ESSELUNGA GROUP: ACQUISITION BY THE MAJORITY SHAREHOLDERS OF 30% OF SUPERMARKETS ITALIANI AND DETERMINATION OF THE SALE PRICE

21 March 2020 18:16

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Esselunga Group -

Acquisition by the Majority Shareholders of 30% of Supermarkets Italiani and

determination of the sale price

Esselunga S.p.A. ("**Esselunga**") was advised by Giuliana Albera Caprotti and Marina Sylvia Caprotti, owning 70% of Supermarkets Italiani S.p.A. (the "**Majority Shareholders**"), of the developments in connection with the purchase of 30% of the outstanding share capital of Supermarkets Italiani S.p.A. ("Supermarkets") owned by Giuseppe Caprotti and Violetta Caprotti (the "**Minority Shareholders Stake**" and "**Acquisition**").

On January 11, 2019, the Majority Shareholders disclosed they had exercised their right to purchase the Minority Shareholders Stake. Over the last year, the Majority Shareholders and the minority shareholders have participated in a valuation process for the determination of the price of the Minority Shareholders Stake. Esselunga has been advised that on March 20, 2020, the valuation process has determined – with a decision taken by majority – that the aggregate purchase price for the Minority Shareholders Stake is equal to €1,830 million (the "**Purchase Price**"). The date for the closing of the Acquisition is expected to be on or about April 27, 2020.

The Majority Shareholders have advised Esselunga that the Purchase Price shall be paid by a combination of (i) equity funding from the Majority Shareholders in the amount equal to €535 million and (ii) debt funding to be drawn on senior facilities with a pool of primary Italian and international banks in the amount of €1,312 million. Specifically,

- the equity funding of the Majority Shareholders shall consist of (i) €100 million of cash that shall be contributed by the Majority Shareholders also to pay the financial costs and (ii) €435 million in cash that shall derive from the sale of the Majority Shareholders' 32.5% interest in La Villata S.p.A. to a financial investor (respectively, "**La Villata Shares**" and "**La Villata**") (the remaining 67.5% of La Villata is owned directly by Esselunga) and
- the debt funding is represented by a drawdown of the senior facilities consisting of (i) a €762 million under the acquisition facility with a seven year maturity (the "**Acquisition Facility**") and (ii) a €550 million under the bridge facility with a maximum 15 month maturity (the "**Bridge Facility**" and together with the Acquisition Facility, the "**Debt Facilities**").

The Majority Shareholders have advised us that through a merger executed in compliance with the current laws, Esselunga will be combined with certain of its controlling entities (the "**Merger**") and, as a consequence, will assume the obligations under the Debt Facilities. Following the Merger (which is expected to occur within 12 months from the completion of the Acquisition), Esselunga shall repay the Bridge Facility. In addition, €300 million of the merged entities' indebtedness will be repaid.

As of December 31, 2019, Esselunga had cash and cash equivalents of €1,139 million and negative adjusted net financial position of € 150 million. Taking into account the various transactions relating to the Acquisition as described above, as of December 31, 2019, the pro forma consolidated net financial debt of Esselunga would amount to cash and cash equivalents of €306 million and negative adjusted net financial position of € 1,736 million.

For the convenience of the holders of the €500,000,000 0.875% Notes due 2023 (ISIN Number: XS1706921951) and €500,000,000 1.875% Notes due 2027 (ISIN Number: XS1706922256) (collectively, the "Notes"), Esselunga has prepared unaudited consolidated pro forma financial information to reflect the various transactions relating to the Acquisition, showing some items of the unaudited pro forma consolidated income statement, balance sheet and financial position for the year ended December 31, 2019 (the "**Unaudited Pro Forma Information**"). The Unaudited Pro Forma Information is attached as Annex 1 to this press release.

In connection with La Villata transaction, the shares acquired by the financial investor will be entitled to a preferred annual cumulative dividend and customary corporate governance rights for a financial investor. On or about the fifth anniversary of the Acquisition, Esselunga will have a call option to purchase La Villata Shares until 31 December 2027.

