SAVENCIA
FROMAGE & DAIRY

2017 ANNUAL REPORT
ACTIVITY & SUSTAINABLE DEVELOPMENT

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GOVERNANCE & RESULTS

Savencia Fromage & Dairy, international and local

Focusing on cheese specialties and dairy-based ingredients with added value, Savencia Fromage & Dairy is one of the leading global milk processors. With 4 billion liters of milk collected, it is the #2 cheese group in France and #4 worldwide. An independent family group listed with Euronext Paris.

RETAIL

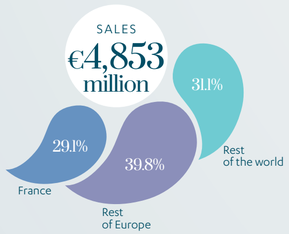
Offering a wide variety of high quality cheeses, butter and cream, Savencia Fromage & Dairy is the world #1 for cheese specialties. The secret of our outreach? Strong brands, continuous innovation and a strong international presence.

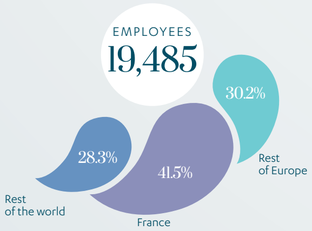
FOOD SERVICE

The leader for cream and technical butter, we are the reference for the most famous chefs and pastry cooks. Our products of excellence facilitate the work of food service professionals for whom we have also developed cheese in portions and cheese sauces.

INDUSTRY

As a specialist in functional and nutritional ingredients extracted from milk, we develop cutting-edge research and advanced technologies to serve the food, infant formula and pharmaceutical industries.





Committed all together

At Savencia Fromage & Dairy, we are convinced that "Good Food" is a matter of combining pleasure and natural health. Our goal is to reinvent eating well for tomorrow. Throughout the world, our ambition is the same: to combine taste and health, innovation and gastronomy, sustainable local production and international development.
Every day, we undertake to offer products that are both mouth-watering and responsible, to pursue activities that are respectful of the environment and to contribute to the economic and social development of the countries and regions in which we are present. Committed together with both the present and future generations, we are mobilized for the achievement of sustainable development in the framework of our vocation of "Leading the way to better food".

"We stand together, carried by the same planet, crew of one ship."

Antoine de Saint-Exupéry

Message from Management

COMMITTED TO A DAIRY INDUSTRY OF EXCELLENCE, BETTER NUTRITION AND RESPECT FOR THE ENVIRONMENT, WE DEPLOY WORLDWIDE OUR BRANDS AND INNOVATIONS AND ARE MOBILIZED FOR A RESPONSIBLE GROWTH AND A SUSTAINABLE FUTURE.

All through 2017, **the environment has been exceptionally complex and volatile** for dairy product markets worldwide, with rarely experienced extremes of price. Under the impact of growth in international demand and the absence of stock piles, world prices for butter and cream literally soared. Meanwhile, the price for skim milk powder continued to plunge in a context of massive EU stockpiling. These market tensions resulted in a steep increase in the price of milk which led us to apply significant price increases within all our businesses. However in France, we were not able to pass on the necessary price increases for our retail products given the continuing price war waged by certain retailers.

This heightened volatility produced a shockwave within the dairy industry, hitting both milk producers, some of whom are in dire straits, and processors. 2017 has demonstrated the limits of the French dairy model within an ever more uncertain context of price and volume.

During the France's General Consultation on Food *(États Généraux de l'Alimentation),* the dairy industry structured its forward-looking commitments in the form of a plan baptized "France, a land of milk". The plan's ambition is to construct a competitive and sustainable French dairy industry capable of developing its full market potential in France, in Europe and worldwide.

A major player in the world dairy economy, France exports almost half the milk it collects. Competitiveness must not be taboo if we want to maintain our rank within the world economy, whilst recognizing the value of the work performed by our farmers and the diversity of the dairy farms models.

Within this unfavorable context, the growth of our brands, the strength of our innovation and our sustained international development were able to offset the cyclical erosion of our retail products margins in France. Our net sales for 2017 amounted to €4.8 billion, reflecting a 10.8% organic growth. Current operating profit, however, fell back by 7.7%, penalized by the steep increases in dairy raw materials costs which could not be fully passed on our selling prices. Net income amounted to €93 million, 1.9% of net sales.

Our efforts in terms of innovation and competitiveness enable us to reinforce our European strongholds whilst accelerating our international development. These results pay tribute to the strong commitment of all our employees in all the countries where we are present. At the end of 2017, we increased our international presence with the acquisition of Belebey in Russia. In January 2018, we extended our presence in Asia with the acquisition of the Bake Plus distributor.

In the framework of our vocation of "Leading the way to better food" and with all our employees and stakeholders, we are firmly committed to developing eco-responsibility, improved nutrition, food safety and the fight against food waste. Alongside our milk producer organizations, we nurture forward-looking partnerships to produce milk of excellence that is respectful of the environment.

Committed together, we are mobilized on creating the conditions for profitable, responsible and sustainable growth.

