



HALF-YEAR FINANCIAL REPORT
AS OF JUNE 30, 2017

INTERIM MANAGEMENT REPORT FOR THE FIRST HALF OF 2017

ACTIVITY OF THE COMPANY AND ITS CONSOLIDATED SUBSIDIARIES

At the end of June 2017, Savencia Fromage & Dairy's net sales had increased thanks to the continuing impetus of its brands and to sales price increases reflecting the rising price for milk and in world prices for industrial products. The positive trend in current operating profit, despite a context of rising raw material costs, has demonstrated the Group's resistance thanks to the strength of its major brands, its international development and its ongoing efforts for competitiveness.

ECONOMIC ENVIRONMENT

The reduction in global milk production observed since May 2016 together with the increase in world demand, in particular for butter and whey, have led to an upturn in world prices for industrial products. In this context, and despite a rising price for milk, the world price for skim milk powder has nevertheless remained low due to significant levels of private and public stocks. In contrast, the butter shortage in Europe has produced a steep rise in the price of butterfat. With very few exceptions, the European market for dairy products continues to be impacted by intense trade competition. Internationally, the Group's subsidiaries in South America are faced with strongly inflationary economies resulting in lower levels of consumption and issues of competitiveness.

Within this environment, SAVENCIA Fromage & Dairy has demonstrated its resistance by pursuing its development within Europe outside of France, and in the rest of the world, helped by the positive volume trend of most of the Group's major brands, with the help of an appropriate advertising, promotional and marketing support.

ACCOUNTING STANDARDS

SAVENCIA FROMAGE & DAIRY's consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union. The Group has applied the amendments to those standards applicable with effect from January 1, 2017.

SCOPE OF CONSOLIDATION

The **scope of consolidation** evolved as follows during the 1st half of 2017: the Group divested its interest, accounted for using the equity method, in Financière Louis and exercised its 28% call option in respect of the share capital of Delaco Distribution (Romania).

ACTIVITY & RESULTS

SAVENCIA FROMAGE & DAIRY's net sales for the 1st half of 2017 amounted to €2,356 million compared with €2,092 million for the equivalent period last year, a **rise of +12.6%** comprising organic growth (1) of +12.1% and a positive foreign exchange impact (2) of +0.5% mainly due to the increase in value of the Brazilian real against the euro. There was no impact due to scope of consolidation.

Like-for-like, Cheese Products net sales rose by +6.9% to €1,331 million reflecting both favorable volume and mix impacts, due to the development of our strategic brands in most countries, as well as to the reinforcement of our international operations, and positive price impacts in most countries in line with rising raw material costs.

Like-for-like, net sales of Other Dairy Products rose by +19% to €1,097 million as a result of both the rising world prices for industrial products and volume growth in most of our markets.

Current operating profit rose by 20.6% compared to the 1st half of 2016, from **€86.1 million** in 2016 to **€103.8 million** in 2017. Current operating margin thus amounted to 4.4% compared with 4.1% as of June 30, 2016.

The growth in current operating profit was contrasted: stable for Cheese Products but greatly improved for Other Dairy Products given both the increasing cost of raw material and the rise in world prices for industrial products.

Current operating profit for Cheese Products amounted to €80.9 million, compared with €79.9 million for the 1st half of 2016, reflecting a shift in current operating margin from 6.5% for the 1st half of 2016 to 6.1% for the 1st half of 2017. This activity has been confronted with the rise in raw material costs and with the difficulty of recovering those costs in selling prices. The dynamism of the product portfolio, international development and gains in productivity have helped balance the overall position.

Current operating profit for Other Dairy Products amounted to €31.2 million, compared with €19.7 million for the 1st half of 2016, reflecting a shift in current operating margin from 2.1% for the 1st half of 2016 to 2.8% for the 1st half of 2017. This activity has benefited from the upturn in world prices for industrial products, in particular for the Ingredients business which has thus derived greater value from its production. In contrast, the high price and shortage of butterfat has hampered the development of the Group's butter and cream businesses.

The current operating loss attributable to items not allocated to activities amounted to –€8.4 million compared with –€13.6 million for the 1st half of 2016, reflecting a reduction of the Group's overhead costs.

Non-recurring items had an impact of **+€0.7 million** for the 1st half of 2017 compared with **–€9.4 million** for the 1st half of 2016. The latter figure mainly comprised the recognition of impairment losses for certain operating assets located in Brazil. During the current period, no additional charge or reversal of prior charges for impairment was made.

Operating profit amounted to **€104.6 million** compared with **€76.7 million** for the 1st half of 2016, a rise of 36.3%.

SAVENCIA FROMAGE & DAIRY's **net financial expense** amounted to **–€5.7 million** compared with **–€17 million** for the 1st half of 2016, the result of lower short-term interest rates in the Eurozone and an improved foreign exchange result compared with June 2016.

The **Group's share of results of associates** amounted to **–€1.8 million** for the 1st half of 2017 compared with **+€1.4 million** for the 1st half of 2016.

Profit before tax amounted to **€97.1 million** compared with **€61.1 million** for the 1st half of 2016, a rise of 58.9%.

Taxes on income amounted to **€31.7 million** compared with **€26.9 million** for the 1st half of 2016, equating with effective tax rates respectively of 32.7% and 44.1%. In June 2016, the effective tax rate was impacted by the impairment of deferred tax assets in Brazil.

Net income from continuing operations amounted to **€65.4 million** compared with **€34.2 million** for the 1st half of 2016, reflecting the whole range of changes described above.

Net income from operations discontinued or in process of sale was not material.

The Group share of results of associates amounted to **€3.7 million** compared with **€2.9 million** for the 1st half of 2016.

Net income attributable to equity holders of the parent company amounted to **€61.7 million**, a rise of €30.5 million over the 1st half of 2016. Net operating margin reached 2.6% for the 1st half of 2017 compared with 1.5% for the 1st half of 2016.

Net cash from operating activities amounted to **€21.7 million** compared with **€28.5 million** for the 1st half of 2016. The change reflects both the increase in the Group's working capital, from €74.4 million for the 1st half of 2016 to €110.8 million for the 1st half of 2017, in line with the evolution of the dairy economy, and the increase in gross operating margin from €141.9 million for the 1st half of 2016 to €167.9 million for the 1st half of 2017.

