



SAVENCIA
FROMAGE & DAIRY

Financial Analysts' Meeting

 Viroflay, March 15, 2018 





SAVENCIA
FROMAGE & DAIRY



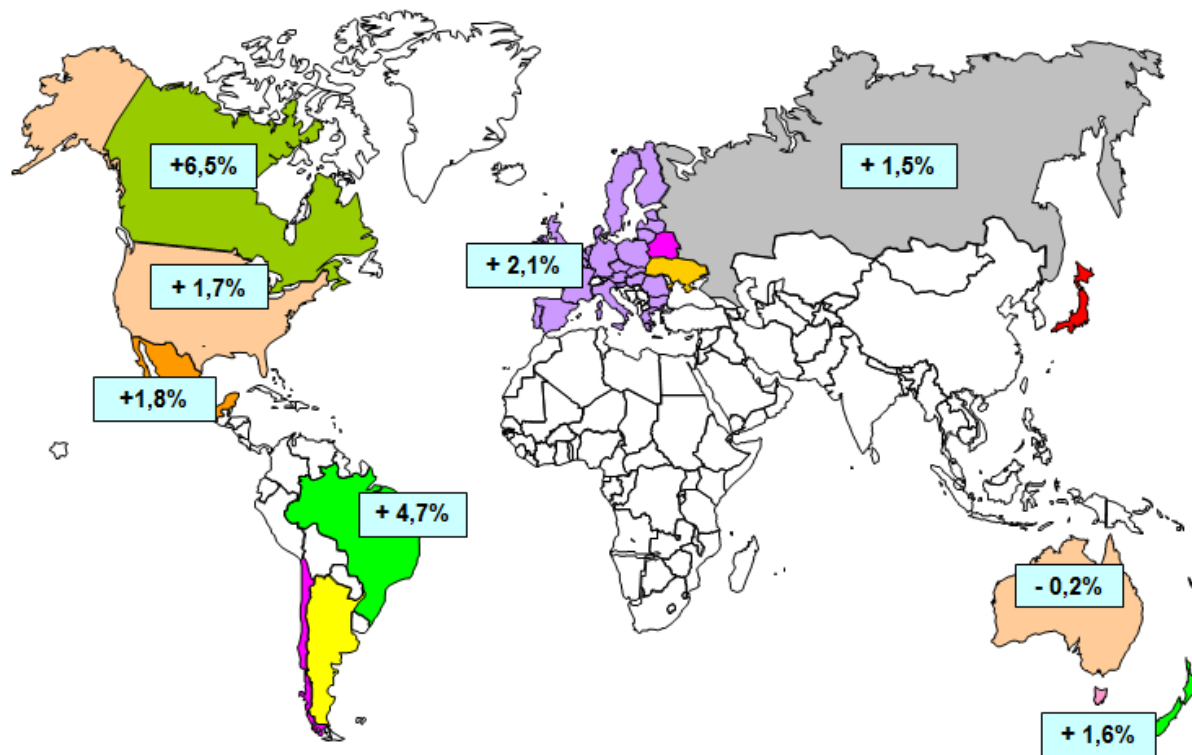
Dairy Environment

Dairy Environment – Volatility

- Liberalization of the market has accentuated price and volume volatility
- Significant milk powder inventories burdened milk prices in the 1st half of the year
- Unsatisfied butterfat demand drove up milk volumes and prices in the 2nd half of the year

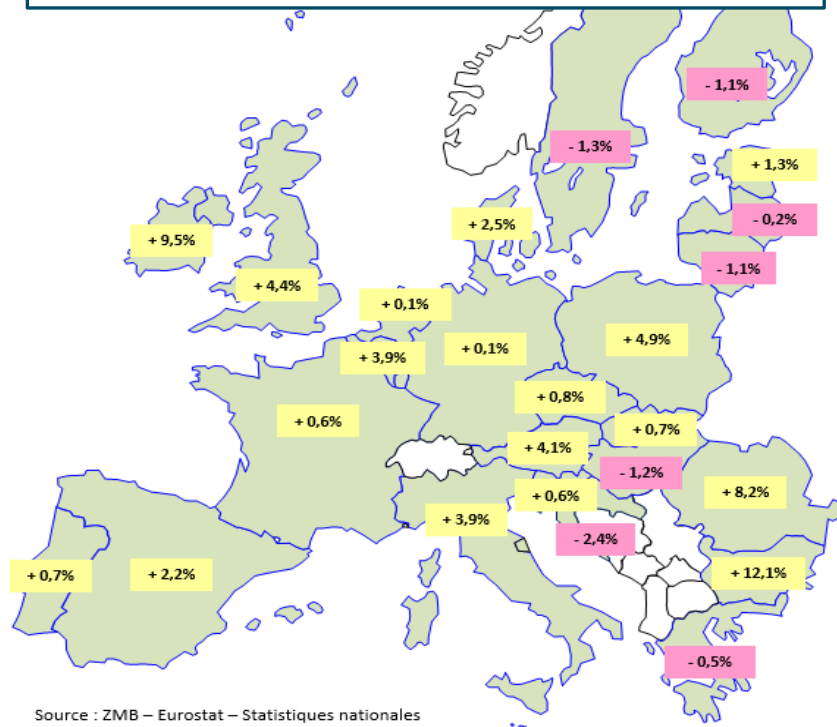
Dairy Environment – Growth in world production

+ 842,000T (+1.9%)



Dairy Environment – European milk collection

European milk collection
January-December 2017/2016: +2.1%



Source : ZMB – Eurostat – Statistiques nationales

Dairy Environment – Dairy markets in 2017

Milk's two components

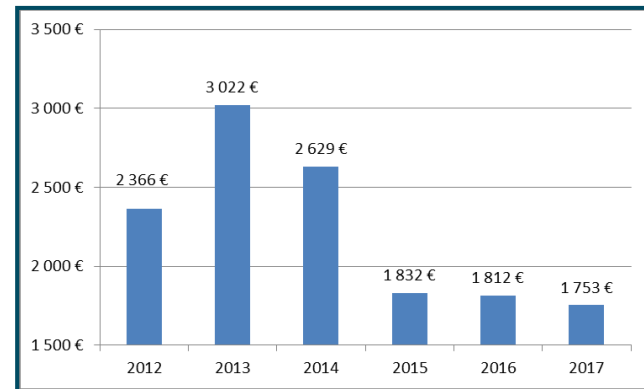
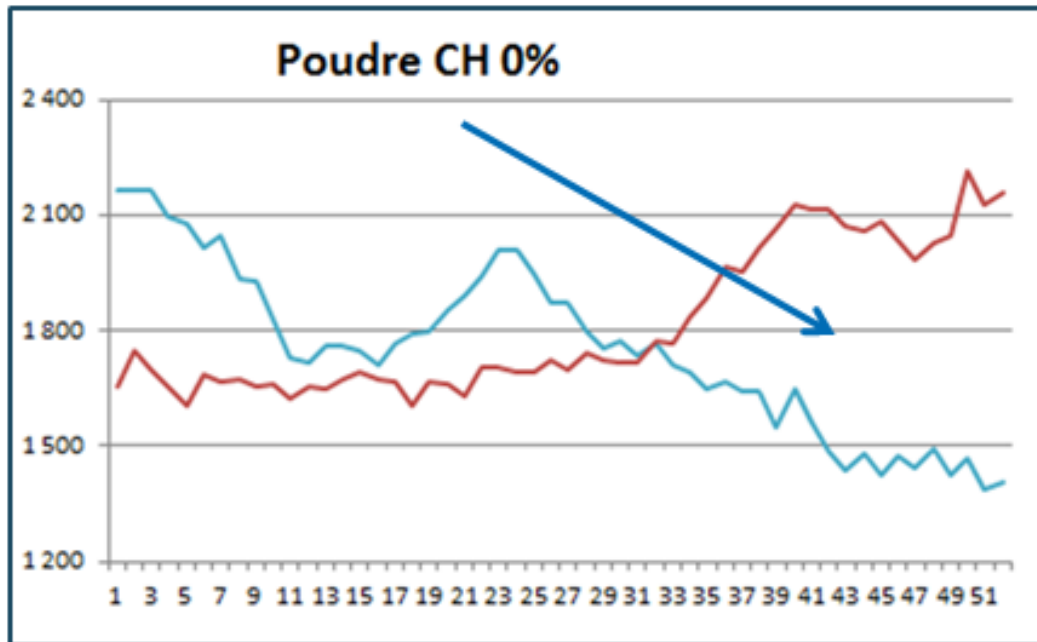
 Protein