Commenting on the Acquisition, Giuliana Albera Caprotti and Marina Sylvia Caprotti stated: "We are proud to continue our personal commitment to the long term development and success of Esselunga. We have great confidence in the management team and in all the people who work for the Group".

Sami Kahale, CEO of Esselunga, commented: "We are very delighted to know that our Majority Shareholders made such a significant equity contribution to the future of Esselunga. Thanks to this decision, we will continue with determination to implement our 5-year business plan, which started in the best way. In this very difficult period of emergency we are fully focused to serve our Italian community".

Limito di Pioltello, 21 March 2020

For further information:

Francesca Cirillo

Investor Relations Esselunga

tel. (+39) 02 9293 7037

email: investor.relations@esselunga.it

ESSELUNGA *is one of the leading Italian food retailer, operating through a network of over 159 superstores and supermarkets in Lombardy, Tuscany, Emilia Romagna, Piedmont, Veneto, Liguria and Lazio. Esselunga was founded in 1957 with the opening in Milan of the first supermarket in Italy. Today the company has over 23,000 employees and revenue of over € 8 billion.*

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This press release includes forward-looking statements. The forward-looking statements are prepared by and based on unaudited management estimates. The independent auditors of Esselunga have not audited, reviewed, compiled or performed any procedures with respect to the forward-looking statements, and accordingly, the independent auditors of Esselunga do not express an opinion or provide any form of assurance with respect thereto for the purpose of this press release.

The forward-looking statements are based on a number of assumptions that are subject to inherent uncertainties and subject to change. In addition, while Esselunga believes the forward-looking statements to be reasonable, it cannot provide any assurance with respect to such statements and variations from the estimates could be material. As such, investors should not place undue reliance on the forward-looking statements and such forward-looking statements should not be regarded as an indication that such statements will be an accurate prediction of future events. By their nature, forward-looking statements involve known and unknown risks, significant uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and are based on numerous assumptions (which may prove inaccurate) and actual results of operations, including financial condition, liquidity and the development of the industry in which Esselunga operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements. In addition, even if results of operations, including financial condition and liquidity and the development of the industry in which Esselunga operates, are consistent with the forward-looking statements, those results or developments may not be indicative of results or developments in subsequent periods. The forward-looking statements speak only at the date on which the statements were made and do not take into account any circumstances or events occurring after the date they were prepared. Esselunga undertakes no obligation to update or revise any forward-looking statements, whether because of new information, future events or developments or otherwise.

Esselunga is providing certain non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Esselunga believes that providing this information enhances investors' understanding of the company's results and permits investors to understand how management assesses performance. Esselunga uses these measures internally for planning and forecasting purposes and to measure the performance of the company along with other metrics. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.

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Annex 1

Unaudited Pro Forma Consolidated Financial Information

This document presents certain unaudited pro forma consolidated financial information as of 31 December 2019 and for the year ended 31 December 2019 of Esselunga S.p.A. (hereinafter "**Esselunga**" and, together with its subsidiaries, the "**Group**"): the "**Unaudited Pro Forma Consolidated Financial Information**".

The Unaudited Pro Forma Consolidated Financial Information has been prepared to represent the following transactions (together the "**Transactions**"):

- The Acquisition for the Purchase Price (Euro 1,830 million).
- The €100 million cash contribution by the Majority Shareholders and the €435 million in cash from the sale of the La Villata Shares by the Majority Shareholders.

- The drawdown of the Debt Facilities consisting of (i) a Euro 762 million from the Acquisition Facility and (ii) Euro 550 million from the Bridge Facility. Issuance costs in connection to the Debt Facilities have been assumed to be Euro 1 million and Euro 8 million, respectively.
- The repayment of Euro 300 million of indebtedness of the merged entities.
- The Merger and, subsequent to the Merger, the repayment of the Bridge Facility.

The purpose of the preparation of the Unaudited Pro Forma Consolidated Financial Information is to simulate, using accounting principles that are consistent with those used in relation to the preparation of Esselunga's historical consolidated financial statements, the main effects of the Transactions on the consolidated balance sheet and consolidated results of operations of the Group, as if the Transactions had occurred on:

- 31 December 2019, for the purpose of the unaudited pro forma consolidated balance sheet information as of 31 December 2019;
- 1 January 2019, for the purpose of the unaudited pro forma consolidated income statement information for the year ended 31 December 2019.