At **€412.5 million**, the Group's **net debt** represents 30% of equity compared with 25% as of December 31, 2016.

OUTLOOK

Current operating profit for the 2nd half of 2017 may be expected to be negatively impacted by:

- * a significant rise in the cost of milk and in world prices for butterfat given the shortage of butter in the European and global markets;
- * a time lag between rising raw material costs and their necessary translation into new selling prices;
- * a fall in world prices for milk proteins, already noted during the summer, given the size of global stocks;
- * a strengthening of the euro.

TRANSACTIONS WITH RELATED PARTIES

The Group's transactions with related parties are described in note 18 to the interim half-yearly consolidated financial statements.

(1) Organic growth reflects the change in an aggregate assuming no change in the Group's scope of consolidation or foreign exchange rates.

(2) The foreign exchange impact is measured by calculating current period aggregates using the foreign exchange rates applicable to the previous period.



CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2017

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2017

1. Condensed consolidated income statement

<i>In thousands of euro</i>	Notes	6 months	
		2017	2016
NET SALES	2	2 356 153	2 091 897
Purchases adjusted for changes in inventory		-1 510 161	-1 299 271
Personnel costs		-434 407	-411 413
Depreciation and amortization		-61 441	-59 493
Other current operating expense		-246 307	-235 629
CURRENT OPERATING PROFIT		103 837	86 091
Other operating expense	3	-2 224	-11 423
Other operating income	3	2 944	2 029
TOTAL OPERATING PROFIT		104 557	76 697
Financial expense	4	-13 656	-20 638
Financial income	4	7 995	3 598
Group share of results of associates	5	-1 757	1 471
PROFIT BEFORE TAX		97 139	61 128
Income tax expense	6	-31 758	-26 962
Net income from continuing operations		65 381	34 166
Net income from discontinued operations		-	-
NET INCOME		65 381	34 166
Net income attributable to equity holders of the parent company		61 675	31 238
Non-controlling interests	14	3 706	2 928
EARNINGS PER SHARE	7		
Attributable to equity holders of the parent company :			
• basic		4,44	2,23
• diluted		4,35	2,18
For continuing operations :			
• basic		4,44	2,23
• diluted		4,35	2,18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of euro</i>	Notes	6 months	
		2017	2016
NET INCOME		65 381	34 166
Other comprehensive income:			
Foreign exchange differences ⁽¹⁾		-33 351	-4 325
Change in fair value of available-for-sale financial assets		-183	1 605
Change in fair value of cash flow hedges, net of taxes ⁽²⁾		1 896	1 006
Other changes		-	-471
Share of associates and joint ventures in recyclable components		-198	-128
Total recyclable components of other comprehensive income		-31 836	-2 313
Actuarial gains and losses relating to employment benefit plans		3 525	-11 332
Other changes		-	-
Share of associates and joint ventures in non-recyclable components		78	-128
Total non-recyclable components of other comprehensive income		3 603	-11 460
Total other comprehensive income net of tax	12	-28 233	-13 773
TOTAL COMPREHENSIVE INCOME NET OF TAXE		37 148	20 393
Group share		33 210	17 504
Non-controlling interests	14	3 938	2 889

(1) Mainly relating to the following foreign currencies: USD, BRL, CNY, ARS.

(2) Mainly relating to hedging of interest rates and raw materials

The provided notes are an integral part of these consolidated financial statements.

2. Consolidated statement of balance sheet

ASSETS

<i>In thousands of euro</i>	Notes	June 30, 2017	December 31, 2016
Intangible assets	8	430 097	434 163
Property, plant and equipment	8	920 150	928 558
Other financial assets		30 664	30 823
Investments in associates	5	114 473	118 417
Non-current derivative financial instruments		9 917	18 253
Deferred tax assets		30 480	33 368
TOTAL NON-CURRENT ASSETS		1 535 781	1 563 582
Inventories and work in progress	9	525 435	462 461
Trade and other receivables		782 400	797 047
Tax receivable		36 314	36 469
Current derivative financial instruments	17	8 350	6 948
Other current financial assets	10	56 572	12 466
Cash and cash equivalents	11	458 466	430 824
TOTAL CURRENT ASSETS		1 867 537	1 746 215
Assets held for sale or relating to discontinued operations		963	938
TOTAL ASSETS		3 404 281	3 310 735

EQUITY AND LIABILITIES

<i>In thousands of euro</i>	Notes	June 30, 2017	December 31, 2016
Paid-in capital		87 131	86 956
Reserves	13	-41 300	-12 835
Retained earnings		1 224 424	1 186 253
GROUP SHARE OF EQUITY		1 270 255	1 260 374
Non-controlling interests	14	106 153	101 312
TOTAL EQUITY		1 376 408	1 361 686
Provisions	15	105 883	110 609
Non-current financial borrowings	16	270 305	196 573
Other non-current liabilities		17 894	36 204
Non-current derivative financial instruments	17	5 383	6 559
Deferred tax liabilities		51 533	52 579
TOTAL NON-CURRENT LIABILITIES		450 998	402 524
Trade and other payables		891 463	932 687
Tax payable		16 779	14 652
Current derivative financial instruments		2 942	3 793
Bank borrowings	16	665 609	595 347
TOTAL CURRENT LIABILITIES		1 576 793	1 546 479
Liabilities held for sale or relating to discontinued operations		82	46
TOTAL LIABILITIES		2 027 873	1 949 049
TOTAL EQUITY AND LIABILITIES		3 404 281	3 310 735

The provided notes are an integral part of these consolidated financial statements.