 Fat

have experienced opposite pricing
developments

Dairy Environment – Skim milk powder

Price evolution

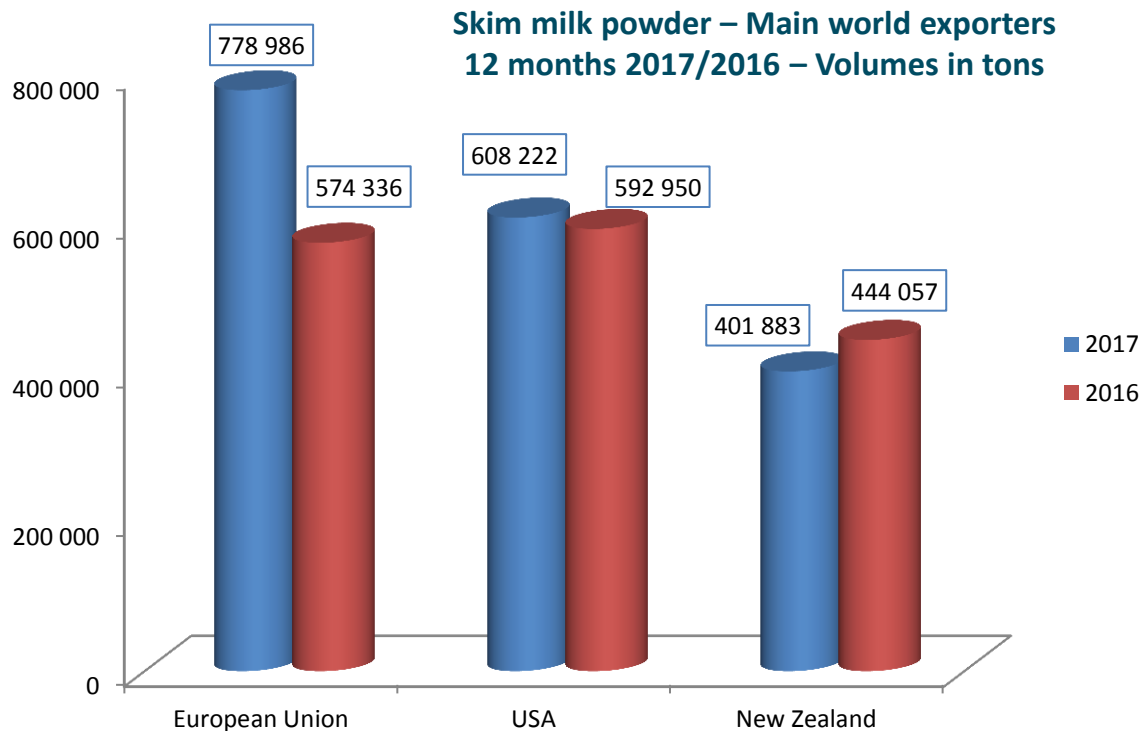


Average annual prices

Dairy Environment – Skim milk powder

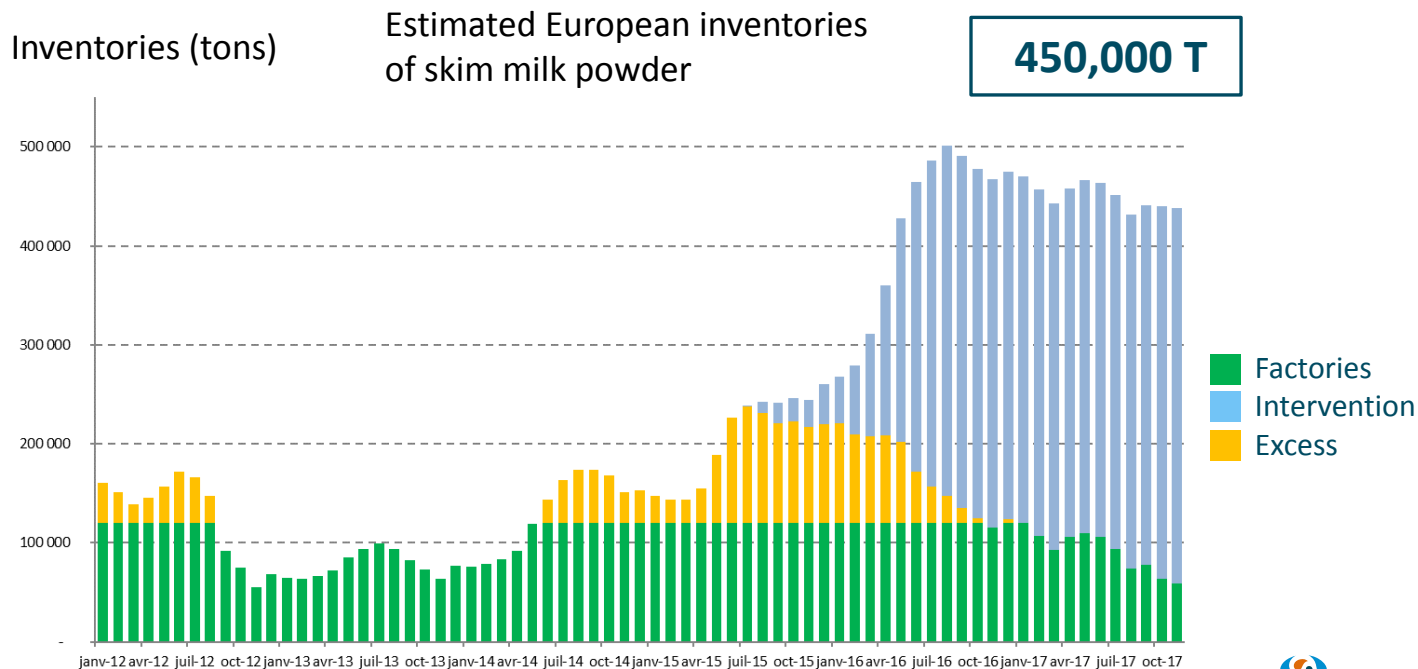
International trade

+ 200,000 T (+7%)



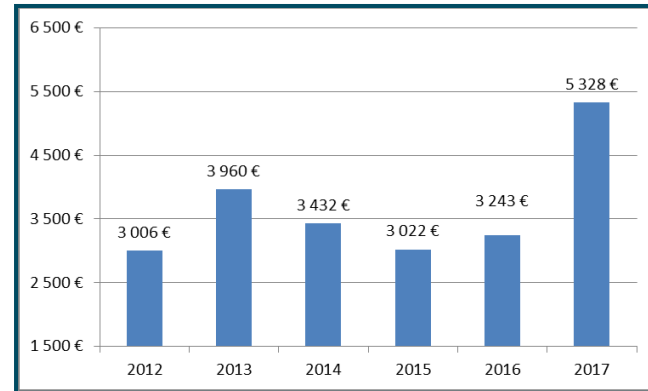
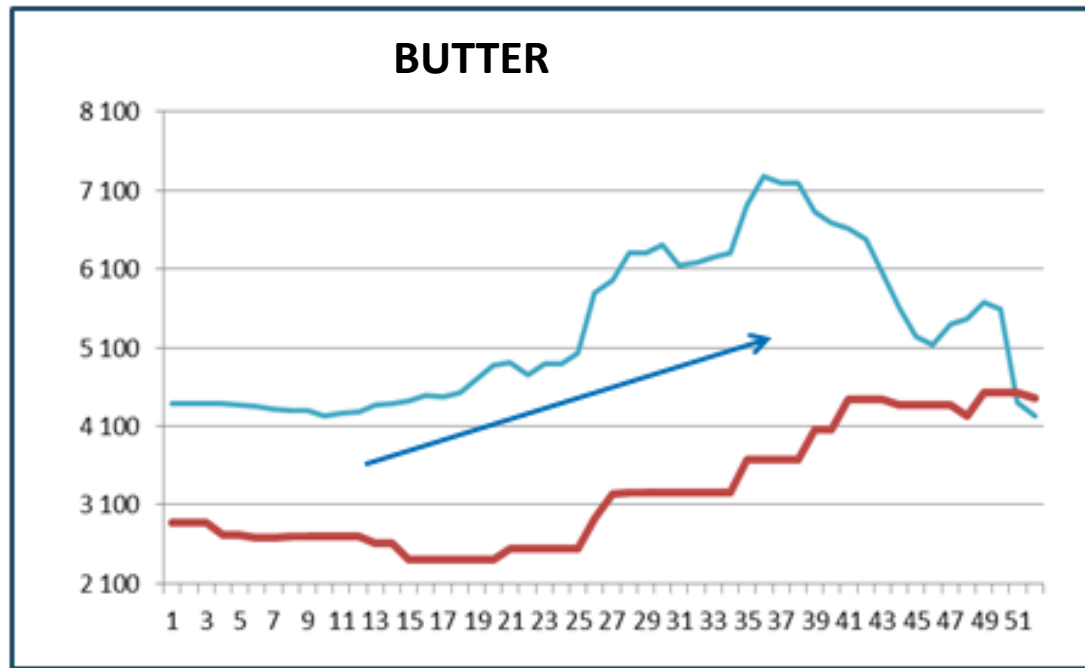
Dairy Environment – Skim milk powder

Inventories continue to constrain the markets



Dairy Environment – Butter

Price evolution



Annual average

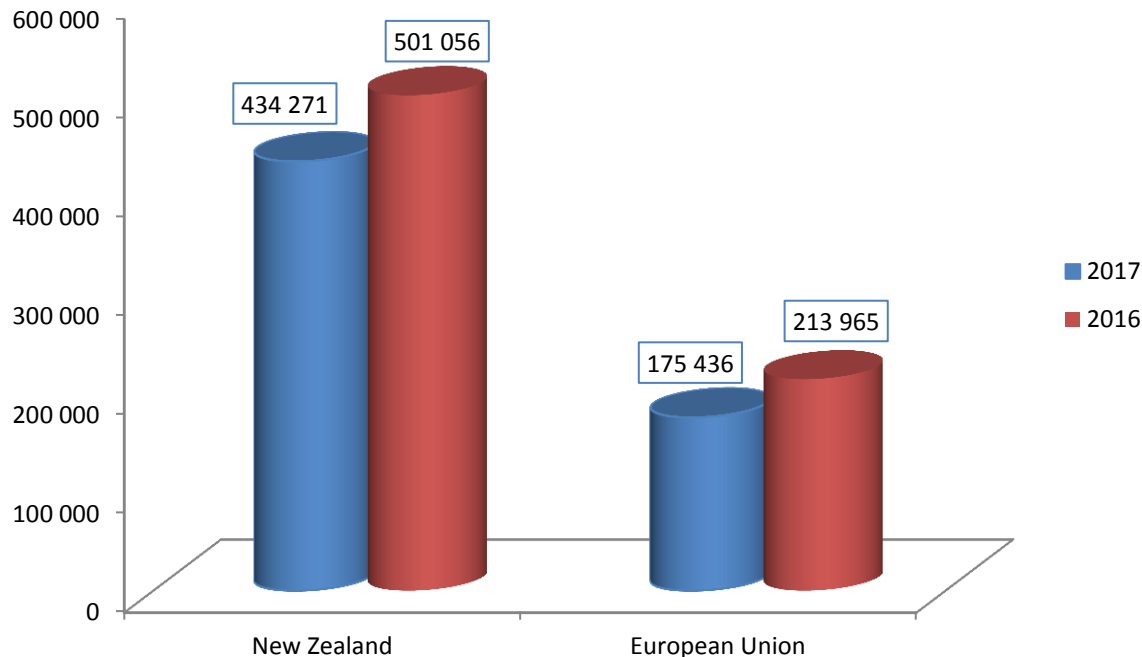


Dairy Environment – Butter

World trade

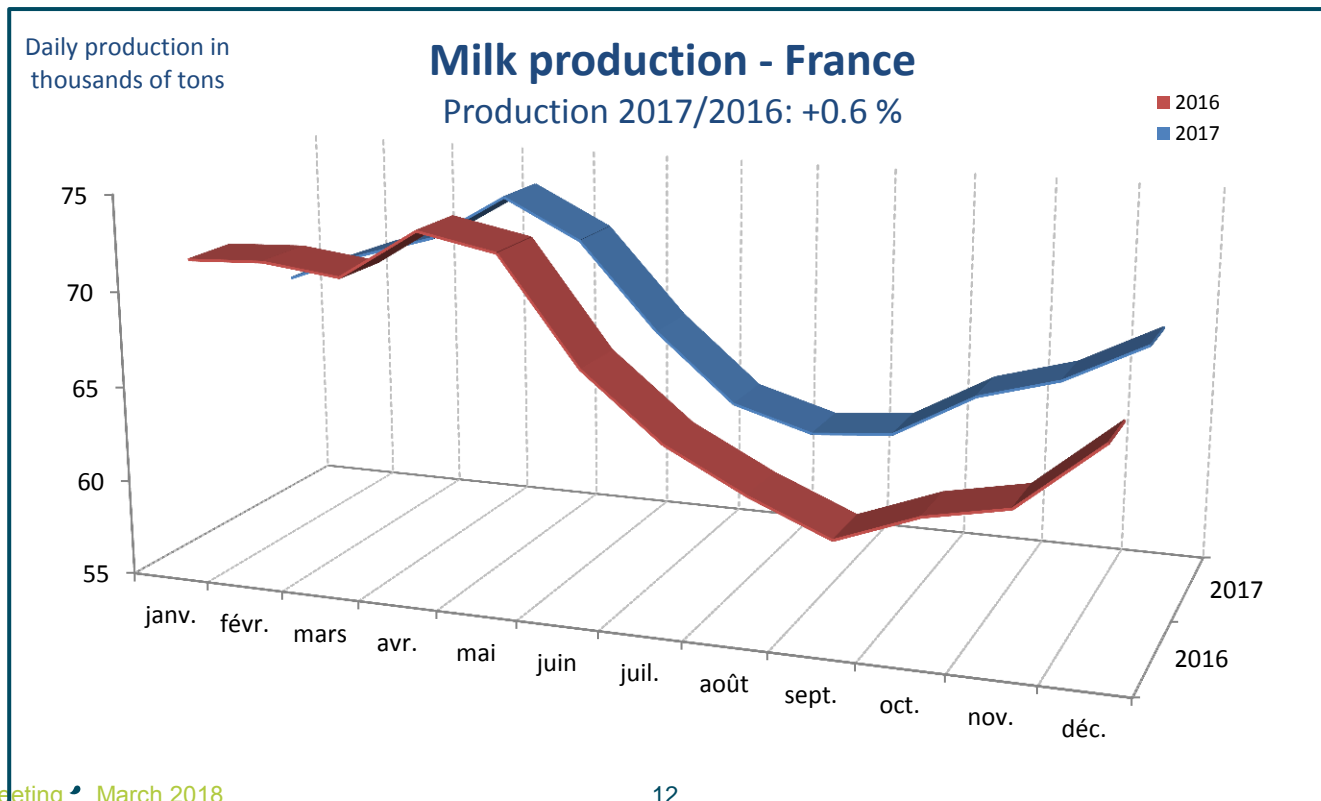
- 125,000 T (- 12%)

