013 with stronger depreciation of trade receivables. As a percentage of revenue, these expenses increased slightly year on year from 7.3% to 8.1%.

As a result of the above factors, **recurring operating income** was down 9.1% at €123.8 million, representing a recurring operating profit margin of 7.1%, down 0.4 point on the previous year.

The table below provides a breakdown of **recurring operating income by division**:

| | **First-half 2013** | | **First-half 2014** | |
|---|---|---|---|---|
| | **(in € millions)** | **as a % of revenue** | **(in € millions)** | **as a % of revenue** |
| *Equipment & Services* | 75.8 | 6.6% | 62.7 | 6.4% |
| *Health* | 45.7 | 8.3% | 46.9 | 8.0% |
| *Consumer Goods* | 32.5 | 25.7% | 31.6 | 17.4% |
| *CFAO Holding* | (17.8) | - | (17.5) | - |
| **Total** | **136.1** | **7.5%** | **123.8** | **7.1%** |

The recurring operating profit margin for the Automotive is nearly stable as a percentage of revenue but down in the Technologies activity. Profitability of the Automotive business in Maghreb is strongly impacted by weaker volumes.

Eurapharma's recurring operating profit margin remained high at 8.0%.

Lastly, recurring operating income for the Capital Goods business line division was down slightly due to the ramp-up of Retail activity without revenue.

CFAO ended the first half of 2014 with **operating income** of €125.7 million (7.2% of revenue), down 7.5% and 0.2 point on first-half 2013.

**EBITDA** (corresponding to recurring operating income before net charges to depreciation, amortization and provisions on non-current operating assets) totaled €154.4 million, down 7.0% compared to first-half 2013 and representing 8.8% of revenue.

**Net finance costs** increased by €2.3 million to €20.5 million, compared with €18.2 million in the first-half 2013. The cost of net debt rose €2.0 million during the first half of 2014 to €19.2 million, reflecting a significant increase in average debt during the period. This increase is mainly due to the working capital requirement and notably the reduction of trade payables due to a weaker revenue situation.

The **overall effective tax rate** was 39.6% for the period, compared with 34.6% in first-half 2013. This increase is partly attributable to the non recognition of the Group tax loss on Africa area.

The **Group's share in earnings of associates** totaled €0.7 million in the first half 2014, versus €0.5 million in the comparable prior-year period.

**Net income from continuous operations** decreased by 17.1% at €64.3 million.

**Net income attributable to non-controlling interests** decreased by 3.3% to €22.2 million. It represents 34.5% of consolidated net income vs. 29.5% in first half 2013.

**Net income attributable to owners of the parent** came in at €42.1 million in first-half 2014, down 23.0% from €54.6 million in the same period of 2013.

**Earnings per share** amounted to €0.68, versus €0.89 in first-half 2013.

## 3. Cash flow and financial position

### Consolidated statement of financial position (condensed)

| (in € millions) | June 30, 2013 | Dec. 31, 2013 | June 30, 2014 |
|---|---|---|---|
| Intangible assets | 230.9 | 229.3 | 232.5 |
| Property, plant and equipment | 371.5 | 392.9 | 409.2 |
| Working capital requirement | 719.7 | 604.7 | 739.8 |
| Other assets and liabilities | 30.9 | 30.5 | 23.7 |
| **Capital employed** | **1,353.0** | **1,257.4** | **1,405.2** |
| **Total equity (*)** | **812.8** | **853.9** | **844.3** |
| **Net debt** | **540.2** | **403.5** | **560.9** |

*(*) including equity attributable to non-controlling interests*

### Consolidated statement of cash flows (condensed)

| (in € millions) | First-half 2013 | Full Year 2013 | First-half 2014 |
|---|---|---|---|
| Cash flow from operating activities before tax, dividends and interest | 170.4 | 334.5 | 157.5 |
| *as a % of revenue* | *9.3%* | *9.2%* | *9.0%* |
| Change in working capital requirement | (148.4) | (33.0) | (126.7) |
| Income tax paid | (55.0) | (87.3) | (46.9) |
| Operating capital expenditure, net | (35.2) | (88.6) | (48.5) |
| **Free operating cash flow** | **(68.3)** | **125.6** | **(64.6)** |

**Free operating cash flow** was held back again in first-half 2014 by changes in **working capital requirement** during the period. The sharp increase observed during the first-half of the year is mainly due to the decrease of the payables position due to the slowdown of the activity in the Equipment and Services business line.