3. Consolidated statement of cash flows

<i>In thousands of euro</i>	Notes	6 months	
		2017	2016
Net income from continuing operations		65 381	34 166
Income tax expense	6	31 758	26 962
Depreciation and amortization		61 441	59 493
Gains and losses on disposal of assets		48	-220
Group share of results of associates	5	1 757	-1 471
Net financial expense		5 835	9 013
Other non-cash income and expense		1 701	13 937
Gross operating margin		167 921	141 880
Interest paid		-10 232	-11 540
Interest received		4 333	3 069
Income tax paid		-29 529	-30 516
Change in working capital		-110 843	-74 373
Net cash flow from operating activities for continuing operations		21 650	28 520
NET CASH FLOW FROM OPERATING ACTIVITIES		21 650	28 520
Acquisition of subsidiaries, operating units and non-controlling interests		-14 034	-
Disposal of businesses net of the cash transferred		401	13 564
Purchase of tangible and intangible non-current assets	2	-65 136	-64 467
Proceeds from disposal of assets		4 016	12 298
Acquisition/disposal of financial assets and changes in other current financial assets		-48 338	-32 821
Dividends received (including dividends received from associates)	5	1 198	1 272
Net cash flow from investment associated with continuing operations		-121 893	-70 154
Net cash flow from investment associated with discontinued operations or in process of sale		-	-
NET CASH USED IN INVESTING ACTIVITIES		-121 893	-70 154
Net cash flow from financing activities			
Purchase of treasury shares		166	-7 282
Share capital increase paid by non-controlling interests		3 483	-
Proceeds of borrowings	16	157 201	94 864
Repayment of borrowings	16	-20 174	-9 911
Dividends paid		-27 695	-16 539
Net cash flow from financing activities for continuing operations		112 981	61 132
Net cash flow from financing activities for discontinued operations or in process of sale		-	-
NET CASH FLOW FOR FINANCING ACTIVITIES		112 981	61 132
Impact of foreign exchange differences		-4 491	-1 619
Net change in cash and cash equivalents		8 247	17 879
OPENING CASH AND CASH EQUIVALENT	11	390 792	247 222
CLOSING CASH AND CASH EQUIVALENT	11	399 039	265 102

The provided notes are an integral part of these consolidated financial statements.

4. Consolidated statement of changes in equity

Equity attributable to shareholders of the parent company					
	Paid-in capital	Reserves	Retained earnings	Non-controlling interests	Total consolidated equity
<i>In thousands of euro</i>	(note 13)	(note 13)		(note 14)	
EQUITY AT 01/01/2016	94 165	-23 901	1 100 881	99 731	1 270 876
Dividends distributed			-13 944	-2 595	-16 539
Total comprehensive income at 06/30/2016		-13 263	30 767	2 889	20 393
Stock purchase option plans:					
• Value of services provided	-				-
• Sale of treasury shares	-17				-17
Purchase of treasury shares ⁽¹⁾	-7 265				-7 265
Change in share capital			-	-	-
Change in consolidation scope:					
• Purchase of non-controlling interests			-	-	-
• Put options granted to non-controlling interests			-3 049	-632	-3 681
• Impact of business combinations			-	-	-
• Change in percentage of interest			36	-36	-
EQUITY AT 06/30/2016	86 883	-37 164	1 114 691	99 357	1 263 767
EQUITY AT 12/31/2016	86 956	-12 835	1 186 253	101 312	1 361 686
Dividends distributed			-22 224	-5 471	-27 695
Total comprehensive income at 06/30/2017		-28 465	61 675	3 938	37 148
Stock purchase option plans:					
• Value of services provided	-				-
• Sale of treasury shares	175			-9	166
Purchase of treasury shares	-			-	-
Changes in share capital				3 483	3 483
Changes in consolidation scope:					
• Purchase of non-controlling interests			-	-	-
• Put options granted to non-controlling interests			-1 281	2 901	1 620
• Impact of business combinations			-	-	-
• Change in percentage of interest			1	-1	-
Others			-	-	-
EQUITY AT 06/30/2017	87 131	-41 300	1 224 424	106 153	1 376 408

(1) During 2016 SAVENCIA SA had the opportunity to repurchase its own shares (127 885 shares).

The provided notes are an integral part of these consolidated financial statements.

5. Notes to the condensed interim consolidated financial

SAVENCIA SA is a Société Anonyme à Conseil d'Administration (French limited liability Company with a Board of Directors) domiciled and registered in France whose head office is located in Viroflay (78220). Its shares are traded on the Paris Stock Exchange.

The trading name of SAVENCIA SA and its subsidiaries is henceforth SAVENCIA Fromage & Dairy (hereafter "the Group"). The Group operates within two business segments: Cheese Products and Other Dairy Products (cf note 2).

Declaration of compliance

The condensed interim consolidated financial statements, expressed in thousands of euro unless otherwise stated, have been prepared in accordance with IAS 34, *Interim Financial Reporting*. They comprise the company and its subsidiaries (hereafter the "Group") and the Group's share of associates. They do not include all the information required for a complete set of annual financial statements and must be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2016 which are available on request from the company's registered office or by consulting www.savencia.com. They were released for publication by the Board of Directors on September 7, 2017.

Principal accounting policies

The accounting policies applied by the Group in its condensed interim consolidated financial statements are identical to those used in its consolidated financial statements for the year ended December 31, 2016 except for amendments becoming necessary because of the evolution of International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group applies the amendments to standards and interpretations, applicable as of January 1st of each exercise. Open for the period starting January 1st, 2017, the modifications relating to IAS 7 and IAS 12, as well as annual improvements of standards and interpretations are still being approved within the European Union and most of them are not yet applicable to the interim financial statements. The Group does not apply the standards and interpretations non-compulsory in 2017 but that be applied by anticipation on the exercise. In addition, the Group reviews all the new standards and interpretations which will be enforced on horizon 2018 and 2019, in particular IFRS 9 – Financial instruments, IFRS 15 – Proceeds from contracts with customers and IFRS 16 – Leases. The Group does not expect significant impacts of the application of IFRS 15. The impact on the results and the presentation of the consolidated accounts related to the implementation of IFRS 9 and IFRS 16 standards is under evaluation and development.

The preparation of condensed interim consolidated financial statements requires, as for the preparation of annual financial statements, the exercise of judgment, as well as, to make a number of estimates. The estimated amounts are identical to those described in the Group's consolidated financial statements for the year ended December 31, 2016.

During the six months ended June 30, 2017, the Group has in particular revised its estimates relating to impairment of intangible assets and property, plant and equipment (see note 3) and to deferred tax assets in respect of tax losses.

Management of financial risk

The objectives and policies pursued by the Group in managing its exposure to financial risks are unchanged compared to the information furnished in its consolidated financial statements for the year ended December 31, 2016.