Butter + butteroil – Main global exporters
12 months 2017/2016 – Volumes in tons



Dairy Environment – Situation in France

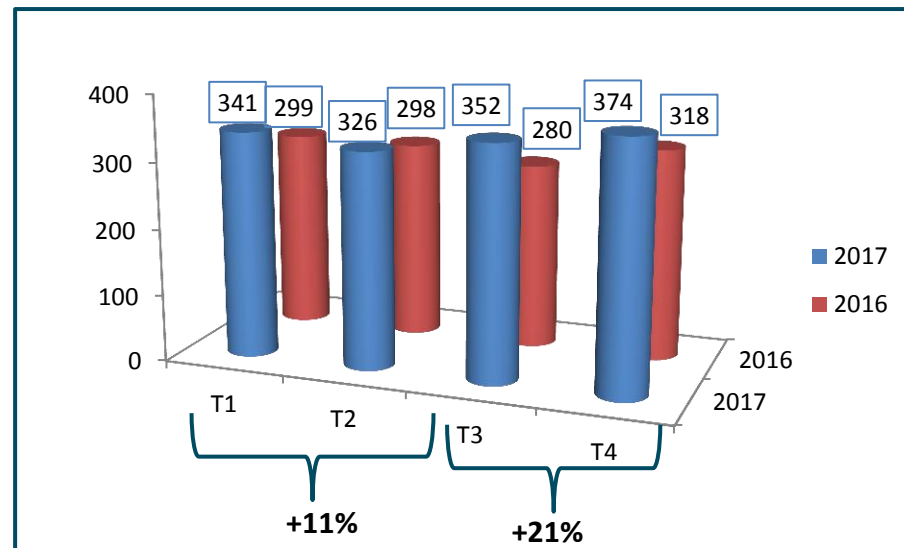
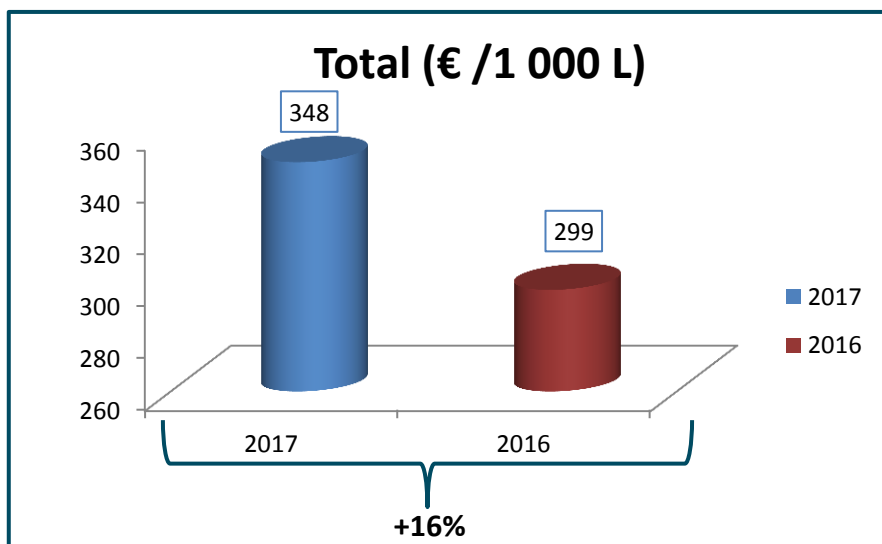
2017 milk collection in France



Dairy Environment – Situation in France

2016 / 2017 change in milk price (actual composition)

(€ / 1,000 l.)



Dairy Environment – SITUATION IN FRANCE

The limits of the French dairy model

- ☛ France's dairy industry is rendered fragile by the increased market volatility

TWO CHALLENGES TO OVERCOME

- ☛ The relationship between the industry and retailers
- ☛ The adjustment of milk producers to the increased volatility

Dairy Environment – Situation in France

États Généraux de l'Alimentation French Food Summit

- Define an inter-professional framework conducive to more transparent, reactive and equitable negotiations
- Create a common benchmark for milk and dairy products expressing French excellence
 - Guarantee fair remuneration for farmers
 - Respect environmental commitments
 - Offer consumers dairy products in line with their expectations



Dairy Environment – Sustainable milk production



Dairy Environment – Situation in France

États Généraux de l'Alimentation French Food Summit





Other Dairy Products

Other dairy products – Milkaut (Argentina)



A more stable political context

Other dairy products – AFP (USA)



Reinforcement of our position in sauces
and aseptic desserts

Other dairy products – Armor Ingredients and nutritional solutions



A difficult market for protein
Development of our nutritional solutions

Other dairy products – Butter and cream



Strong increase in raw material prices only
partially passed on in France

Other dairy products – Food Service



The partner of leading chefs and pastry chefs

Other dairy products – Elvir



Other dairy products – Elvir

LOW FAT CREAM FROM CONDÉ-SUR-VIRE



Whole semi-thick
cream from
Normandy



Light fluid cream from
Normandy



Light semi-thick
cream from
Normandy

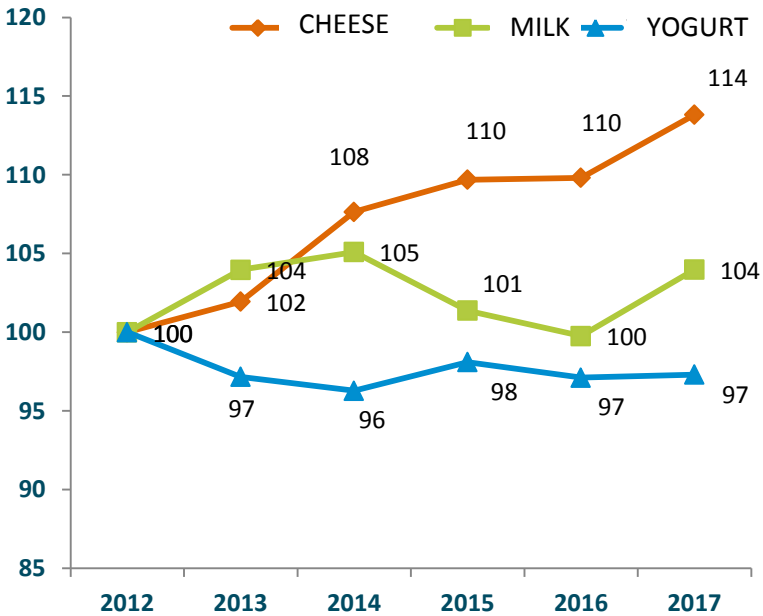


Cheese Products

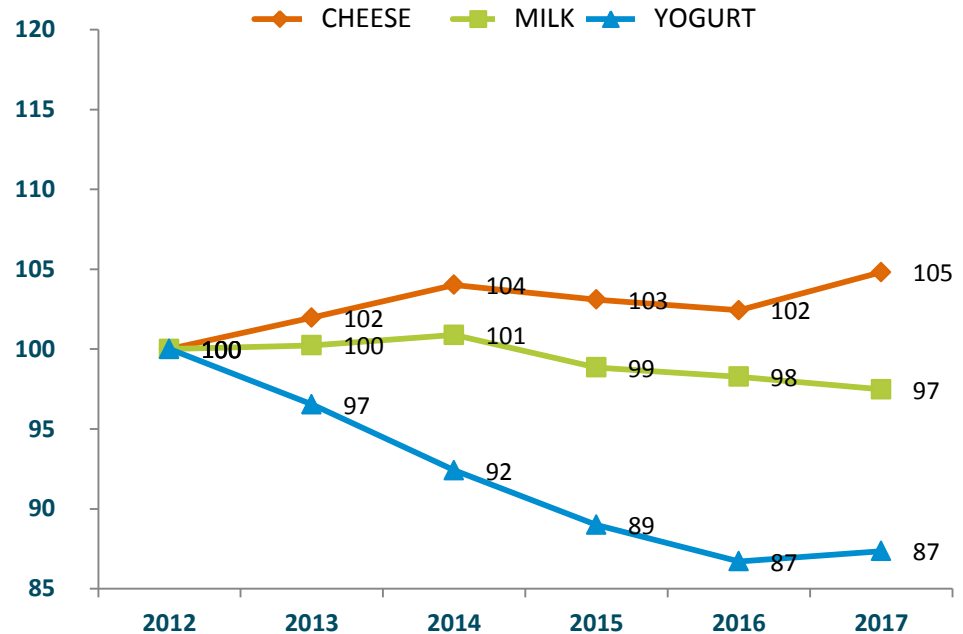
Cheese

The most dynamic market in dairy products

Europe



France



Trend in sales

Cheese: Why its success?



AT ALL TIMES



FOR ALL USES

Cheese: **Why its success?**



HEALTHY



NATURAL

Cheese: Why its success?



LOCAL



GLOBAL

Cheese: Why its success?