Jean-Paul TORRIS, Chief Executive Officer

€4.8
BILLION
NET SALES

WORLDWIDE
#1
FOR CHEESE SPECIALTIES

120
COUNTRIES
SELLING OUR PRODUCTS

4 BILLION
LITERS OF MILK PROCESSED

19,485
EMPLOYEES
IN 30 COUNTRIES

high points

SIRHA

THE GROUP'S EXCELLENCE AT THE SERVICE OF FOOD PROFESSIONALS

Sirha

From January 21 to 25, 2017 the Sirha *(Salon International de la Restauration, de l'Hôtellerie et de l'Alimentation),* a HORECA trade fair of international renown, experienced great success with a total of more than 208,000 professional visitors and was the occasion for Groupe Savencia to fly the banner of several subsidiaries distinguished by their know-how and the quality of their customer relations. Our international brands Elle & Vire Professionnel, the historical partner of the *Concours Bocuse d'Or,* Corman and Lescure, partners of the *Coupe de France de la Boulangerie* bakery contest and Savencia Fromage & Dairy Food Service all displayed the excellence of their products.

CONTESTS

RECORD AWARDS

The products of Savencia Fromage & Dairy, and therefore our Cheese Masters, are in the spotlight. As proof, 12 of the Group's products were rewarded at the 2017 edition of the *Concours Général Agricole 2017,* including Époisses Berthaut, Berthaut Trou du Cru and raw milk RichesMonts Raclette, all of which obtained Gold medals, as well as Elle & Vire's unsalted butter which obtained a Silver medal. A further eleven of the Group's products were rewarded at the *Mondial du Fromage de Tours,* with in particular a Gold medal for Epoisses AOP Berthaut and a Silver medal for Soumaintrain IGP Berthaut.
Finally our Spanish subsidiary Arias, a World Cheese Awards winner for its premium cheeses, received a Gold medal for Flor de Ronda Semicurado Chèvre and two Bronze medals for Boffard Reserva and Casa del Campo Gran Reserva.
Throughout the world, our cheeses showcase their excellence!

DISTINCTION

EVER A TOP EMPLOYER!

2017 started off with the award, for the 9th consecutive year, of the Top Employer France distinction to Savencia Fromage & Dairy. We were also once again distinguished as a Top Employer Europe and a Top Employer Germany, Belgium, Spain and Poland.

THE FIE TRADE FAIR

A WINNING TEAM FOR THE FOOD INGREDIENTS EUROPE TRADE FAIR

In November, the Group's Corman, Armor Protéines, Cheese Ingredients and Fruisec subsidiaries were present in Frankfurt at the Food Ingredients Europe (FIE) trade fair, the world's largest trade fair devoted to ingredients.
A unmissable meeting point which allowed our teams to demonstrate to food and nutrition manufacturers Savencia Fromage & Dairy's expertise in functional and nutritional dairy-based fats and other ingredients.

UNITED NATIONS GLOBAL COMPACT

SAVENCIA COMMITTED TO SUSTAINABLE DEVELOPMENT

Savencia Fromage & Dairy, as a signatory of the UN's Global Compact, is committed to its ten fundamental principles in the areas of human rights, working conditions, the environment and anti-corruption. As such, the Group strives continuously to respect its customers and suppliers and reiterates its commitment to diminishing the environmental impact of its activities and encouraging the professional wellbeing of its employees.

LA DIVINE FROMAGERIE

THE CAPRICE DES DIEUX SAGA IS ALL THE BUZZ

A year after its opening in 2016, La Divine Fromagerie, an educational space opened in Illoud, France to celebrate 60 years of Caprice des Dieux, is proud to have attracted 5,000 visitors! Enthusiasm which once again confirms to what extent this little cheese become great is one of France's iconic brands.

ÉTATS GÉNÉRAUX DE L'ALIMENTATION

SAVENCIA FROMAGE & DAIRY, A COMMITTED CONTRIBUTOR

At the request of the President of the Republic, France's General Consultation on Food *(États Généraux de l'Alimentation)* took place in Paris in 2017. Savencia Fromage & Dairy contributed to this historical public and citizens' consultation via two workshops. The first was entitled "Adapting agricultural production to market needs and processors' requirements". The second was devoted to the ecological and solidary transition of French agriculture via the promotion of sustainable food. The Group's participation provided the opportunity to restate its commitment to sustainability, a contributing factor to consumer confidence reinforcement.

DISTINCTION

A SALES FORCE PLEBISCITED

"BRAVO TO SAVENCIA PRODUITS LAITIERS FRANCE'S SALES TEAM FOR RETAINING ITS SECOND PLACE WITHIN THE ADVANTAGE GROUP CLASSIFICATION FOR THE FRESH DAIRY CATEGORY!"

Guillaume LETENNEUR,
General Manager
of Savencia Produits Laitiers France

RECOGNITION

FOR SAVORS OF SUCCESS

Within the Fol Épi and Saint Agur product ranges, all the available Self-Service products have been recognized as Savors of the Year for 2018. As well, only a few months after its launch Bresse Bleu Suprême was also awarded the Savor of the Year prize for 2018 together with the "Consumers' Choice" prize, an unmistakable tribute to the latest member of the blue cheese category.