NOTE 1 . CHANGES IN CONSOLIDATION SCOPE

During the first half 2017, the main changes are the following:

- The sale on May 18, 2017 of a 10.38 % interest in Financière Louis, operation as a result of the disengagement of the fund 21 Central Partners in the capital of this company.
 - This operation concern “Other” operating segment.

- Exercise of the put option 28% stake in the capital of the Romanian DELACO Distribution company on June 9, 2017. The Group has now 100% stake.
 - This operation concern “Cheese Products” operating segment.

During the first half 2016, the main change was the following:

- The sale on May 28, 2015 of a 24.94 % interest in Lacto Sérum France SA. The proceeds of the sale was not material.
 - This operation concerned “Cheese Products” operating segment.

NOTE 2 . SEGMENT REPORTING

The Group's segment reporting is based on the internal reporting used by the Chief Executive Officer, the Group's main operational decision-taker. The reported data is prepared in accordance with the Group's accounting framework.

Two operating segments are distinguished:

The **Cheese Products segment**: manufacture and distribution of branded cheeses and cheese specialties in most markets;

The **Other Dairy Products segment**: manufacture and distribution of fresh butter and cream for mass consumption, food service products such as fresh and long-life cream, dessert preparations, pastry-making butter and milk-based preparations for international luxury hotels, as well as technical butters and highly specialized dairy proteins for the food, nutrition and health industries.

Only the following key performance indicators: net sales, current operating profit and operating profit margin are reviewed and used by sector of the Chief Executive Officer.

Items in the summarized income statement divided by operating segment appear and gets closer to the Group's income as follows :

In thousands of euro	6 months							
	Cheese Products		Other Dairy Products		Other items		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales by segment	1 331 248	1 231 170	1 096 798	925 198	32 432	31 667	2 460 478	2 188 035
Inter-segment revenue	-54 347	-53 944	-25 760	-18 483	-24 218	-23 711	-104 325	-96 138
Third party net sales	1 276 901	1 177 226	1 071 038	906 715	8 214	7 956	2 356 153	2 091 897
Depreciation and amortization	-38 457	-37 476	-19 604	-18 130	-3 380	-3 887	-61 441	-59 493
Current operating profit/(loss)	80 959	79 931	31 243	19 712	-8 365	-13 552	103 837	86 091
Operating profit margin (*)	6,1%	6,5%	2,8%	2,1%			4,4%	4,1%
Restructuring costs	-549	-1 576	-796	-229	-212	-	-1 557	-1 805
Impairment of assets	142	-9 032	-	-	-	-	142	-9 032
Segment profit/(loss)	80 552	69 323	30 447	19 483	-8 577	-13 552	102 422	75 254

(*) The operating profit margin calculation is not relevant for the segment "Other items".

Items in the balance sheet divided by operating segment appear and get closer to the Group's balance sheet as follows :

In thousands of euro	Cheese Products		Other Dairy Products		Other items		Total	
	June,30 2017	December 31, 2016	June,30 2017	December 31, 2016	June,30 2017	December 31, 2016	June,30 2017	December 31, 2016
	Total assets of which:	2 089 329	2 112 879	1 230 913	1 186 146	84 039	11 710	3 404 281
Investments in associates	113 583	113 609	890	849	-	3 959	114 473	118 417

Items of investment flows divided by operating segment appear and get closer to the Group's cash flows as follows :

In thousands of euro	6 months							
	Cheese Products		Other Dairy Products		Other items		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Investment in tangible and intangible non-current assets	40 529	35 841	22 076	27 048	2 531	1 578	65 136	64 467

Reconciliation of segment profit to net income for the year:

<i>In thousands of euros</i>	6 months	
	2017	2016
Segment profit	102 422	75 254
Other operating expense	-471	-176
Other operating income	2 606	1 619
Operating profit	104 557	76 697
Financial expense	-13 656	-20 638
Financial income	7 995	3 598
Group share of results of associates	-1 757	1 471
Profit before tax	97 139	61 128
Taxes on income	-31 758	-26 962
Net income for the year	65 381	34 166

Net sales and investment in tangible and intangible non-current assets by geographical zone:

<i>In thousands of euro</i>	France	Rest of Europe	Rest of the world
Net sales			
June 30, 2017	679 242	929 586	747 325
June 30, 2016	630 258	825 940	635 699
Investment in tangible and intangible non-current assets			
June 30, 2017	37 873	11 550	15 713
June 30, 2016	34 686	13 343	16 438
Total assets			
June 30, 2017	3 004 693	222 483	177 105
December 31, 2016	2 774 484	334 343	201 908

NOTE3 . OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense include in the 1st half-year 2017, €1,6 million of net restructuring cost, payments of compensation as a result of litigations and claims for €2.2 million and various other items representing net income of €0.1 million.

For the closing of June 30, impairment tests are conducted where value indices are identified on cash-generating units.

The methodology of testing impairment and the main assumptions used in determining value in use, were as described in the notes to the consolidated financial statements as of December 2016. The applicable long-range plans and discount rates were updated as of June 30, 2017 for all sensitive UGT.

A change of 0,5% in the discount rates applied would have no impact on impairment in respect of the 1st half of 2017.

Note 4 . NET FINANCIAL EXPENSE

<i>In thousands of euro</i>	6 months	
	2017	2016
Interest expense ⁽¹⁾	-7 499	-10 547
Bank commissions	-2 492	-2 536
Other net financial expense	-3 665	-1 862
Interest rate hedging expense ⁽³⁾	-	-745
Net foreign exchange losses	-	-4 948
FINANCIAL EXPENSE	-13 656	-20 638
Financial income ⁽²⁾	6 893	3 598
Result of interest rate hedging income ⁽³⁾	807	-
Net foreign exchange	295	-
FINANCIAL INCOME	7 995	3 598
NET FINANCIAL EXPENSE	-5 661	-17 040
<i>Of which: net interest expense</i> ⁽¹⁾⁺⁽²⁾⁺⁽³⁾	201	-7 694

The evolution of financial result of June 30, 2017 is explained by the decrease of financial expenses in connection with the drop in short term interest rates in the Euro area and by a more favorable development of the result of change from the previous period .

NOTE 5 . INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's only joint ventures are Compagnie des Fromages et RicheMonts (CF&R) in France and its subsidiary Sodiaal GmbH in Germany, both owned at 50% interest.