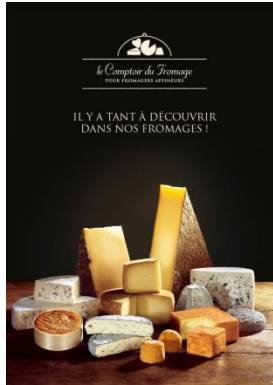


SOCIAL



DIGITAL

“Leading the way to better cheese”



Savencia France

The market leader for growth



% year-on-year sales variance

Source: Nielsen

| |
|-------|
| + 5.3 |
| + 1.9 |
| + 1.9 |
| + 1.3 |
| - 0.8 |
| - 1.3 |
| - 2.7 |
| - 3.4 |
| - 4.8 |
| - 5.4 |

At all times, for all uses: cheese as a meal



Cheese as a meal: cheese nuggets



At all times, for all uses: **cheese as a meal**

👉 A perfect nutritional balance

Caprice des Dieux pasta salad

Parma ham snack

Fruit salad

👉 34 % of TEI (lipids, carbs, proteins)

👉 30 % of protein RDI

👉 32 % of calcium RDI

👉 100 % of fiber RDI

👉 Rich in vitamins and minerals



 **Qui veut du fromage**
C'EST SI BON DE MANGER BIEN

At all times, for all uses: snacking



At all times, for all uses: “glocal” snacking



At all times, for all uses: **snacking**





Natural



Naturellement divin depuis 60 ans



*Du lait de France, de la crème,
une pincée de sel, et c'est tout !*

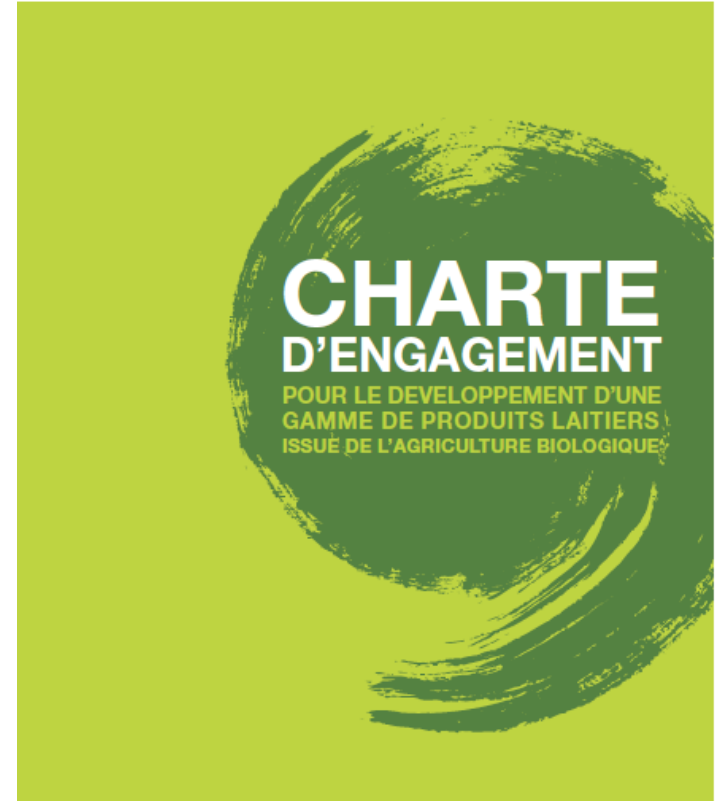
- Depuis toujours des fromages produits exclusivement en France.
- Un lait collecté localement à moins de 70 km de nos fromageries.
- Retrouvez nos engagements pour des approvisionnements laitiers responsables sur capricedesdieux.com.

Natural: Organic

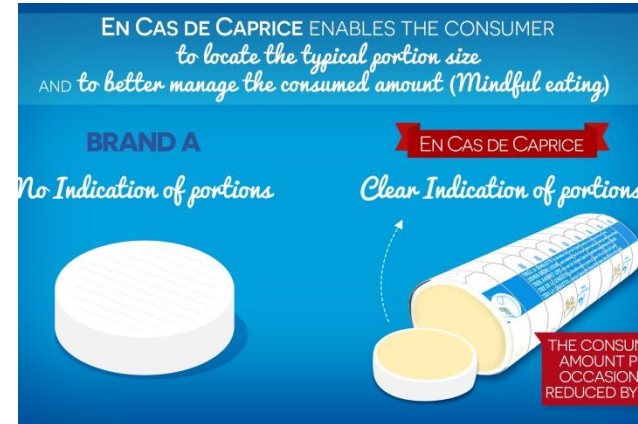


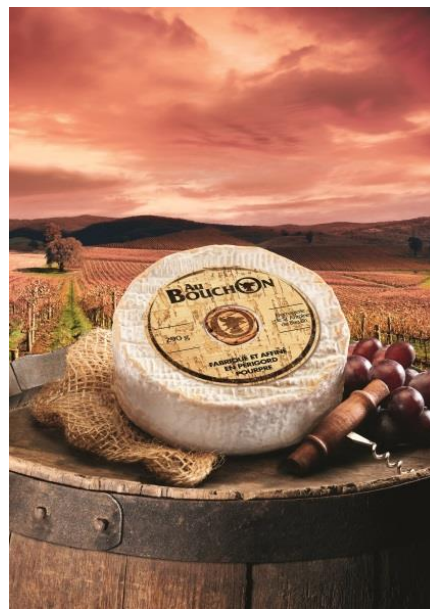
🐾 Savencia and Terra Lacta have committed to:

- 🍷 Sustainable and responsible food by offering consumers a range of organic dairy products
- 🍷 Equitable pricing for the organic milk purchased from Terra Lacta producers

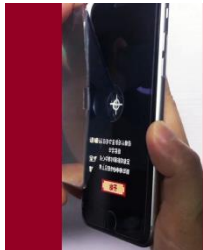


Healthy: “Nudge for Good” European award

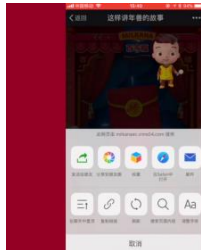




Social and Digital: Alibaba and Chinese children



PUT ON
THE
GEAR



SHARE
ON
WECHAT



ON-LINE:
THANKS TO ALIBABA BIG DATA



Social and Digital: *raclette* conviviality





The image shows a package of Riches Monts La Raclette Classique cheese. The package is made of wood-grain material and features the Riches Monts logo at the top, which includes a mountain scene and the text "MAÎTRE FROMAGER DEPUIS 1973". Below the logo, it says "La Raclette" and shows a raclette pan pouring melted cheese over potatoes and vegetables. At the bottom of the package, it says "Classique", "16 TRANCHES", "Affinage sur Épicéa", "AU LAIT FRANÇAIS", and "420g". A red seal on the bottom right says "LAIT DE MONTAGNE GARANTI".

Riches Monts
MAÎTRE FROMAGER DEPUIS 1973

Riche en Moments Vrais

Jeu sans obligation d'achat organisé entre le 01/09/17 et le 31/03/18. Voir modalités sur www.richesmonts.fr.

Pour votre santé, évitez de grignoter entre les repas. www.mangerbouger.fr

Social and Digital: Fol Epi “finesse”





Global: international development



Russia: Belebey



Africa and Middle East: Tunisia



South America: snacking



BRAZIL

South America: snacking



ARGENTINA

North America: artisanal cheese



Conclusion

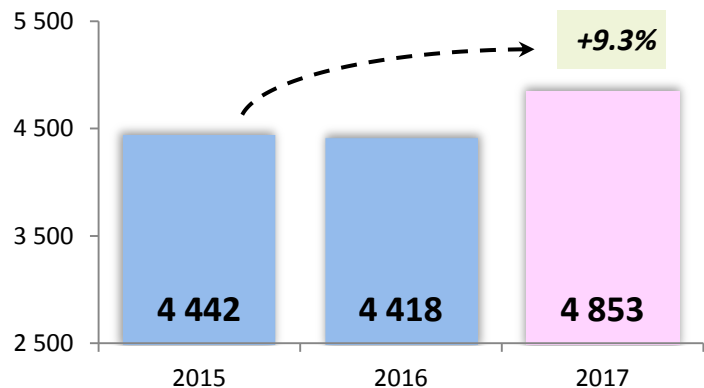
- 👉 A healthy global growth for our **brands**
- 👉 A healthy development of our **innovative** brands for all times and all uses, supported by creative **digital communication**
- 👉 Strong **international** growth



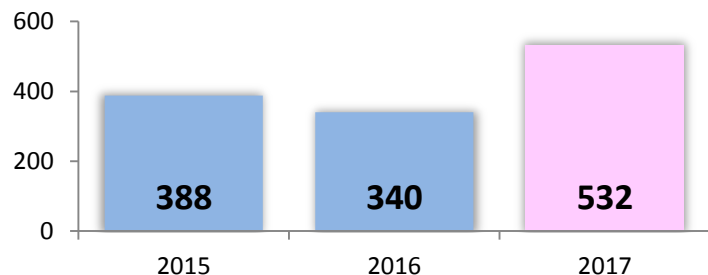
2017 annual results

Key figures (€ million)