HAPPY BIRTHDAYS

TO LASTING SUCCESS

Three subsidiaries celebrated significant birthdays in 2017: 125 years for Edelweiss in Germany, 70 years for Mlekoprodukt in Serbia and 85 years for Passendale in Belgium. These many sources of pride for Savencia Fromage & Dairy pay tribute to the sustainability of its European entities due to their know-how, their brands, the quality of their products and their teams' commitment. Their durability reflects their ambition to keep alive their inheritance while devoting a large place to innovation.

NOMA

WHEN MUSIC CONQUERS ILLNESS...

The Group supported the charity concert which took place at the Maison de l'UNESCO in Paris, in December 2017, for the benefit of the fight against Noma disease which affects children, in Africa in particular. A number of the Group's employees active in France's "Vaincre Noma" and Germany's "Gegen Noma-Parmed" associations contributed to the organization of this excellent initiative.

ACQUISITION

BELEBEY: A MAJOR INVESTMENT IN RUSSIA

Within the great russian market, Belebey, a leader for hard cheese has joined Savencia Fromage & Dairy. The acquisition provides the Group with an extensive milk collection zone, a large manufacturing facility and a range of specialty brands. Belebey, which is located in the Republic of Bashkortostan, a region of significant milk production, represents an excellent opportunity for Savencia Fromage & Dairy to develop cheeses of quality in Russia.

Committed all together.

WE ARE COMMITTED DAY IN DAY OUT TO OFFERING OUR CONSUMERS, CUSTOMERS, MILK PRODUCERS AND EMPLOYEES SOLUTIONS AND PRODUCTS THAT ARE RESPECTFUL OF BOTH PEOPLE AND THE ENVIRONMENT.

committed with our milk producers.

BECAUSE OUR WORK WITH OUR MILK PRODUCERS IS LONG TERM, WE DO EVERYTHING WE CAN TO SUPPORT THEM AND ASSIST THEM IN MOVING FORWARD ON THE ENVIRONMENTAL CHALLENGES. FOR SAVENCIA FROMAGE & DAIRY, SHARING OUR PRACTICES AND OUR AMBITION IS ALSO A MEANS OF ENSURING THE SUSTAINABILITY AND PERFORMANCE OF OUR INDUSTRY.

"Technical support which has helped me improve my output."

I have been producing milk in the Ille-et-Vilaine department of France for the past ten years. The milk is collected by Savencia Ressources Laitières in Saint-Brice-en-Coglès. With the help of Pierre Montagnon, a Savencia Milk Collection Technician, I have the benefit from technical advice and support in particular for increasing my farm's food self-sufficiency. For the past two years, I have sown a winter intercrop of Italian ray-grass and clover which has allowed me to increase my cows' grass ration and reduce my purchases of nitrogen correctors by 15%. By changing the cutting, I have also improved the digestibility of my corn feed whilst still retaining the fibers for optimal rumination by my dairy cows. At present my cows, with a third of grass in their overall ration, are in better health and produce an extra 5% of milk!

Jean-Hubert RONDIN,
Milk producer, EARL des Fleurs,
in Marcillé-Raoul (Ille-et-Vilaine)

DEVELOPING A SUSTAINABLE DAIRY INDUSTRY

For quite a few years, Savencia Ressources Laitières has been implementing a Sustainable Milk Production approach designed to help the producers improve their farming practices by offering them training and technical support. Our Milk Collection Technicians are in the field providing our milk producers with their expertise in all farming matters. They also carry nomadic devices to input all the information that is then available at any time on the dedicated milk producers' website www.terroirs-de-lait.com.

PROVIDING SUPPORT FOR THE MILK PRODUCERS

We work with our producers for the long term, in particular by offering a comprehensive diagnosis covering ten areas of their activity. They are free to choose their focuses of improvement. The indicators include food self-sufficiency for the herd. By growing and harvesting on site the fodder and cereals required by their herd, they improve control over their production costs. Animal wellbeing has also become a major issue. The corresponding indicator was developed in the framework of a service contract with France's INRA agricultural research institute. It takes account the absence of pain and illness, comfort, human-animal interaction, access to pasture etc. We also work together to reduce farms' carbon footprint. Dairy farming accounts for 3.6% of France's greenhouse gas emissions. While methane is the foremost greenhouse gas produced by ruminants, it is offset by the carbon captured and stored in the pastures and hedges. At yearend 2017 and for the 1,200 farms diagnosed within Savencia, the average net carbon footprint amounted to 0.82 kg of CO_2 per liter of milk compared with a national average of 0.91 kg.

191
IS THE AVERAGE NUMBER OF DAYS IN THE YEAR OUR HERDS OF COWS IN FRANCE ARE ON PASTURE.

HELPING YOUNG MILK PRODUCERS WITH THEIR INSTALLATION

Being committed to the development of the dairy industry also means helping young milk producers with their installation. In 2017, Savencia extended its support deployed in 2016 in the form of a dedicated bonus for all our young milk producers, about 15% of the total. We also help young goat farmers via the installation support pack developed with Terra Lacta. Allocation of volumes, finance for the purchase of female baby goats, security of margin for five years, technical support: all illustrate our commitment to rendering our producers' activity sound and sustainable.