The partnership with Sodiaal was created at the beginning of 2008 in order to benefit from synergies of the brands, associated with the two group's brands, manufacturing resources, commercial positions and know-how.

The Group also has interests in other associates, which are not individually material.

<i>In thousands of euro</i>	6 months	
	2017	2016
Group share in pre-tax results	-1 518	2 011
Group share of income tax	-239	-540
Net Group share	-1 757	1 471

At December 31, 2017, the change in investments in joint ventures and associates may be explained as follows :

<i>In thousands of euro</i>	6 months	
	June 30, 2017	December 31, 2016
At January 1st, 2017	118 417	126 344
Change in consolidation scope ⁽¹⁾	-871	-13 299
Result for the period	-1 757	6 715
Dividends distributed	-1 196	-1 269
Other items	78	23
Impact of foreign exchange differences	-198	-97
CLOSING BALANCE	114 473	118 417

(1) During 2017, the Group sold its 10.38% interest in its associate company Financière Louis.
During 2016, the Group had sold its 24.94% interest in its associate company Lacto Sérum France

Compagnie des Fromages et RicheMonts

<i>In thousands of euro</i>	June 30, 2017	December 31, 2016
Current assets	144 596	179 356
Non current assets	173 312	172 554
ASSETS	317 908	351 910
Equity	189 936	190 752
Current liabilities	91 151	124 589
Non current liabilities	36 821	36 569
LIABILITIES	317 908	351 910
Cash and cash equivalents	267	706
Current financial liabilities	3 559	2 166
Non current financial liabilities	4 385	4 842

Compagnie des Fromages et RicheMonts

6 months

<i>In thousands of euro</i>	2017	2016
Net sales	229 690	232 315
Net Income	1 420	1 252
Other adjustments	-41	-46
Other comprehensive income	156	-254
Overall result for the year	1 535	952

Compagnie des Fromages et RicheMonts

<i>In thousands of euro</i>	June 30, 2017	December 31, 2016
Dividends received from the joint venture or associates	-1 196	-1 260

Reconciliation of these amounts with the value of equity method :

Compagnie des Fromages et RicheMonts

<i>In thousands of euro</i>	June 30, 2017	December 31, 2016
Equity	189 936	190 752
Percentage of interest	50%	50%
Share of equity	94 968	95 376
Other adjustments	5 078	5 099
Value of the Group's interest	100 046	100 475
Net income of associates	1 379	12 960
Percentage of interest	50%	50%
Group share of net income and adjustments	690	6 480
Group share of other comprehensive income	78	23

NOTE 6 . TAXES ON INCOME

Taxes on income may be broken down as follows:

<i>In thousands of euro</i>	6 months	
	2017	2016
Current tax	-31 733	-30 043
Deferred tax	-25	3 081
	-31 758	-26 962

The amount of income tax expense differs from the theoretical weighted average charge applying to the profits of consolidated subsidiaries for the following reasons:

<i>In thousands of euro</i>	6 months	
	2017	2016
Profit before tax	97 139	61 128
Theoretical tax based on national tax rates	28 906	17 293
Tax impact of:		
• Restatement of tax for associates	642	-492
• Non-taxable profits and non-deductible expenses	-1 257	989
• Current and deferred tax resulting from the analysis of France's CVAE as a tax on income	3 155	2 819
• Tax credits	-103	-252
• Use of tax losses not previously recognized and impairment of net deferred tax assets ⁽¹⁾	65	6 077
• Tax rate changes affecting deferred tax	-215	-16
• Other items	565	544
Income tax charge	31 758	26 962
Weighted average tax rate	32,69%	44,11%

(1) *Deferred tax assets recognized in respect of tax losses carried forward to the extent that their recovery appears probable. In 2017, the Group's forecast taxable profits for the three coming years have required the recognition of €0,1 million of impairment losses, against a reversal of any write-down of €6,1 million in 2016 (in particular on Latin America zone).*

The parent company's tax rate on 2017 amounts to 34.43%, (38 % on June 30, 2016).

The capping of tax losses carried forward has not resulted in any additional consolidated current tax charges at Group level.

NOTE 7. EARNINGS AND DIVIDENDE PER SHARE

<i>In thousands of euro</i>	6 months	
	2017	2016
Dividends paid by the Group	22 224	13 944
Dividends per share (euro per share)	1,6	1,0

NOTE 8 . INTANGIBLE AND TANGIBLE FIXED ASSETS

<i>In thousands of euro</i>	Intangible assets	Property, plant and equipment	Total
Carrying amount at 01/01/2017	434 163	928 558	1 362 721
Net investments of acquisitions	3 763	65 520	69 283
Disposals	-437	-1 046	-1 483
Depreciation and amortization	-3 748	-58 066	-61 814
Impairments	-1	-	-1
Reversal of impairments	-	142	142
Change in consolidation scope	-	-	-
Foreign exchange differences	-3 643	-14 958	-18 601
Impact of activities in process of sale	-	-	-
Carrying amount at 06/30/2017^(*)	430 097	920 150	1 350 247
<i>(*)of which :net assets under finance lease</i>	-	4 253	4 253

NOTE 9 . INVENTORIES AND WORK IN PROGRESS

The change in inventories compared to December 31,2016 essentially reflects a seasonal increase in volumes.

NOTE 10 . OTHER CURRENT FINANCIAL ASSETS

Other current financial assets include investments in mutual fund and other securities, which have maturities of less than one year but do not meet all criteria enabling them to qualify as cash equivalents (based on analysis of issue prospectuses and review of the historical changes in their realizable values).

NOTE 11 . CASH AND CASH EQUIVALENTS

<i>In thousands of euro</i>	June 30, 2017	December 31, 2016
Cash	237 087	212 400
Cash equivalents	221 379	218 424
CASH AND CASH EQUIVALENTS	458 466	430 824

Cash equivalents essentially comprise available-for-sale financial assets (shares in mutual funds and term deposits).