The Unaudited Pro Forma Consolidated Financial Information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of operations of the Group.

The Unaudited Pro Forma Consolidated Financial Information represents a simulation, for illustrative purposes only, of the main potential impacts that may derive from the Transactions. In particular, as pro forma information is prepared to illustrate retrospectively the effects of transactions that will occur subsequently using generally accepted regulations and reasonable assumptions, there are limitations that are inherent to the nature of pro forma information; hence, had the Transactions taken place on the dates assumed above, the actual effects would not necessarily have been the same as those presented in the Unaudited Pro Forma Consolidated Financial Information.

The following table provides a comparison of historical and pro forma selected balance sheet information of the Group as of 31 December 2019, in millions of Euro.

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(1) The decrease of Euro 36 million in pro forma Non-current assets as compared to the respective historical amount is mainly due to the effects of the Merger.

(2) The decrease of Euro 834 million in pro forma Current assets as compared to the respective historical amount is mainly due for Euro 833 million to a decrease in cash and cash equivalent as a result of: (i) the partial payment of the Purchase Price of Euro 1,076 million, the repayment of Euro 300 million of indebtedness of the merged entities and the payment of a dividend for Euro 15 million (which is the dividend payment granted to the purchasers of La Villata Shares for fiscal year 2020), partially offset by the effects of the Merger (including the equity injection by the Majority Shareholders of Euro 100 million) and the Euro 435 million proceeds from the sale of La Villata Shares (contributed by the Majority Shareholders).

(3) The decrease of Euro 1,614 million in pro forma Shareholders' equity as compared to the respective historical amount is due to (i) the acquisition of 30% interest in Esselunga for a Purchase Price of Euro 1,830 million, the payment of aforementioned dividend of Euro 15 million and the effects of the Merger.

(4) The increase of Euro 744 million in Non-current liabilities as compared to the respective historical amount is due (i) for Euro 754 million to the drawdown of the Acquisition Facility for a notional amount of Euro 762 million, net of debt issuance costs of Euro 8 million and (ii) for the remaining portion to the effects of the Merger. The proceeds of the Acquisition Facility have been used to pay part of the Purchase Price and transaction costs related to the Acquisition.

The following table provides a comparison of historical and pro forma net financial position and net financial position adjusted of the Group as of 31 December 2019, in millions of Euro.

	As of 31 December 2019	
	Historical	Pro-forma
Cash & Cash Equivalent	1,139	306
Fidaty Oro	61	61
ADJUSTED CASH AND CASH EQUIVALENT	**1,200**	**367**
Non-current financial payables	(1,650)	(2,404)
Current financial payables	(59)	(59)
NET FINANCIAL POSITION	**(509)**	**(2,096)**
IFRS 16 Liabilities	360	360
ADJ NET FINANCIAL POSITION	**(150)**	**(1,736)**

The following table provides a comparison of historical and pro forma selected income statement information of the Group for the year ended 31 December 2019, in millions of Euro.

	Year ended 31 December 2019		
	Historical	Pro-forma	Notes
Total sales	8,142	8,142	
Adjusted EBITDA	676	675	
Adjusted Operating profit	370	369	
Adjusted Net profit	251	243	(1)
Adjusted Net profit attributable to owners of the parent	*238*	*230*	
Adjusted Net profit attributable to non-controlling interests	*13*	*13*	

(1) The decrease of Euro 8 million in pro forma Adjusted Net Income as compared to the respective historical amount is due for Euro 7 million to the interest expense on the Debt Facilities, net of the related tax effect, and, for the remaining part, to expense incurred in connection with the Transactions, which as per the table above partially impact the Adjusted Operating profit and the Adjusted EBITDA.

The unaudited pro forma consolidated income statement information does not include the effect of the contractual interest expense that the Group will incur in connection with the Bridge Facility as, for the purpose unaudited pro forma consolidated income statement information, such facility has been assumed to be repaid on January 1, 2019.