COMMITTED TO A SUSTAINABLE FRENCH DAIRY INDUSTRY

With almost 300,000 direct jobs throughout the country, the French dairy industry is a strong point of the food industry. In the framework of the *États Généraux de l'Alimentation* and in accordance with the President of the Republic's speech of October 11, 2017, an industry-wide plan based on the discussions with all the industry players has been announced.

"France Terre de Lait" ("France, a land of milk") is the name of the plan for the dairy industry presented during the closing ceremony of the *États Généraux de l'Alimentation*. Its ambition is to make France competitive, attractive and faithful to its model of diversity.
The dairy industry, marked in recent years by radical structural changes, has committed to three points:

- The definition of a professional framework incorporating the new stakeholders which include the retailers, NGOs and a network of Producer Organizations;
- The creation of a framework of reference, the "High Quality Standard" for milk and dairy products, reflecting French excellence;
- A consumer offering of a wide range of dairy products within identifiable segments related to production, such as organic farming and local channels.

95%
OF OUR MILK COLLECTION TAKES PLACE WITHIN 70 KM OF OUR DAIRIES AND CHEESE PLANTS IN FRANCE.

SAVENCIA FROMAGE & DAIRY'S COMMITMENT

Directly involved with the various players in the industry, the Group has committed to the development, the implementation and the achievement of the industry plan by subscribing to all the five year commitments proposed in the *"France Terre de Lait"* plan.

100% ORGANIC, 100% DELICIOUS

The Söbbeke Pauls Biomolkerei dairy, through an exclusive selection of organic raw materials respecting a very strict quality charter, offers its consumers a wide range of 100% fresh organic dairy products with no added flavorings or preservatives. Within its ultramodern facility the dairy produces delicious and authentic yogurts, and an artisanal cheese, and maintains a perfect blend of ecology, tradition and forward-looking technology.

BUILDING PARTNERSHIPS FOR THE FUTURE

After having helped cow milk producers group themselves within Producer Organizations, we have renewed with goat and ewe milk producers. For more than 40 years, Savencia Ressources Laitières has been present within the ewe's milk industry of the Bearn and Basque Country regions of France and has helped its producers achieve lasting recognition and value for their milk. In 2017, 100% of the ewe's milk producers delivering to the Group have grouped themselves into two Producer Organizations with contractual relationships enabling us to work together for the long term. We also collect more than 125 million liters of goat milk from our producers and in the framework of a partnership with the Terra Lacta cooperative. In 2018, the producers delivering to us directly shall set up an additional Producer Organization. We are among the first dairy companies to engage in this approach in order to develop a sustainable dairy sector.

MILK OF EXCELLENCE

At the heart of the actions deployed by Savencia Fromage & Dairy, the requirement for an irreproachable raw material is an absolute priority. To that end, we work together with our milk producers on all the essential points necessary to guarantee our consumers milk of excellent quality. All our cow milk producers in France are audited every 2 years to assess their compliance with the Charter of Best Farming Practices designed to ensure the conditions for producing milk of quality. Samples, analyses: comprehensive testing of our raw material provides the assurance of milk of irreproachable quality.

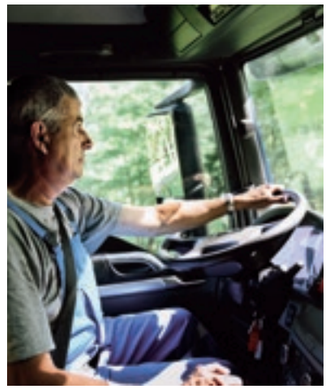
together for a sustainable environment,

ENVIRONMENTAL PROTECTION IS AN INTEGRAL PART OF THE GROUP'S CSR APPROACH. WE ARE COMMITTED TO LASTING IMPROVEMENT ALL ALONG THE VALUE CHAIN FROM RAW MATERIALS MANAGEMENT TO DELIVERY OF THE FINISHED PRODUCT.

"With Fromageries Perreault, we have succeeded in producing a Fol Épi pack more respectful of the environment."

Fromageries Perreault trusted us with the transformation of their Fol Épi pack. We faced a dual problem: reduce the use of plastic while retaining the pack's transparency traditionally so important for the product's aesthetic identity with consumers. We proposed a quite adequate replacement material entirely suitable for contact with food. The Fol Épi pack now has a base reduced in thickness by 20%, is still sufficiently rigid and incorporates 34% of materials produced from recycled bottles! We are proud to have achieved this result.