Cash and cash equivalents as presented in the statement of cash flows may be reconciled as follows with the consolidated statements of financial position :

<i>In thousands of euro</i>	June 30, 2017	December 31, 2016
Cash and cash equivalents	458 466	430 824
Bank overdrafts and financial current accounts	-59 427	-40 032
CASH AND CASH EQUIVALENTS	399 039	390 792

Note 12 . BREAKDOWN BY NATURE OF OTHER COMPREHENSIVE INCOME

<i>In thousands of euro</i>	6 months					
	2017			2016		
	Pre-tax amount	Tax effect	Net of tax amount	Pre-tax amount	Tax effect	Net of tax amount
Foreign exchange differences	-33 351	-	-33 351	-4 325	-	-4 325
Change in fair value of available-for-sale financial assets	-280	97	-183	2 448	-843	1 605
Change in fair value of cash flow hedges	2 634	-738	1 896	1 539	-533	1 006
Other movements	-	-	-	-	-471	-471
Share of associates and joint ventures in recyclable components	-198	-	-198	-128	-	-128
Total recyclable components of other comprehensive income	-31 195	-641	-31 836	-466	-1 847	-2 313
Actuarial gains and losses on post-employment benefit plans	4 921	-1 396	3 525	-16 702	5 370	-11 332
Share of associates and joint ventures in not-recyclable components	119	-41	78	-194	66	-128
Total non-recyclable components of other comprehensive income	5 040	-1 437	3 603	-16 896	5 436	-11 460
OTHER COMPREHENSIVE INCOME	-26 155	-2 078	-28 233	-17 362	3 589	-13 773

Note 13 . EVOLUTION OF OTHER RESERVES

<i>In thousands of euro</i>	Hedging reserves	Available-for-sale financial asset fair value reserves	Actuarial gains and losses	Foreign exchange differences	Total
BALANCE AT 01/01/2016	-5 479	3 311	-12 924	-8 809	-23 901
Revaluation – gross		2448			2 448
Revaluation – tax effect		-843			-843
Revaluation – associates					
Cash flow hedges					
• Change in fair value for the period	1 539				1 539
• Tax on the losses of fair value	-533				-533
Actuarial gains and losses - gross			-16 664		-16 664
Actuarial gains and losses - tax effect			5 321		5 321
Foreign exchange differences					
• Group				-4 403	-4 403
• Associates				-128	-128
BALANCE AT 06/30/2016	-4 473	4 916	-24 267	-13 340	-37 164
BALANCE AT 12/31/2016	-8 316	2 365	-19 967	13 083	-12 835
Revaluation – gross		-280			-280
Revaluation – tax effect		97			97
Revaluation – associates					
Cash flow hedges					
• Change in fair value for the period	2 634				2 634
• Tax on the losses of fair value	-738				-738
Actuarial gains and losses - gross			4 615		4 615
Actuarial gains and losses - tax effect			-1 345		-1 345
Foreign exchange differences					
• Group				-33 316	-33 316
• Associates			66	-198	-132
BALANCE AT 06/30/2017	-6 420	2 182	-16 631	-20 431	-41 300

Note 14. NON-CONTROLLING INTEREST IN THE GROUP 'S OPERATIONS AND CASH FLOWS

The Group's non-controlling interests may be broken down as follows :

Non controlling interests

<i>In thousands of euro</i>	Compagnie Laitière Européenne		Others		TOTAL	
	6 months		6 months		6 months	
	2017	2016	2017	2016	2017	2016
% voting rights	14,14%	14,14%	-	-	-	-
% economic interest	15,42%	15,42%	-	-	-	-
Share of net income	2 186	-480	1 520	3 408	3 706	2 928
Share of other comprehensive income	341	-199	-109	160	232	-39
Share of total comprehensive income	2 527	-679	1 411	3 568	3 938	2 889
Cumulative non-controlling interests	77 111	70 066	29 042	29 291	106 153	99 357
Dividends paid to non-controlling interests	844	942	4 627	1 653	5 471	2 595

IFRS whole entity financial data (100% interest) before intragroup eliminations :

BALANCE SHEET

Compagnie Laitière Européenne

<i>In thousands of euro</i>	June 30, 2017	December 31, 2016
Current assets	626 382	566 968
Non current assets	568 281	566 839
ASSETS	1 194 663	1 133 807
Equity	436 918	421 959
Current liabilities	555 540	508 608
Non current liabilities	202 205	203 240
LIABILITIES	1 194 663	1 133 807

INCOME STATEMENT

<i>In thousands of euro</i>	6 months	
	2017	2016
Net sales	868 617	722 618
Net Income	10 970	3 850
Overall result for the year	12 327	1 890

NOTE 15 . PROVISIONS

<i>In thousands of euro</i>	Pensions, other retirement benefits and long-service benefits	Restructuring	Other risks and charges	Total
At January 1st, 2016	83 464	13 594	9 482	106 540
Foreign exchange differences	-292	-203	117	-378
Provisions	5 290	1 447	8 013	14 750
Uses	-8 708	-6 971	-5 354	-21 033
Change in actuarial gains and losses	10 721	-	-	10 721
Other variations	9	-	-	9
At December 31, 2016	90 484	7 867	12 258	110 609
Foreign exchange differences	25	-5	-174	-154
Provisions ⁽¹⁾	2 353	100	3 599	6 052
Uses ⁽²⁾	-	-1 123	-4 580	-5 703
Change in actuarial gains and losses ⁽³⁾	-4 921	-	-	-4 921
At June 30, 2017	87 941	6 839	11 103	105 883

- (1) The provisions for restructuring relate to rationalization plans abroad.
The other provisions for risks and charges concern €1,1 million of litigation and €2,5 millions of other contingencies and costs.
- (2) Reversal of restructuring provision amounted to €1,2 million, including €1,1 million of actual use and €0,1 million of provisions no longer required.
Reversal provisions for other risks and charges amounted to €4,6 million including €3,2 millions of actual use and €1,4 million of provisions no longer required.
- (3) Essentially reflecting changes in discount rates.

At June 30, 2017 the principal contingencies and disputes accounted for related to restructuring for €6,8 million (December 2016: €7,9 millions), to disputes relating to matters of employment or social security for €4 million (December 2016: €5,7 millions), to commercial disputes for €2,2 million (December 2016: €1,1 million), to tax disputes for €2,4 million (December 2016: €1,8 million) and miscellaneous other contingencies for €2,6 million (December 2016: €3,7 millions).