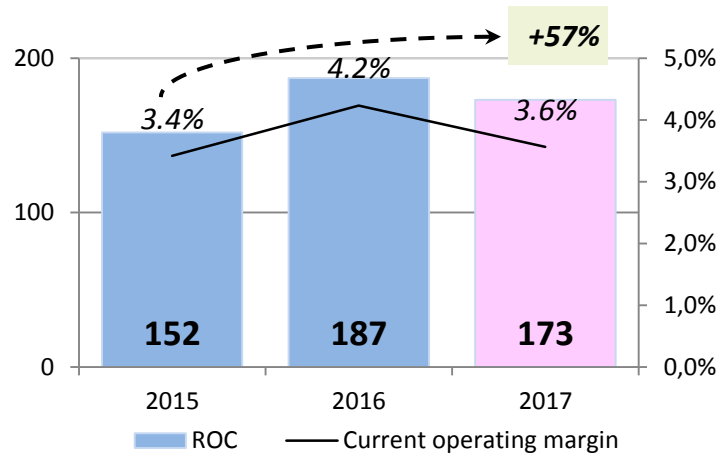
Net sales



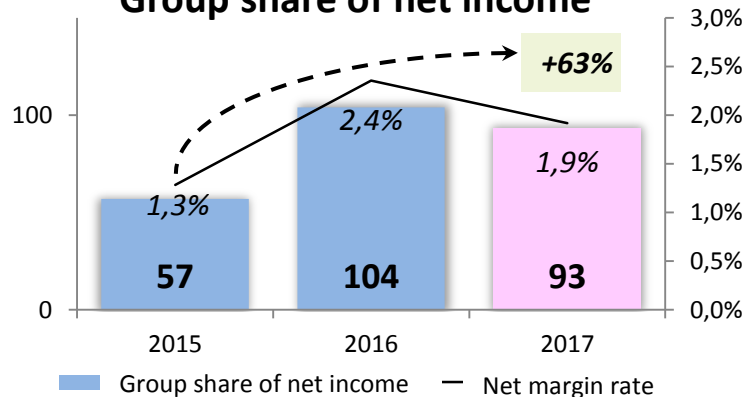
Net debt



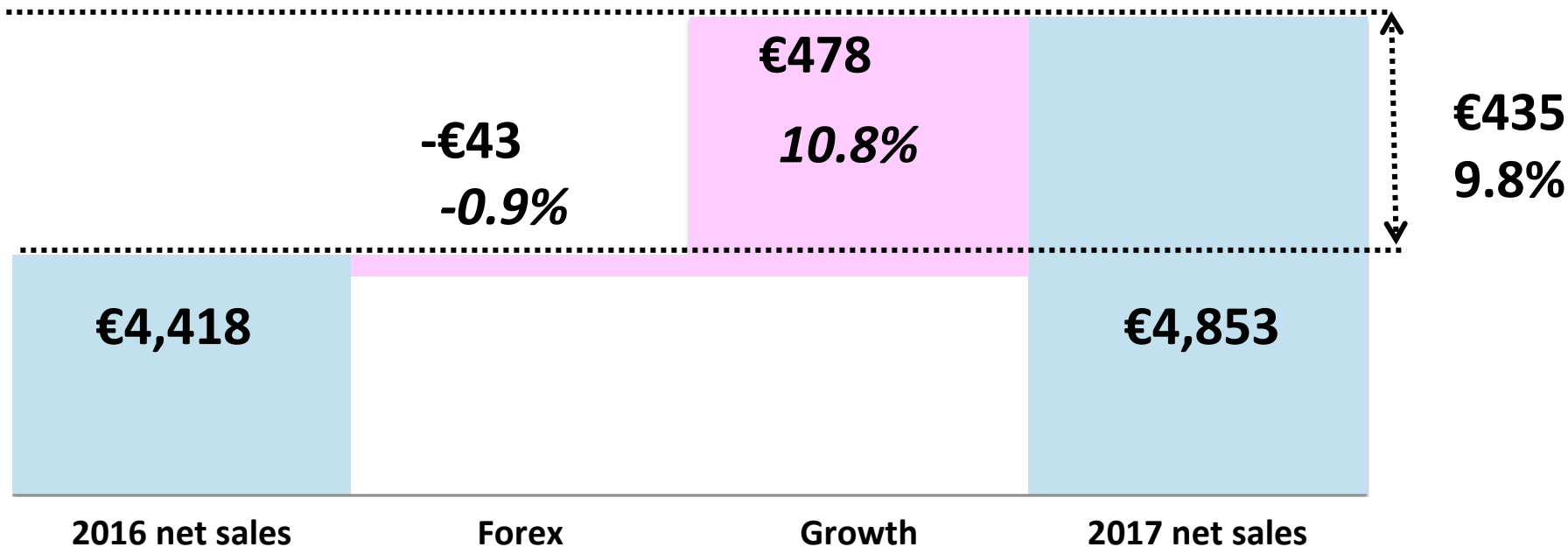
Current Operating Profit



Group share of net income

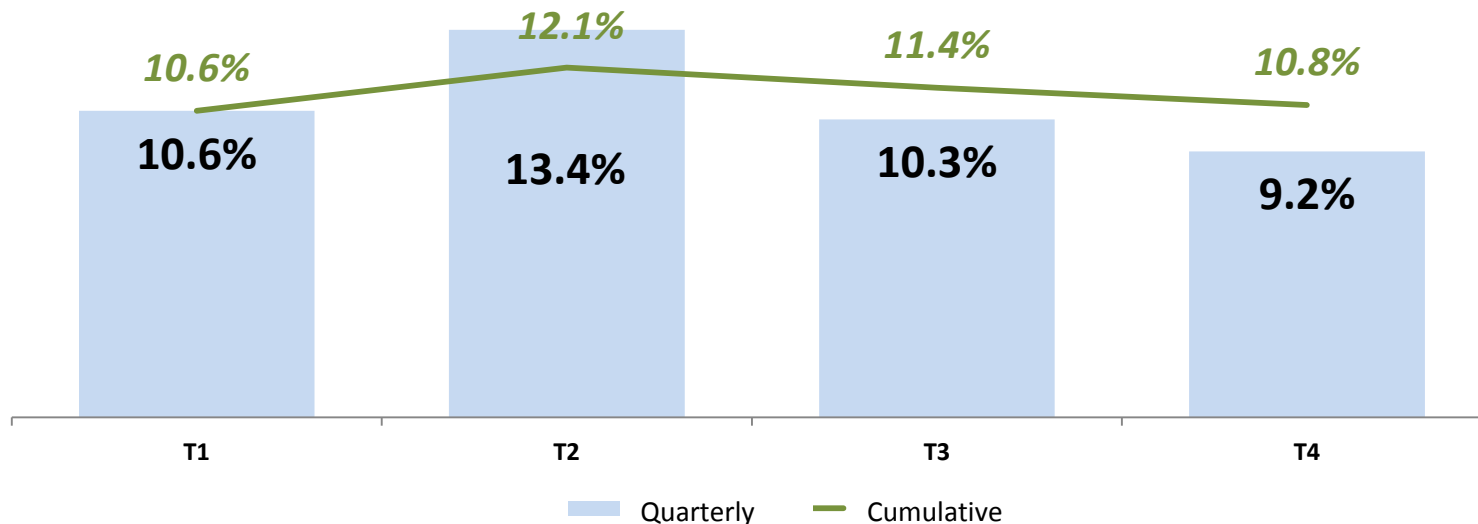


2017 net sales (€ million)



Quarterly organic growth

Group total

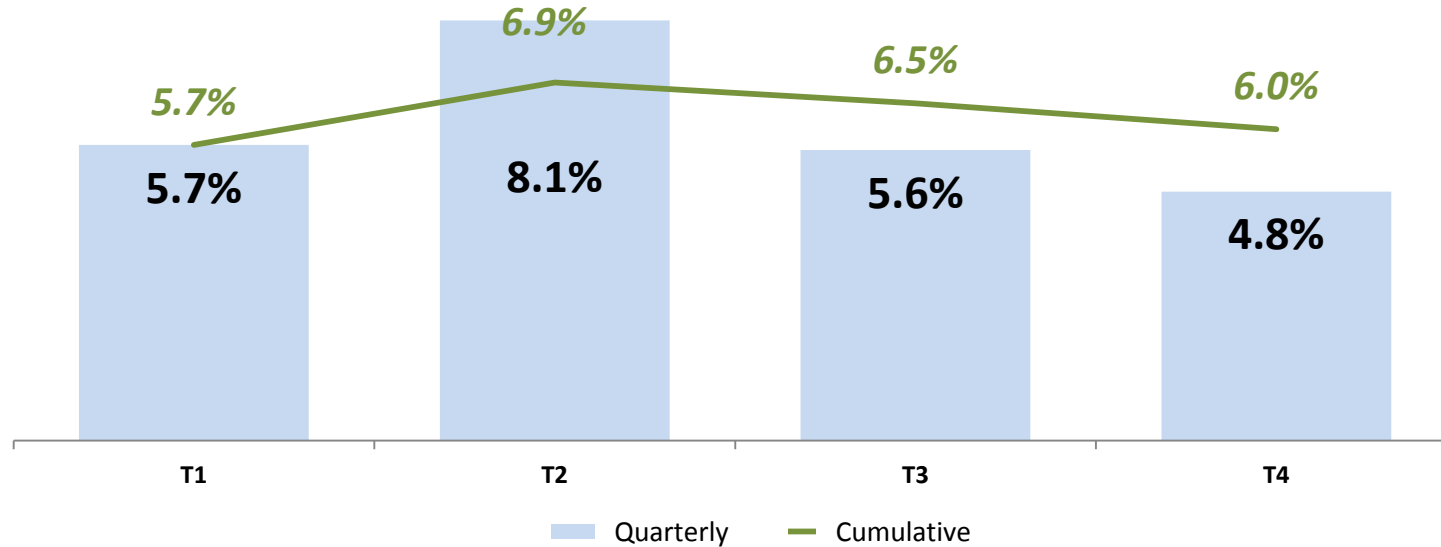


🌐 Global growth fueled by:

- 🌱 The price impact of the butter crisis, and
- 🌱 Faster development of our non-French markets

Quarterly organic growth

Cheese Products

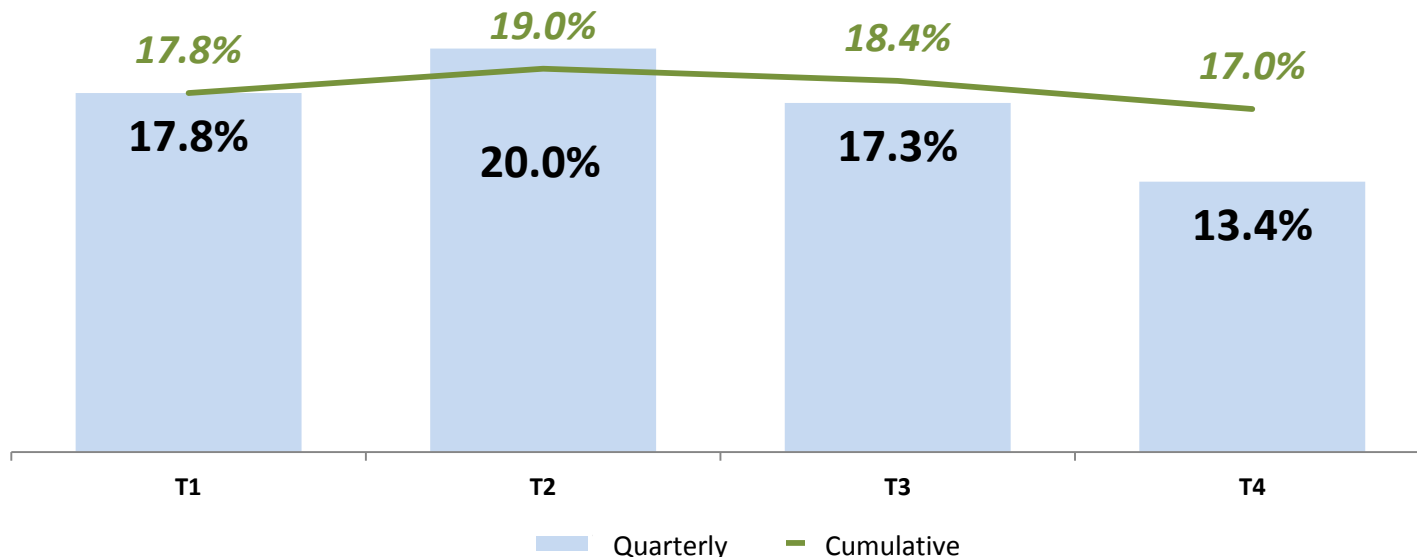


📈 Growth in strategic brands under the impulse of:

- 📈 a 3.7% price impact and
- 📈 a 2.3% volume-mix impact

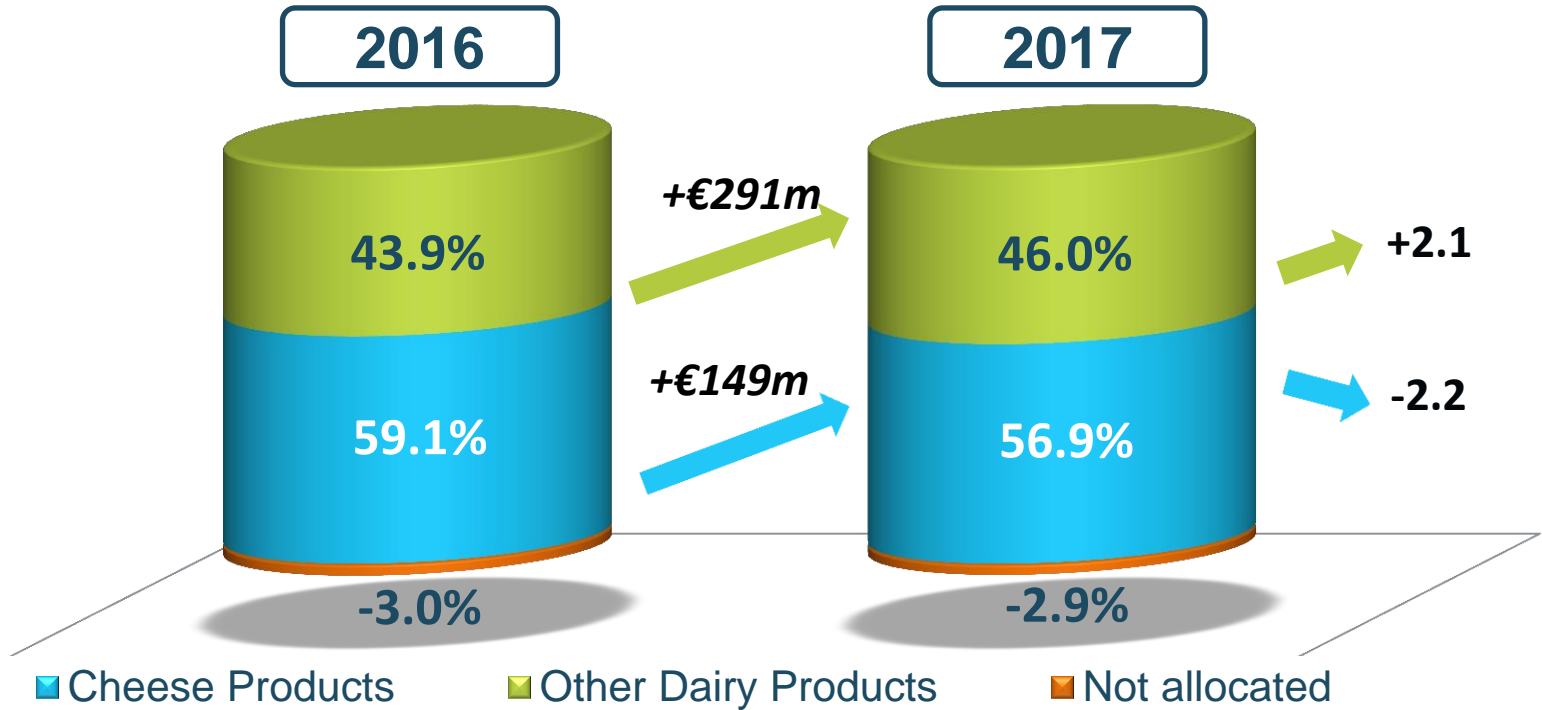
Quarterly organic growth

Other Dairy Products



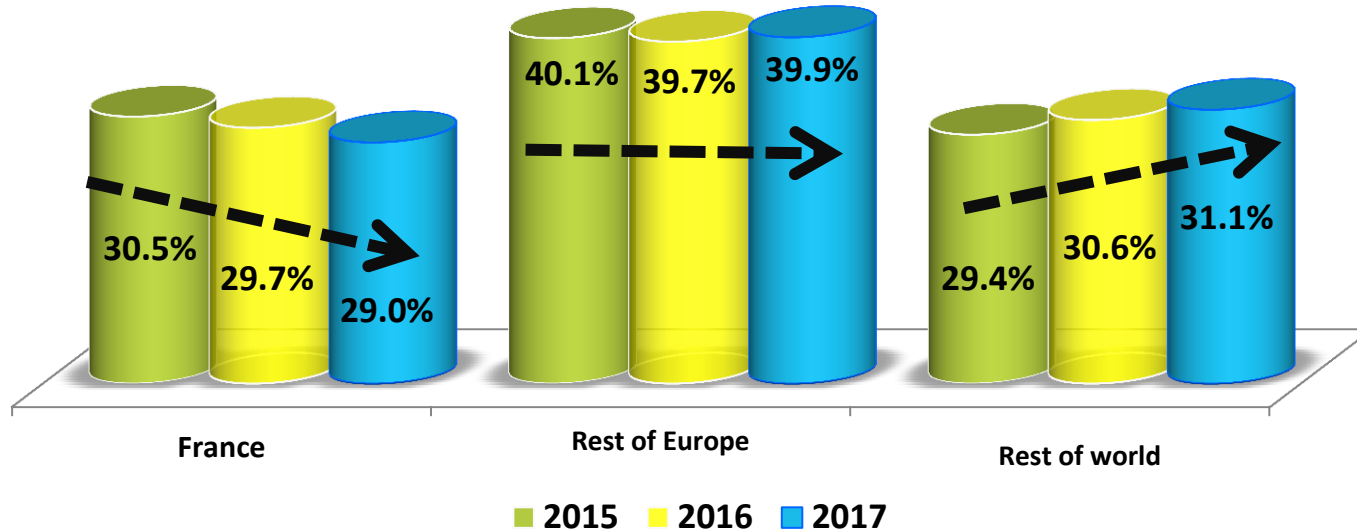
- Growth fed by:**
- a strong 14.8% price impact and
 - a 2.2% volume-mix impact

Net sales



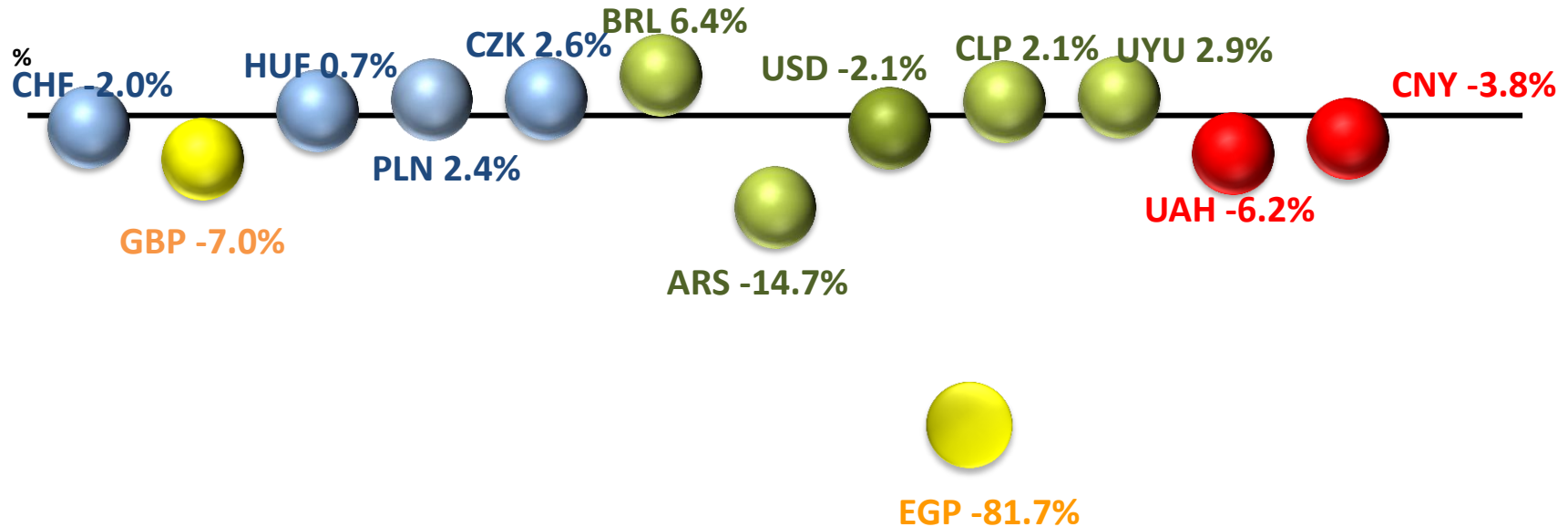
Net sales

Geographical breakdown



- (-) Difficulty in passing on the milk equation in France
- (+) Stronger international organic growth
- (-) Forex impact

Average price trend for currencies

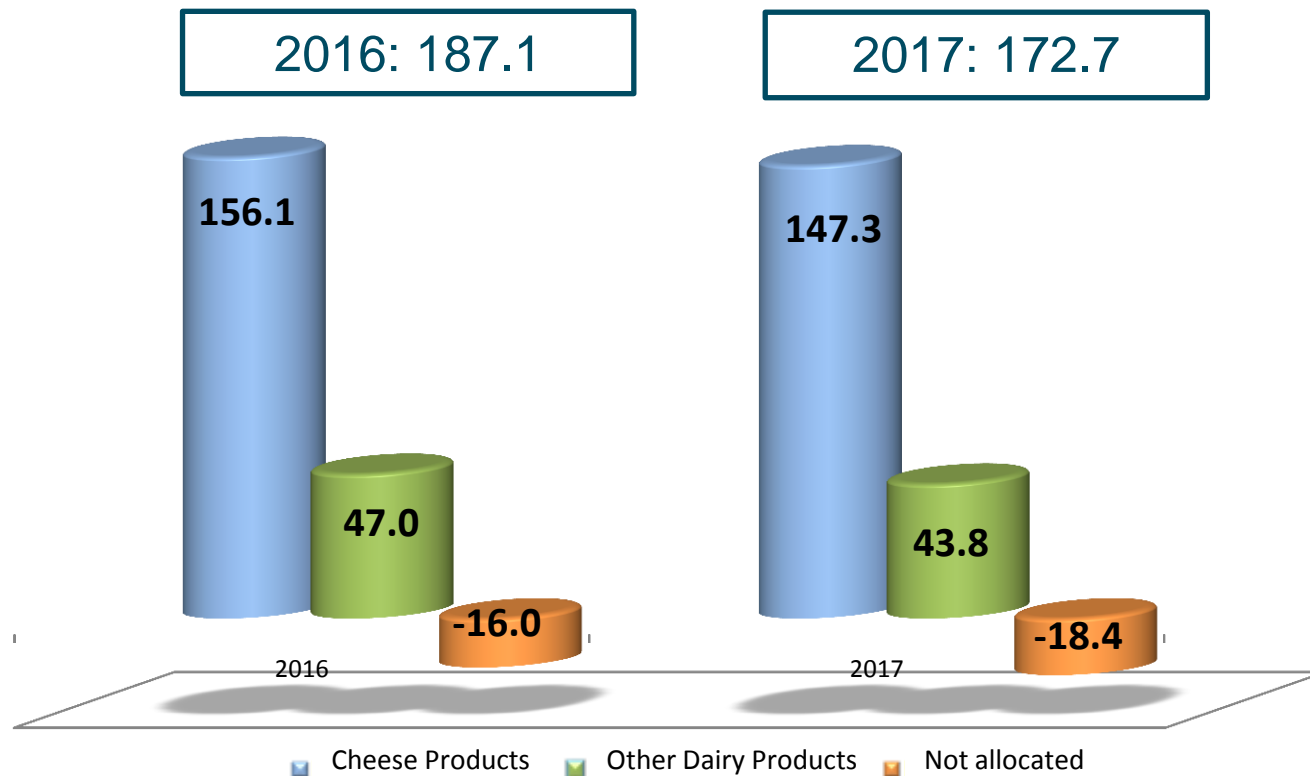


👉 Overall a -€43m weakening of other currencies against the euro

Operating costs (€ million)