Nicolas NEVEU,
Sales Manager with France Evertis,
a manufacturer of rigid plastic films



ECO-RESPONSIBLE MILK COLLECTION

As part of our process to reduce CO_2 emissions, our drivers are trained in eco-driving and our fleets are equipped with tractors meeting Europe's EEV* standard, one of the world's strictest with regard to the emission of pollutants. Upstream, we optimize our milk collection rounds and use tankers adapted to each zone's dairy density.
Downstream, grouped deliveries improve truck filing rates and the frequency of deliveries, thereby better service and generating less pollution. Trucks' consumption and maintenance are monitored using dedicated tools allowing for improved environmental and economic performance.

** Enhanced Environmentally friendly Vehicle.*

HOW METHANIZATION CONTRIBUTES TO THE CIRCULAR ECONOMY

The processing and recycling of our manufacturing facilities effluents are naturally in line with the Group's CSR process. Methanization is a natural biological process of micro-organic degradation of matter and is a solution for the recycling of organic matter into energy production, in place in several of our subsidiaries. Fro' thus recycles 100% of its organic waste using its milk producers' methanization plants. The waste is recycled both as energy and digestates spread in the fields, to improve fertilization.

For its part Fromagerie Perreault at Azé, in France's Mayenne department, has optimized the processing of its waste through a local partnership. The project provides the company with energy generated by the biogas obtained from methanization of its organic waste, a virtuous circle reflecting our efforts to minimize the environmental impact of our production.

ENERGY: SAVINGS ALLOVER

To limit our environmental impact, we strive to optimize our consumption. Our Spanish Arias subsidiary has thus, since 2016, reduced its Vegalencia plant's water consumption by 15% thanks to a number of initiatives: mapping of plant consumption, Clean-In-Place (CIP) optimization, employee awareness-raising etc.

The site was also modernized, thereby obtaining electricity savings of about 52,000 kWh per month. And thanks to the implementation of daily control systems and other improvements, the Albacete plant has for its part reduced its Chemical Oxygen Demand (COD) by 23% in one year.

together with our customers.

THE RELATIONSHIPS OF TRUST WE SHARE WITH OUR CUSTOMERS ARE ESSENTIAL. BETTER UNDERSTANDING OUR CONSUMERS' EXPECTATIONS, ADAPTING OUR PRODUCT OFFERING AND MERCHANDIZING TO CATEGORY DEVELOPMENT: THESE ARE ALL CHALLENGES THAT WE TAKE ON TOGETHER.

"These days, our store is recognized for its service and the quality and freshness of its products."

The deployment of the Visiomodulaire system in 2013 has been very beneficial for our self-service counters. Consumers have appreciated the organization of our offering into product ranges, both clear and to the point. The mobile shelves largely contribute to clarity and order. We have also rethought our deli counter with its dedicated area, "L'Atelier des Fromages", focusing on the "sense of terroir" with an assortment of traditional, authentic and other less known cheeses. Customized advice allows us to offer our local customers an ever more exciting range of cheeses with as many as 500 references.

Didier BOUCHART,
Intermarché member in Maulette (Yvelines)
Intermarché President for the Paris Region

OUR ACCLAIMED GEO-MERCHANDISING TOOL

Attentive to new technologies facilitating customers' in-store experience while optimizing the use of space, Savencia Produits Laitiers France offers a store product assortment solution for an optimal product assortment based on two criteria: cheese counter size and the most appropriate product offer for the area served. Using those criteria, the tool is now capable of adapting the product offering to each sales outlet and thus increasing sales. That success was confirmed in June 2017 when Savencia Produits Laitiers France won the LSA Trophy for Sales Force Performance.

THE GROUP'S NEW DELI CONCEPT

Deli currently represents 20% of the cheese purchased in French hypermarkets and supermarkets. In response to consumers' expectations for authentic products, Savencia Fromage & Dairy works with its customers to ensure an attractive deli counter, offering a range of regional cheeses of quality. Thanks to the innovative "Nouvelle Coupe" concept, the counter has been completely rethought where 100% of the cheeses are pre-cut, where the "crémière" can provide advice and tips, around events area with a seasonal touch. The extremely modular focus of the new deli concept results in significantly higher sales for our customers within this category.

WELCOME TO DUBAI!

Savencia Fromage & Dairy's teams put up quite a show at the Gulfood trade fair in Dubai, the largest annual food event in the world (outside of Europe) with its 97,000 visitors! On a joint booth, the Group's export subsidiaries Savencia Fromage & Dairy Overseas, Elle & Vire International, Corman and AFP, as well as our Egyptian subsidiary AFDPL, were able to welcome their customers from the both Middle East and other continents as well.

FOREFRONT OF MERCHANDISING

Pursuing of our innovative approach to category management in partnership with our customers and more specifically, with the distributor Spar, our Hungarian sales teams developed a new planogram to help consumers by improving visibility based on color codes. The tool optimizes the cheese counter, helps develop the store's cheese sales and increases shelf space.

listening to our consumers.

OFFERING HEALTHY, SAFE AND RESPONSIBLE FOOD IS AT THE HEART OF THE PREOCCUPATIONS OF SAVENCIA FROMAGE & DAIRY. OUR BRANDS HAVE EARNED OUR CONSUMERS' TRUST BY INSISTING ON QUALITY AT EVERY STEP. ATTENTIVE TO THEIR NEEDS, AND IN LINE WITH OUR NUTRITIONAL POLICY, WE STRIVE TO CONTRIBUTE TO PUBLIC HEALTH.

