



4.1 Sales and earnings performance

4.1.1 MAIN EARNINGS INDICATORS

(in € millions)	2012	2011 *	% change
Net sales	76,789	76,067	0.9%
Recurring operating income	2,140	2,197	(2.6)%
Non-recurring operating income and expenses, net	(707)	(2,337)	(69.8)%
Finance costs and other financial income and expenses, net	(882)	(705)	25.1%
Income tax expense	(388)	(931)	(58.3)%
Net income/(loss) from continuing operations – Group share	113	(1,865)	
Net income from discontinued operations – Group share	1,120	2,237	
Net income – Group share	1,233	371	

* 2011 data have been restated to reflect the reclassification of operations in Greece, Singapore, Colombia, Malaysia and Indonesia as "Discontinued operations" as from January 1, 2011 in accordance with IFRS 5.

The Group's 2012 performance reflected solid demand and an expanded presence in emerging markets, particularly Latin America, and resilient operating income despite a challenging economic environment in mature markets, especially southern Europe:

- sales rose by 0.9% as reported, led by emerging markets;
- recurring operating income stood at 2,140 million euros, almost stable at constant exchange rates and down 2.6% as reported; the improvement recorded in France and strong growth in Latin America almost completely offset reduced profitability in Southern Europe;
- non-recurring items represented a net expense of 707 million euros, compared with a net expense of 2,337 million euros in 2011, which included a 1,750 million euros goodwill impairment loss in Italy. The 2012 net expense included 285 million euros of restructuring costs, 236 million euros of asset write-downs and write-offs, and 419 million euros in charges to provisions for contingencies and other non-recurring items, partly offset by 234 million euros of net disposal gains;
- finance costs and other financial income and expenses represented a net expense of 882 million euros, up by 177 million euros because of an exceptional charge of 216 million euros;
- income tax expense declined to 388 million euros from 931 million euros in 2011, due to there being fewer exceptional tax charges in 2012;
- the Group ended the year with a net income from continuing operations of 113 million euros, compared with a net loss of 1,865 million euros in 2011;
- net income from discontinued operations – Group share amounted to 1,120 million euros, mainly reflecting capital gains on the sale of operations in Colombia and Malaysia, and the 2012 net income from operations in Indonesia;
- net income – Group share came to 1,233 million euros, a significant improvement compared with the previous year's 371 million euros;
- free cash flow increased to 279 million euros in 2012, with tight management of working capital requirement (especially inventory) and lower capital spending more than offsetting the decline in net cash from operating activities.



4.1.2 ANALYSIS OF THE MAIN INCOME STATEMENT ITEMS

NET SALES BY REGION

The Group's operating segments correspond to the countries in which it does business, combined by region, and "Global functions", corresponding to the holding companies and other support entities.

(in € millions)	2012	2011 *	% change	% change at constant exchange rates
France	35,341	35,179	0.5%	0.5%
Rest of Europe	20,873	21,536	(3.1)%	(2.7)%
Latin America	14,174	13,551	4.6%	12.1%
Asia	6,400	5,801	10.3%	0.5%
TOTAL	76,789	76,067	0.9%	1.6%

* 2011 data have been restated to reflect the reclassification of operations in Greece, Singapore, Colombia, Malaysia and Indonesia as "Discontinued operations" as from January 1, 2011 in accordance with IFRS 5.

Net sales before loyalty program costs totaled 76,789 million euros, up 0.9% compared with 2011 as reported and up 1.6% at constant exchange rates.

Growth in sales (including tax) can be explained as follows:

- same store sales grew by 1% year-on-year;
- expansion (store openings and acquisitions, net of closures and disposals) added 0.6% to growth;
- the currency effect was a negative 0.7%, mainly due to the depreciation of the Brazilian real and the Argentine peso.

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NET SALES BY REGION – CONTRIBUTION TO THE CONSOLIDATED TOTAL

In %	2012	2011 *
France	46.0%	46.2%
Rest of Europe	27.2%	28.3%
Latin America	18.5%	17.8%
Asia	8.3%	7.6%
TOTAL	100.0%	100.0%

* 2011 data have been restated to reflect the reclassification of operations in Greece, Singapore, Colombia, Malaysia and Indonesia as "Discontinued operations" as from January 1, 2011 in accordance with IFRS 5.

Emerging markets (Latin America and Asia) represented 26.8% of consolidated net sales in 2012, up from 25.4% the year before.

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