The main **operating capital expenditure** items for the period concerned Brasseries du Congo (€15.3 million), Eurapharma subsidiaries (€11.5 million) and the renovation and construction of new showrooms for the Automotive business (€18.9 million).

As of June 30, 2014, **net debt** totaled €560.9 million, up €157.4 million on end-2013 and €20.7 million on end of June 2013. The main items impacting net debt during the period included the change in working capital requirement and the payment of a €0.81 dividend per share to CFAO shareholders in June 2014, corresponding to a total payout of €49.9 million.

The **gearing ratio** stood at 0.66 at end of June 2014 at the same level as the one at the end of June 2013.

The **net debt/EBITDA ratio (*)** came in at 1.82 vs. 1.63 at the end of June 2013 and 1.23 at end-December 2013.

(*) calculated on the basis of two times the EBITDA of the first semester

## 4. Significant events during the first six months of 2014

**-** During the first half of 2014, the distribution contracts with General Motors have been renewed and CFAO has signed new distribution agreements with Volkswagen in East Africa.

- In 2013 and during the first half of 2014, some Automotive partners have officially informed CFAO of their decision not to renew certain distribution contracts, some of them citing TTC's takeover of CFAO in late 2012. Revenue generated in 2013 from sales of vehicles under the agreements that have been cancelled or not renewed as of today represents 12.6% of CFAO's 2013 total revenue and 9.9% of CFAO's 2013 total gross margin.

- CFAO has signed an exclusive import and distribution agreement with Ferrero for Nigeria and Ghana. CFAO was selected by Ferrero to develop its sales in these countries through its international brands (Nutella, Tic Tac, Kinder Joy, etc.). Thanks to its network in these countries, CFAO has the capacity to distribute Ferrero products through local outlets. This partnership forms part of CFAO's strategy to step up the development of its consumer goods and FMCG import, distribution and production businesses in Africa.

## 5. Outlook

Health and Consumer Goods business lines should continue to show a significant growth in the second part of the year.
The Automotive activity should continue to suffer from the progressive withdraw of above mentioned distribution agreements in the second part of the year. No sign of recovery of the Automotive Maghreb markets have been felt so far leading to a possible pursuit of a weak demand in the coming months.
With a favorable Japanese yen parity, the gross margin rate should stay at a high level.

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The financial statements for the six months ended June 30, 2014 were approved by CFAO's Management Board on July 23, 2014 and were examined by its Supervisory Board on July 25, 2014. They were subject to a review by the Statutory Auditors.

An interim financial report, comprising the condensed interim consolidated financial statements, has been published on the same date as this press release in accordance with applicable regulations. This report can be viewed on www.cfaogroup.com.

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## About CFAO

CFAO is a front-ranking specialized distributor and preferred partner of major international brands, serving the high-potential equipment, healthcare and consumer goods markets in Africa and the French overseas territories.
CFAO has operations in 36 countries – including 33 in Africa – and seven French overseas territories. The Group had a headcount of 11,600 at end-2013.
In 2013, CFAO generated consolidated revenue of €3,628 million and recorded recurring operating income of €269 million.
CFAO is a 97.8%-owned subsidiary of TTC (Japan).

CFAO is listed on NYSE Euronext in Paris.
Find CFAO on Bloomberg: CFAO: FP and Reuters: CFAO.PA

To find out more, go to www.cfaogroup.com

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APPENDIX

**Revenue trends by geographic area**

| | Second-quarter | | | | First-half | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 (in €m) | 2014 (in €m) | Change (reported) | Change (like-for-like) | 2013 (in €m) | 2014 (in €m) | Change (reported) | Change (like-for-like) |
| French-speaking Sub-Saharan Africa | 361.6 | 355.0 | -1.8% | -1.4% | 710.5 | 702.8 | -1.1% | -0.8% |
| English- and Portuguese-speaking Sub-Saharan Africa | 127.3 | 132.4 | +4.0% | +2.4% | 258.7 | 265.3 | +2.5% | -4.1% |
| French Overseas Territories and other | 187.1 | 184.2 | -1.6% | -1.2% | 370.1 | 368.3 | -0.5% | -0.2% |
| Maghreb | 185.9 | 131.4 | -29.3% | -26.4% | 372.5 | 270.5 | -27.4% | -24.9% |
| Other Europe (*) | 67.6 | 78.0 | +15.4% | +15.4% | 114.9 | 145.1 | +26.3% | +26.3% |
| **Group total** | **929.5** | **881.1** | **-5.2%** | **-4.9%** | **1,826.7** | **1,751.9** | **-4.1%** | **-4.2%** |

*(*) direct export and Denmark (Missionpharma)*