Note 16 . BORROWINGS AND OTHER FINANCIAL LIABILITIES

<i>In thousands of euro</i>	June 30, 2017	Non- current	Current	December 31, 2016	Non- current	Current
Borrowings from financial and similar institutions	589 582	1 314	588 268	546 698	15 339	531 359
Deferred liabilities for profits-sharing payments	13 812	10 560	3 252	14 725	11 570	3 155
Bond issues	277 307	256 106	21 201	187 599	166 758	20 841
Finance lease borrowings	3 299	2 325	974	3 997	2 906	1 091
Current bank facilities	51 914	-	51 914	38 901	-	38 901
TOTAL	935 914	270 305	665 609	791 920	196 573	595 347

Gross borrowings are determined as follows :

<i>In thousands of euro</i>	June 30, 2017	December 31, 2016
BORROWINGS AT THE OPENING	791 920	779 285
New borrowings	157 201	130 824
Repayment of borrowings	-20 174	-39 829
Change in bank facilities and financial current accounts	21 168	-78 355
Change in financial lease liabilities	-682	-880
Foreign exchange differences	-13 519	875
BORROWINGS AT THE CLOSING	935 914	791 920

The Group's unused confirmed long-term borrowing facilities are adequate to cover its use of short-term facilities. In 2014, its syndicated facility has been renewed for up to seven years.

Borrowings and other financial liabilities increase by €144 million since December 31, 2016. Taking into account cash and cash investments, net debt increases by €72.2 million and amounts to €420.9 million at December 31, 2016.

Some of the Group's facilities are subject to clauses requiring compliance with a financial ratio expressed in terms of maximum indebtedness expressed as a multiple of current EBITDA. EBITDA corresponds to current operating profit before charges and reversal in respect of depreciation, amortization, impairment and provision.

This ratio imposed continues to be met by the Group.

Net borrowings are determined as follows (in the case of the syndicated facility and the majority of the Group's bilateral contracts) for the purpose of calculating the financial ratio :

<i>In thousands of euro</i>	June 30, 2017	December 31, 2016
Non-current borrowings and debts from financial institutions	-270 305	-196 573
Current bank borrowings	-665 609	-595 347
BANK BORROWINGS	-935 914	-791 920
Other current financial assets	56 572	12 466
Cash and cash equivalents	458 466	430 824
NET BORROWINGS	-420 876	-348 630
Treasury shares	8 391	8 557
NET BORROWINGS	-412 485	-340 073

NOTE 17 . CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

The following table discloses the carrying amounts and fair values of the Group's financial instrument assets and liabilities within each applicable category:

ASSETS

<i>In thousands of euro</i>	Financial instruments through profit or loss ⁽¹⁾	Hedging derivatives ⁽²⁾	Financial assets and liabilities at fair value through profit or loss ⁽²⁾	Available-for-sale financial assets ⁽²⁾	Assets held maturity investments	Loans and receivables	Carrying amount	Fair value
At June 30, 2017								
Non-current investments	-	-	-	4 672	-	-	4 672	4 672
Non-current financial assets held for trading	-	-	1 296	-	-	-	1 296	1 296
Non-current financial loans and receivables	-	-	-	-	8 142	16 554	24 696	24 696
Other non-current financial assets	-	-	1 296	4 672	8 142	16 554	30 664	30 664
Interest rate derivatives	1 889	8 028	-	-	-	-	9 917	9 917
Non-current derivative financial instruments	1 889	8 028	-	-	-	-	9 917	9 917
Trade receivables	-	-	-	-	-	629 870	629 870	629 870
Current loans & receivables	-	-	-	-	-	2 305	2 305	2 305
Commodity hedging derivatives	-	1 017	-	-	-	-	1 017	1 017
Other commodity hedging derivatives	858	-	-	-	-	-	858	858
Foreign currency hedging derivatives	6 475	-	-	-	-	-	6 475	6 475
Current derivative financial instruments	7 333	1 017	-	-	-	-	8 350	8 350
Current financial assets held for trading	-	-	-	56 333	-	239	56 572	56 572
Financial current accounts	-	-	-	-	-	2 134	2 134	2 134
Cash	-	-	-	-	-	234 953	234 953	234 953
Cash equivalents	-	-	221 379	-	-	-	221 379	221 379
Cash and cash equivalents	-	-	221 379	-	-	237 087	458 466	458 466
TOTAL ASSETS	9 222	9 045	222 675	61 005	8 142	886 055	1 196 144	1 196 144

(1) Fair value based on the prices quoted in an active market (level 1 instrument)

(2) Fair value based on inputs, other than the prices quoted in active markets, observable either directly or indirectly.

The inputs used in fair value valuation techniques are categorized into three levels as follows:

- ✓ Level 1 : use of unadjusted list prices in active markets available at the valuation date for identical assets or liabilities;
- ✓ Level 2 : use of other directly or indirectly observable data;
- ✓ Level 3 : use of non-observable data.

The Group's determination, of the level 2 fair value for over-the-counter financial instruments is based on prices communicated by financial institutions. The Group verifies that those prices are reasonable and reflect the instruments' credit risk as adjusted for any factors specific to the Group or its counterparts.

During the year, the Group did not make any changes in its fair value hierarchy.

LIABILITIES

<i>In thousands of euro</i>	Financial instruments at fair value through profit or loss ⁽¹⁾	Hedging derivatives ⁽²⁾	Financial assets and liabilities at fair value through profit or loss ⁽²⁾	Financial liabilities measured at amortized cost	Carrying amount	Fair value
At June 30, 2017						
Bond issues	-	-	-	256 106	256 106	256 106
Other borrowings	-	-	-	14 199	14 199	14 199
Non-current financial borrowings and debts	-	-	-	270 305	270 305	270 305
Put options granted to minority shareholders	-	-	17 854	-	17 854	17 854
Others items	-	-	40	-	40	40
Other non-current liabilities	-	-	17 894	-	17 894	17 894
Interest rate derivatives	5 383	-	-	-	5 383	5 383
Non-current derivative financial instruments	5 383	-	-	-	5 383	5 383
Trade payables	-	-	-	645 517	645 517	645 517
Guarantees deposits received	-	-	-	24	24	24
Other commodity derivatives	826	-	-	-	826	826
Foreign currency derivatives	2 116	-	-	-	2 116	2 116
Current derivative financial instruments	2 942	-	-	-	2 942	2 942
Current financial liabilities	-	-	-	606 146	606 146	606 146
Financial current accounts	-	-	-	7 549	7 549	7 549
Current bank facilities	-	-	-	51 914	51 914	51 914
Current borrowings	-	-	-	665 609	665 609	665 609
TOTAL LIABILITIES	8 325	-	17 894	1 581 455	1 607 674	1 607 674

(1) Fair value based on the prices quoted in an active market (level 1 instrument).