"It's no longer incompatible to offer products that are both delicious and balanced."

Savencia Fromage & Dairy is committed to continuous improvement and attaches great importance to optimizing the nutritional quality of the products it offers its customers. Our subsidiaries share our commitment to "Leading the way to better food". To that end our nutritional programs, as well as our transparent nutritional information, help consumers in their choices. In the same way, the Group has a goal of combating malnutrition by promoting healthy and accessible eating in emerging countries.

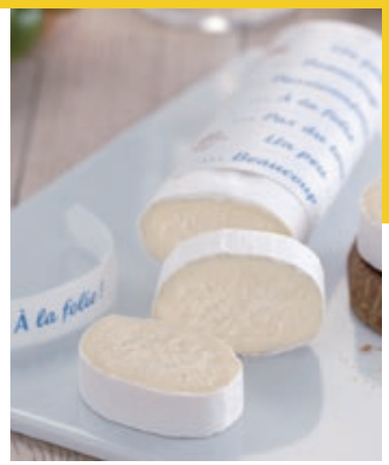
Nikta VAGHEFI,
in charge of nutritional applications
with Groupe Savencia

ST MÔRET LIVENS THE MARKETS OF FRANCE

As always, the St Môret truck has traveled the highways of France to meet consumers and pilot the election of their favorite marketplace. 33 markets thus welcomed culinary events around cheese. Anti-waste recipes designed to "re-fresh" fruit and vegetables past their best were handed out. These events were relayed on RTL radio and the social networks with more than 5 million contacts via Youtube and M6 Replay. This year, the Romans-sur-Isère marketplace was elected France's favorite.

"NUDGING FOR GOOD"

To help consumers adopt more responsible dietary habits, the Group has implemented its Nudge for Good program.
Caprice des Dieux has won the Health Excellence Awards prize at the 2017 Nudge Awards for En Cas de Caprice whose shape and packaging encourage consumers to eat more reasonably.



Its log-like shape and strippable shell allow consumers to visualize the appropriate amount to eat. They thus have a better feel for the ideal-sized portion and can optimize their daily consumption, where innovation and eating well work hand in hand!

AN EXPERT WITH MOM

Because each baby is different and has its particular needs, Modilac has developed a comprehensive range of innovative infant formulae sold in French pharmacies under the Modilac Expert brand. Meeting parents' ever-growing demand for infant products adapted to specific nutritional requirements, the range includes for example Modilac Expert Riz for babies allergic to cow milk proteins. The brand has also launched the Modilac Club, a community of parents with access to infant nutrition specialists' advice.

PRODUCTS DEVELOPED FOR SPECIFIC EXPORT MARKETS

Since 2014 the Milkana brand, present in numerous African countries, offers milk-based desserts with extended shelf life. The products are enriched in vitamins D and do not need to be refrigerated.
These features have enabled Milkana to develop its diffusion within the significant local store market. Savencia Fromage & Dairy thus reaffirms its will to be "committed together" its distributor partner in all the countries in which it has a presence.

together with our employees,

OUR HUMANISTIC AND ENTREPRENEURIAL CULTURE MAKES IT NATURAL FOR US TO SUPPORT OUR EMPLOYEES AND HELP THEM DEVELOP WITHIN AN ENVIRONMENT CONDUCIVE TO WELLBEING. WE GIVE EACH EMPLOYEE THE OPPORTUNITY TO ADVANCE AND ACHIEVE HIS OR HER POTENTIAL WITHIN THE GROUP.

"Initiative and innovation... a fantastic booster for reaching one's full potential!"

I work for Savencia Fromage & Dairy Deutschland in the Brand Activation Management team, at the interface of marketing, sales, food service and e-commerce. My mission? The creation of business accelerators for our brands. At the moment, with a team of three, I'm in charge of the digital strategy and 360° advertising campaign management for brands that are hugely popular with German consumers such as Saint Albray, Brunch, Bresso, Chavroux, Fol Épi and Giovanni Ferrari. To that end, we neglect no channel of communication. It's very motivating to see to what extent Savencia Fromage & Dairy encourages initiative and the spirit of innovation... it's a fantastic booster for reaching one's full potential!

Fabian STUBBE,
Unit Brand Activation Manager at
Savencia Fromage & Dairy Deutschland

SAFETY ABOVE ALL!

Safety at work is a major priority. Risk prevention, but also recognition of the harshness of certain working conditions, have led to the organization of information sessions and to new thinking on the actions required to ensure employees' safety. In 2017, the 5th Worldwide Week for Health and Safety at Work was the opportunity for our employees to focus on best practices and provide a showplace for their initiatives and progress.

So when Arias, a Spanish subsidiary, puts the packet on employee safety and announces two successive years of zero accidents in two of its plants, you can bet that everyone's mobilization was exemplary! A great illustration of our "Safety is OUR business!" creed carried by the Safety Challenge in which 35 subsidiaries took part in 2017.