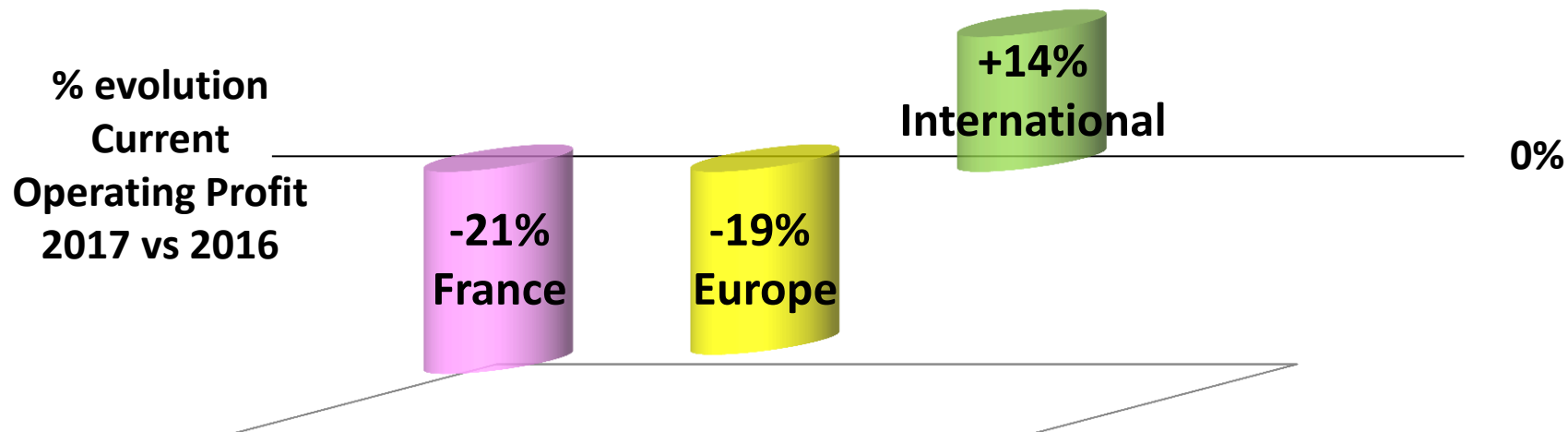
| (-) = fall €'000 | | | 2016 | 2017 | Favorable | Unfavorable |
|---|---|-------------------|--------------|--------------|----------------------------------|---|
| Purchases | | | 2 764 | 3 199 | Resale of surplus purchases | Dairy raw material prices Consumables & packaging |
| Total variance | △ | +€435m +15.8 % | 62.6% | 65.9% | | |
| Payroll | | | 839 | 860 | | Inflation Structural reinforcement Growth in activity |
| Total variance | △ | +€21m +2.4 % | 19.0% | 17.7% | | |
| Depreciation, impairment, provisions | | | 125 | 125 | Provisions | Capex |
| Total variance | △ | -€0,5m -0.4 % | 2.8% | 2.6% | | |
| Other operating income & expense | | | 502 | 496 | Professional fees Advertising | Repairs & maintenance Taxes |
| Total variance | △ | -€6m -1.3 % | 11.4% | 10.2% | | |

Change in current operating profit (€ million)

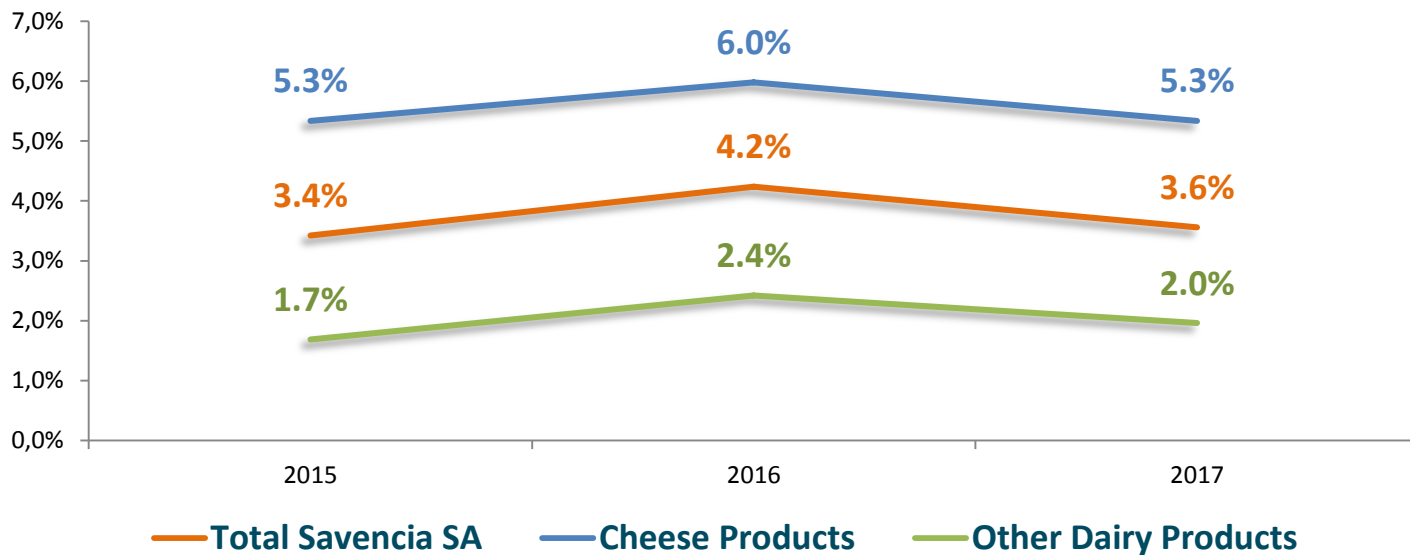


Current Operating Profit

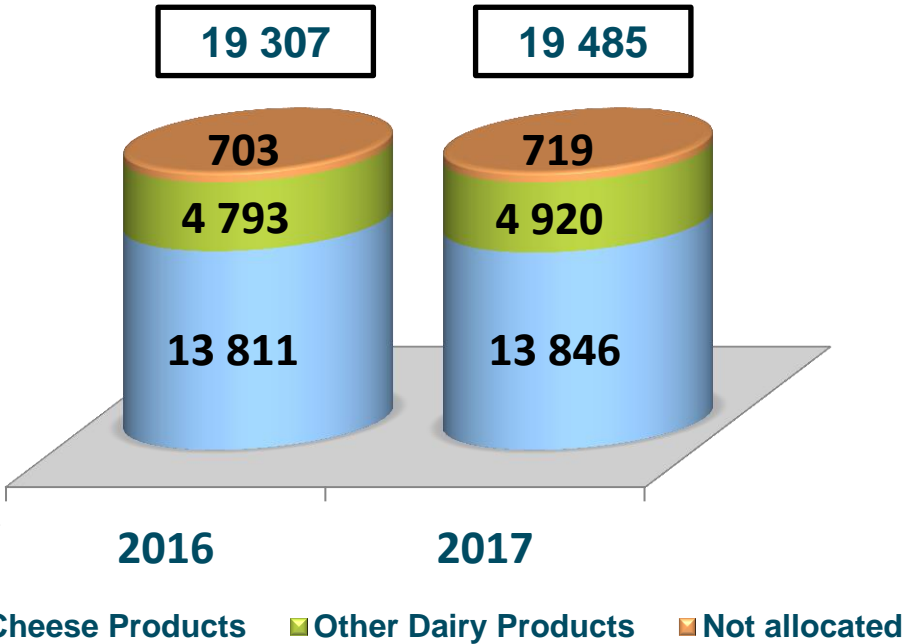
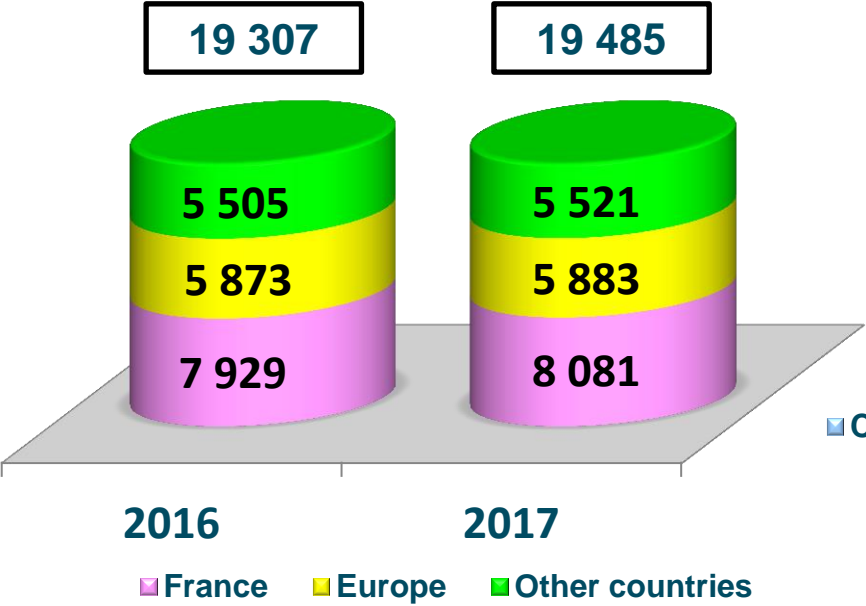
Geographical evolution



Current operating margin



Average headcount



Other operating income & expense

| € million | 2016 | 2017 |
|--------------------------|-------------|--------------|
| Reorganization | -3.8 | -5.3 |
| Impairment of assets | -13.0 | -12.5 |
| Disputes, accidents etc. | 10.7 | -1.7 |
| | -6.1 | -19.5 |

Net financial expense

| €m | 2016 | 2017 | Change |
|--|--------------|--------------|-------------|
| Interest (except interest rate hedging) | -11.2 | -10.0 | 1.2 |
| Interest rate hedging | 0.2 | 1.1 | 0.9 |
| Commissions | -5.1 | -5.0 | 0.1 |
| Forex | -11.0 | -3.3 | 7.7 |
| Other items | -1.0 | -0.1 | 0.9 |
| Total | -28.1 | -16.1 | 12.0 |
| <i>IFRS latencies</i> | 1.3 | 3.6 | 2.3 |