(2) Fair value based on other directly or indirectly observable data.

The Group uses derivative financial instruments to manage its exposure to market risks and in particular, to interest rate risk in respect of its borrowings and to foreign currency risk in respect of its future commercial transactions. Fair value hedging was 100% effective so involved no profit or loss impact.

ASSETS

<i>In thousands of euro</i>	Financial instruments at fair value through profit or loss ⁽¹⁾	Hedging derivatives ⁽²⁾	Financial assets and liabilities at fair value through profit or loss ⁽²⁾	Available-for-sale financial assets ⁽²⁾	Assets held to maturity	Loans and receivables	Carrying amount	Fair value
At December 31, 2016								
Non-current investments	-	-	-	3 701	-	-	3 701	3 701
Non-current financial assets held for trading	-	-	3 489	-	-	-	3 489	3 489
Non-current loans and receivables	-	-	-	-	6 378	17 255	23 633	23 633
Other non-current financial assets	-	-	3 489	3 701	6 378	17 255	30 823	30 823
Interest rate derivatives	2 294	15 959	-	-	-	-	18 253	18 253
Non-current derivative financial instruments	2 294	15 959	-	-	-	-	18 253	18 253
Trade receivables	-	-	-	-	-	660 206	660 206	660 206
Current loans & receivables	-	-	-	-	-	3 351	3 351	3 351
Commodity hedging derivatives	-	1 072	-	-	-	-	1 072	1 072
Other commodity hedging derivatives	623	-	-	-	-	-	623	623
Foreign currency hedging derivatives	5 253	-	-	-	-	-	5 253	5 253
Current derivative financial instruments	5 876	1 072	-	-	-	-	6 948	6 948
Current financial assets held for trading	-	-	-	12 465	-	1	12 466	12 466
Financial current accounts	-	-	-	-	-	27	27	27
Cash	-	-	-	-	-	212 373	212 373	212 373
Cash equivalents	-	-	218 420	-	-	-	218 420	218 420
Available-for-sale financial assets	-	-	-	4	-	-	4	4
Cash and cash equivalents	-	-	218 420	4	-	212 400	430 824	430 824
TOTAL ASSETS	8 170	17 031	221 909	16 170	6 378	893 213	1 162 871	1 162 871

(1) Fair value based on the prices quoted in an active market (level 1 instrument).

(2) Fair value based on inputs, other than the prices quoted in an active market, observable either directly or indirectly.

LIABILITIES

<i>In thousands of euro</i>	Financial instruments at fair value through profit or loss ⁽¹⁾	Hedging derivatives ⁽²⁾	Financial assets and liabilities at fair value through profit or loss ⁽²⁾	Financial liabilities measured at amortized cost	Carrying amount	Fair value
At December 31, 2016						
Bond issues	-	-	-	166 758	166 758	166 758
Other borrowings	-	-	-	29 815	29 815	29 815
Non-current financial borrowings and debts	-	-	-	196 573	196 573	196 573
Put options granted to minority shareholders	-	-	36 197	-	36 197	36 197
Others items	-	-	7	-	7	7
Other non-current liabilities	-	-	36 204	-	36 204	36 204
Interest rate derivatives	6 559	-	-	-	6 559	6 559
Non-current derivative financial instruments	6 559	-	-	-	6 559	6 559
Trade payables	-	-	-	668 519	668 519	668 519
Guarantees deposit received	-	-	-	870	870	870
Other commodity hedging derivatives	621	-	-	-	621	621
Foreign currency derivatives	3 172	-	-	-	3 172	3 172
Current derivative financial instruments	3 793	-	-	-	3 793	3 793
Current financial liabilities	-	-	-	555 323	555 323	555 323
Financial current accounts	-	-	-	1 122	1 122	1 122
Current bank facilities	-	-	-	38 902	38 902	38 902
Current borrowings	-	-	-	595 347	595 347	595 347
TOTAL LIABILITIES	10 352	-	36 204	1 461 309	1 507 865	1 507 865

(1) Fair value based on the prices quoted in an active market (level 1 instrument).

(2) Fair value based on inputs, other than the prices quoted include in an active market, observable either directly or indirectly.

NOTE 18 . TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are performed according to terms and conditions equating with an arm's length basis whenever the existence of such arm's length comparison can be demonstrated.

The Group is controlled by SAVENCIA Holding (ex SOPARIND SCA), a company registered in France which directly or indirectly holds 66.64% of the parent company's share capital. The rest, is held by a large number of shareholders and is dealt in on the Paris stock exchange. Some subsidiaries are not fully owned by SAVENCIA SA. For the most part, their minority shareholders are milk production or collection cooperatives which supply the Group and may also purchase from the Group. Those transactions constitute the Group's main related party transactions. Sales to related party cooperatives amounted to €36,5 million in the first half of 2017 (€35,3 million during the first half of 2016) and purchases to €340,3 million in 2017 (€340,3 million during the first half of 2016).

The Group also engages in treasury management on behalf of related parties. As such it received a total remuneration of €0,4 million for such services performed during the first half of 2017 (€0,3 million during the first half of 2016).

La Compagnie des Fromages et RichesMonts is a joint venture with Sodiaal as the joint venturer. The Group supplies this company with part of its milk requirement and purchases part of its industrial by-products, as well as providing logistic, commercial, IT and administrative services and distributing the company's products in a certain number of foreign countries.

The Group's other financial assets include a €3.5 million loan to La Compagnie des Fromages et RichesMonts.

Group sales to associates amounted to €104 million during the first half of 2017 (€93,8 million during the first half of 2016) and purchases from associates amounted to €98,7 million during the first half of 2017 (€86,3 million during the first half of 2016). The transactions essentially related to dairy materials.

NOTE 19 . EVENT POST CLOSING

To the best of company knowledge, no significant event has occurred subsequent to the closing date until the Board of Director on September 7th, 2017.