The employees of Savencia Fromage & Dairy UK were also proud to celebrate 2,000 accident-free days echoing the saying "caring for yourself is caring for everyone!"

÷ 3
OVER THE PAST 4 YEARS, OUR FRO' SUBSIDIARY HAS SEEN ITS NUMBER OF ACCIDENTS DIVIDED BY 3.

SHARING OUR VALUES

Certain that sharing our values and humanistic culture is key to attracting and retaining employees, Savencia Fromage & Dairy develops close relationships of with colleges and offers apprenticeships and work-study contracts at all levels, opening its doors to young qualified persons.

PROMOTING QUALITY OF LIFE AT WORK

A lot of subsidiaries have adopted a proactive approach to quality of life at work.
It is the case in particular of Fro' which, in 2017, has set up a working group and involved all its employees in the approach. At the company's Marsac site the "Fro', so happy together" project, initiated in 2017, has resulted in the implementation of action plans. In Germany, 80% of the company's employees have declared that Savencia Fromage & Dairy Deutschland is "a really great place to work", thus reaching the Top 10 of the Great Place to Work survey for its category.

MOBILIZATION IN FAVOR OF HANDICAPPED PERSONS

The professional integration of persons with disabilities is essential. The Handicap Week organized in numerous subsidiaries, and its great success, attest to the relevancy of our approach and to the fact that handicap can go hand in hand with career. A number of actions have helped identify best practices facilitating integration. As an example, we may note that our Santa Rosa Chilean subsidiary has organized cheese discovery sessions for groups of young handicapped persons, developing activities that are both entertaining and educational.

committed & solidary.

OUR FAMILY GROUP BRINGS TOGETHER HUMAN-SCALE BUSINESSES UNITED BY THEIR STRONG CULTURE FOCUSING ON OUR VOCATION OF "LEADING THE WAY TO BETTER FOOD". WITH A RESPONSIBLE HUMAN RESOURCES POLICY AND A LOCAL AND SOCIETAL COMMITMENT, OUR EMPLOYEES CAN DEVELOP SOLIDARY INITIATIVES.

"Fighting against food waste is essential!"

At Savencia Produits Laitiers France, we wanted to commit to a solidary action by becoming ambassadors of Phenix, a company specializing in waste recycling and a "second life" for foodstuffs. On November 7, we organized a day of action designed to create partnerships between our customers and Phenix. Numerous contacts were established and everyone understood the virtue of developing a sustainable project: environmental impact improvement, losses reduction, costs optimization, waste recycling, profitability gains... We are very proud that the day of action proved so beneficial.

Thibaud LOISY,
Area Manager at Savencia Produits Laitiers France

SAPERE: RAISING CHILDREN'S TASTE AWARENESS

In France, the SAPERE association arose from the conviction that educating in taste contributes to health. Taste workshops, led by volunteer employees of Savencia Fromage & Dairy – purpose-trained by the association – have been established in partnership with schools as a means of initiating young consumers to a better diet via simple and entertaining educational workshops. The purpose is clear: help children become consumers capable of making balanced choices in matters of diet.
Savencia Ressources Laitières has committed to the project with 11 of its employees. SB Alliance has also led a first series of taste workshops in schools and leisure centers in Viroflay, providing memories and real human experiences!

SOCIALLY INCLUSIVE VACATION: THE CHOICE OF COMMITMENT

Savencia Fromage & Dairy helps its employees take socially inclusive vacation by getting involved in a self-help educational project such as learning to read for children, training in management tools for adults, etc. The more knowledge is transferred, the better. This year, four employees undertook missions in Madagascar, Ecuador and Cameroon. Their experience: marvelous moments of exchange and the sentiment of providing a real contribution to the local populations and sharing in their culture and enthusiasm.

CREATING A VEGETABLE GARDEN IN AFRICA

Committed to encouraging the adoption of diversified diets, Savencia Fromage & Dairy has decided to support the YARA association. With help from the Group's endowment fund, the association drilled a well in Niger and installed a pump, thereby enabling the pupils of a boarding school in Zinder to access water throughout the year and to create a vegetable garden. A similar project of access to water is in progress for another boarding school with 100 pupils in Niamey.

SAYING "YES" TO SOLIDARITY

When one talks about solidarity to employees of the French subsidiaries of Savencia Fromage & Dairy, we can be proud to see how keen they are! The *Arrondi sur Salaire* payroll gifting initiative has been a success with more than 13% of our employees registered in June 2017. The gesture of solidarity – gifting the excess cents of each month's net pay – flies the banner of our Group's values, and the Group adds the same amount to reinforce the impact of its employees' generosity.

authentic trends,

OUR AMBITION: TO REINVENT THE PLEASURE OF EATING IN RESPONSE TO THE NEW TRENDS IN SOCIETY; GOOD, REAL, HEALTHY AND NATURAL. CHOOSING TASTE AND WELLBEING, CONVENIENCE AND EXCELLENCE, IS ALSO A WAY OF COMMITTING TO A BETTER QUALITY OF LIFE.