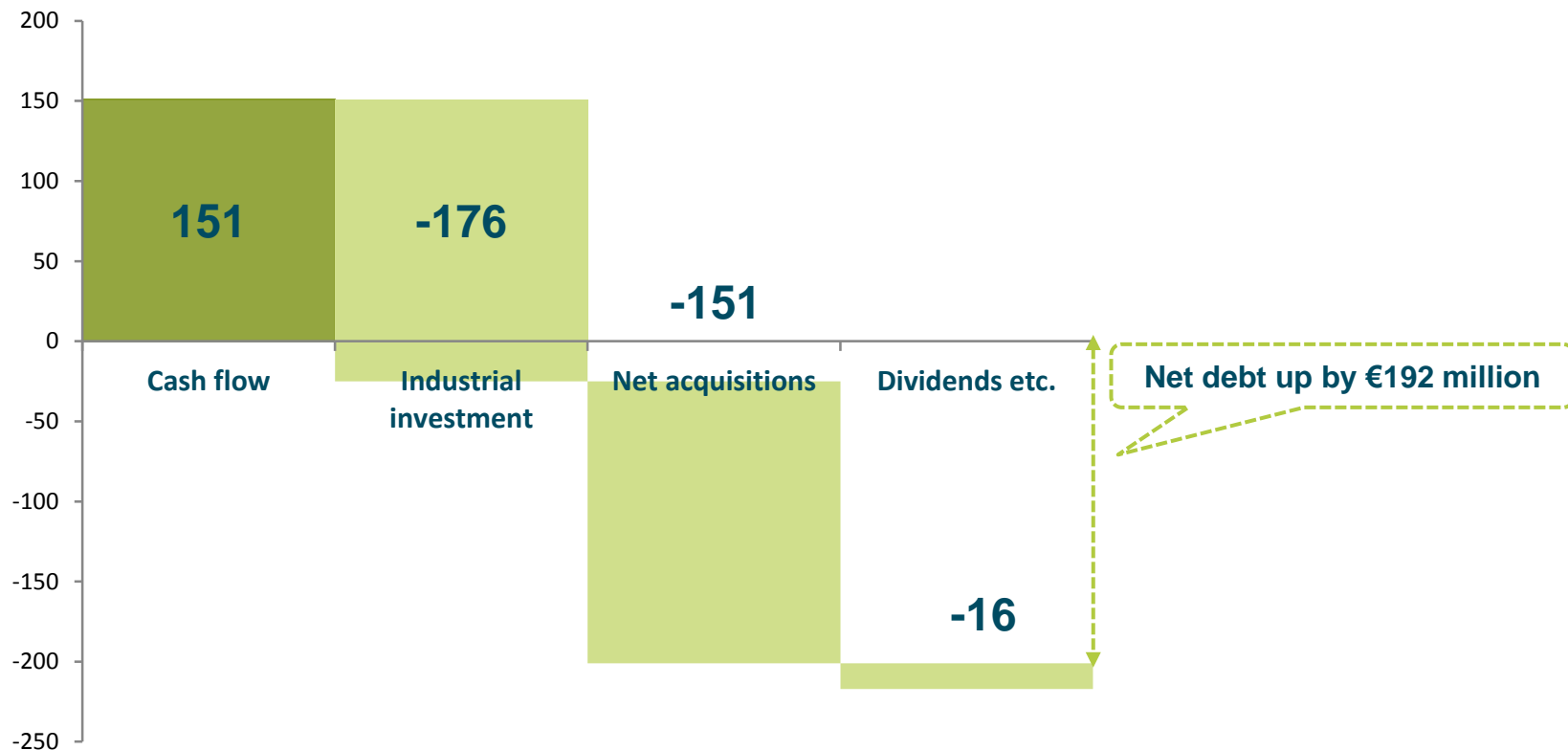
Taxes on income

| | 2016 | 2017 |
|-------------------------------|-------|-------|
| Tax charge (€ million) | -47.7 | -46.1 |
| Effective rate | 29.9% | 32.3% |

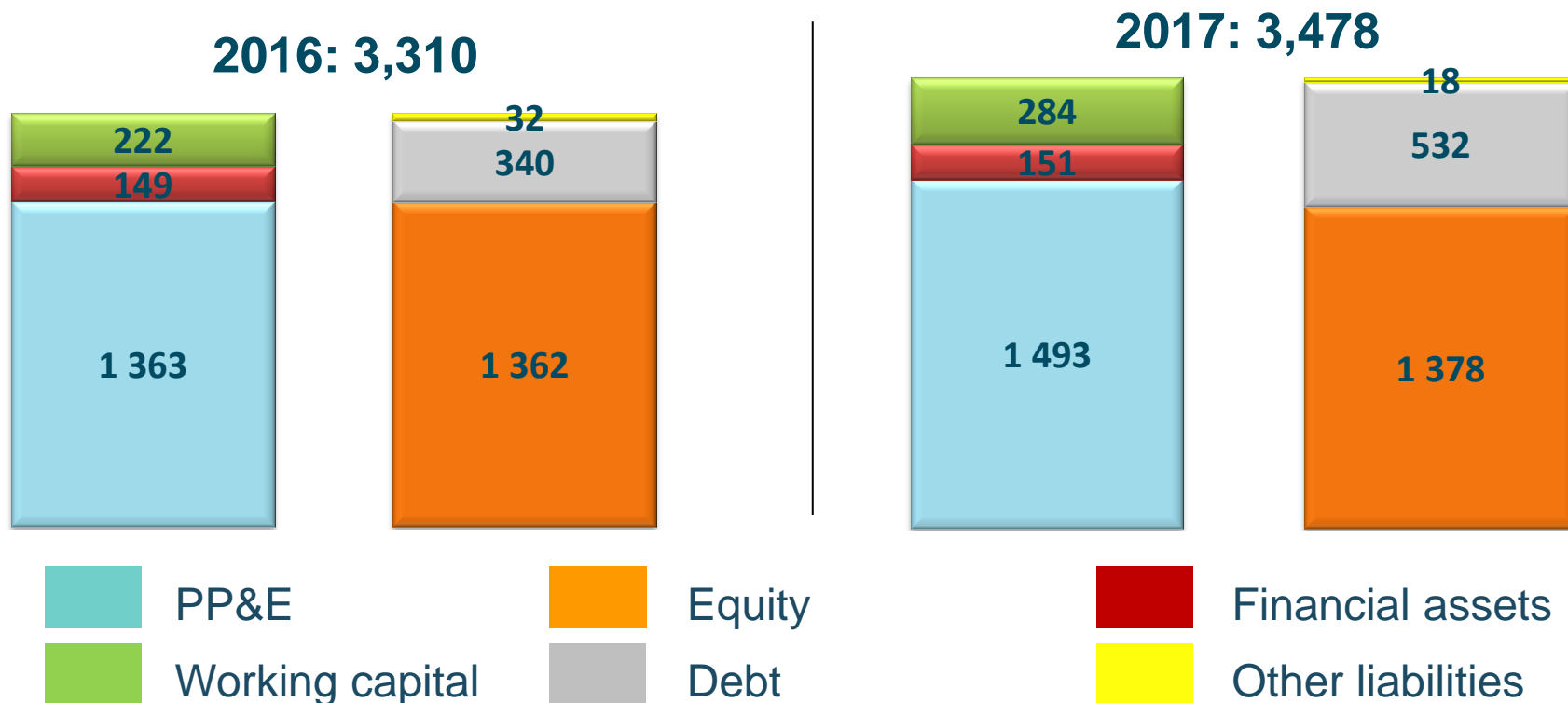
Income statement

| € million | | 2017 | | 2016 | | Δ 2017 / 2016 | | 2015 | |
|---------------------------|-----------------|--------|-------------|--------|-------------|---------------|------|--------|-------------|
| | | Actual | % net sales | Actual | % net sales | Actual | % | Actual | % net sales |
| Net sales | N/N-1 | 4 853 | +9.8% | 4 418 | -0.5% | +435 | +9.8 | 4 442 | -3.6% |
| Current operating profit | N/N-1 | 172.7 | 3.6 | 187.1 | 4.2 | -14.4 | -8 | 151.9 | 3.4 |
| | | | -8% | | +23% | | | | +38% |
| Non-recurring items | N/N-1 | -19.5 | -0.4 | -6.1 | -0.1 | -13.4 | | -33.3 | -0.7 |
| | | | +220% | | -40% | | | | +170% |
| Operating profit | N/N-1 | 153.3 | 3.2 | 180.9 | 4.1 | -27.6 | -15 | 118.6 | 2.7 |
| | | | -15% | | +53% | | | | +21% |
| Net financial expense | N/N-1 | -16.1 | -0.3 | -28.1 | -0.6 | +12.0 | -43 | -26.4 | -0.6 |
| | | | -43% | | +6% | | | | -13% |
| Profit before tax | N/N-1 | 142.6 | 2.9 | 159.6 | 3.6 | -17.0 | -11 | 101.2 | 2.3 |
| | | | -11% | | +58% | | | | +42% |
| Taxes on income | | -46.1 | -0.9 | -47.7 | -1.1 | +1.6 | -3 | -39.2 | -0.9 |
| | Effective rate | | -3% | | +22% | | | | +52% |
| Group share of net income | | 92.9 | 1.9 | 104.4 | 2.4 | -11.5 | -11 | 57.0 | 1.3 |
| | Evolution N/N-1 | | -11% | | +83% | | | | +44% |

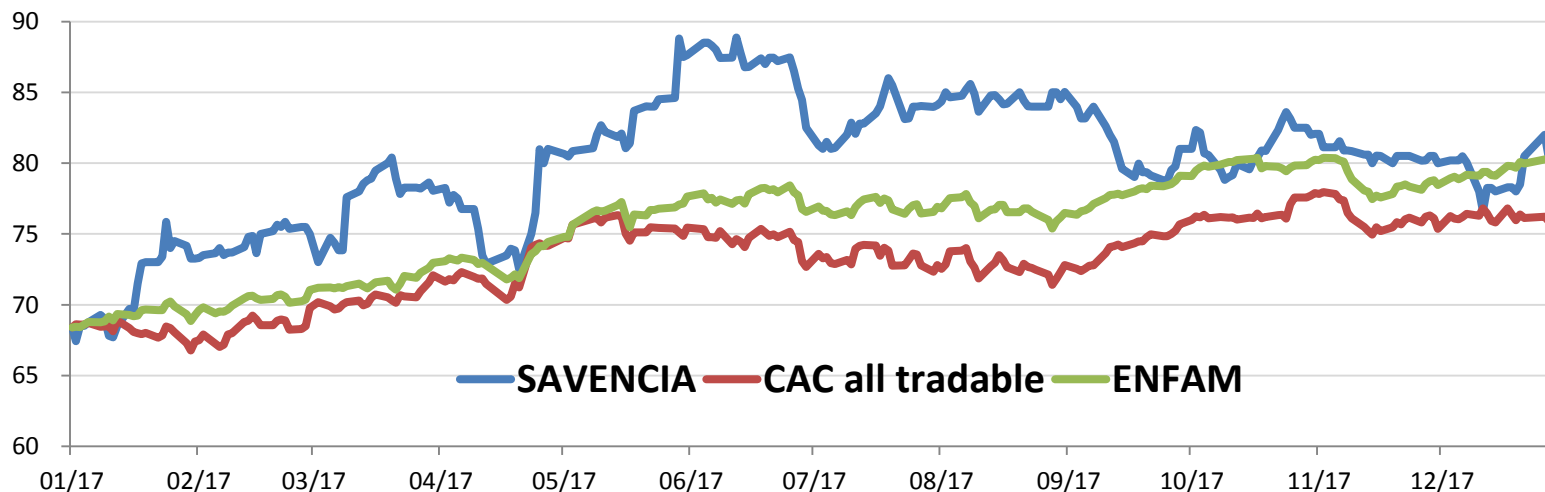
2017 cash flows (€ million)



Balance sheet (€ million)



Stock price in 2017



SAVENCIA stock

| | |
|---------------------------------|---------|
| Low | €67.43 |
| High | €88.88 |
| Average | €79.97 |
| Change in 2017 | 18.01 % |
| Capitalization as of 12/31/2017 | €1,132m |



SAVENCIA
FROMAGE & DAIRY

Financial Analysts' Meeting

 Viroflay, March 15, 2018 