Breaks for Pleasure

WITHIN A WORLD WHERE EVERYTHING HAPPENS FASTER AND VIRTUAL REALITY SOMETIMES SEEMS MORE IMPORTANT THAN REALITY, PEOPLE ARE RENEWING WITH THE DESIRE TO EAT WELL, TO TAKE THEIR TIME AND TO SAVOR WHAT THEY EAT. THE PLEASURE OF EATING IS A VERY FRENCH CONCEPT WHICH IS GAINING GROUND WORLDWIDE!

To seduce new generations of food lovers and food connoisseurs throughout the world, our range of cheese specialties reinvents moments of pure pleasure. Our food service chefs develop recipes that are over more savory and refined. Their watchwords? Authentic, simple, good. A *French Touch* which is recognized internationally by our professional customers.

SAINT ALBRAY, AS YOUNG AS EVER

Some cheeses are transmitted from generation to generation: such is the case of Saint Albray, a classic French cheese instantly identifiable by its unique shape, characteristic taste and unmissable color. The brand has renewed its communication on the theme of "Like father, like son" featuring Imanol Harinordoquy and his son Juan in a well-established ritual of rugby supporters before a match. Digital technology has also been mobilized with, in particular, a version adapted for replay and for Facebook but just as faithful to the oval ball!

A NEW BREATH OF FRESHNESS

"Freshness, intensity, pleasure... what can top that?" Such is the message of the Tartare advertising campaign launched in France and in Switzerland in March 2017. This is a fresh cheese which, with its melting and generous texture, and its ingredients rigorously selected and cold blended, knows how to be liked. The first results of the campaign are very positive since it has enabled the brand to significantly increase its sales and gain in awareness.

For over 50 years, Tartare has seduced with its freshness and unique taste. Pure pleasure!

GÉRAMONT, SIMPLY FANTASTIC!

Because, these days, moments of relaxation have become essential, Géramont, Germany's favorite soft cheese, has become the subject of a new advertising campaign with its focus on picnicking *"à la française"*. *"Fantastique, magnifique, romantique, magique"*: four evocative words pinpointing the new packs' French touch. Whether breakfast for two, a picnic in the sun, a pause in the park or a barbecue with friends: with Géramont, the sky is the limit.

THE LITTLE GOAT CHEESE IS GETTING BIGGER, BIGGER, BIGGER...

An emblematic brand symbolizing serenity, tenderness and complicity, Chavroux is the number one brand for fresh goat cheese in France and in Europe, thanks to its cheese with the pure goat taste, very fresh and with its creamy and melting texture. Our German and English consumers are great fans!

EXCELLENCE REVEALS YOUR French Touch

TOP CHEFS!

A Starred Chef and a Chef Meilleur Ouvrier de France Pâtisserie? We couldn't have done better to breathe life into the Maison de la Crème Elle & Vire, a center for sharing and transmitting the know-how of professionals worldwide. Under the leadership of Sébastien Faré and Nicolas Boussin, the Maison de la Crème has become a tremendous center for creativity at the service of excellence and French gastronomy. Customers, Chefs and artisans come from all over the world to reap the benefit of tailor made training. France's excellence is anchored in its gastronomy and the aura of our great Chefs and pastry cooks is recognized throughout the world. When the Maison de la Crème revisits classic recipes, it does so with originality and adds a new touch... Style, elegance and a pinch of audacity: such is the spirit of the famous *French Touch*... products reinterpreted with new ideas and ever more inspiring recipes.

STIMULATING ONE'S *FRENCH TOUCH* MEANS ADDING TO ONE'S RECIPES A GRAIN OF EXTRAVAGANCE, BACKED UP BY THE REAL KNOW-HOW THAT ENSURES SUCCESS.

Nicolas Boussin

LONG-LIFE DESSERTS IMPOSE THEIR STYLE

Elle & Vire proposes recipes that are absolutely unique. Its milk-based pastry desserts, inspired by the most emblematic of French patisseries, are available in two variations: raspberry macaroons or lemon pie. All the elegance of a patisserie combined with the generosity of a milk-based dessert.

SLICES OF PLEASURE!

To combine pleasure with practicality, cheese slices can be appreciated with bread, as a solo snack or as a part of homemade dishes. They can adapt to all tastes: intense, producing unexpected gustative pleasure, with Holland Master Dutch Gouda; melting in your mouth with Saint-Loup's 100% French milk goat cheese; or spicy thanks to Fol Épi's savory recipe of extra-thin slices flavored with three peppers.

THE MOST DELICIOUS OF BREADED CHEESES

Make room for gourmand pleasure and unctuosity with our breaded cheeses! As a meal or as a snack, consumers show real enthusiasm for these golden and crispy cheese morsels which continue to sell better and better, particularly in Central Europe. In food service, breaded cheese is also very popular with the major fast food chains in Hungary and the Czech Republic. The quality of our products, and our technological expertise, are recognized by the food service professionals.

In the Czech Republic, cheese is also appreciated barbecued, soft ripened cheese in particular. Our Sedlcansky camembert for the grill has experienced record growth in 2017.

The new Arany Falatok breaded cheeses product range, recently launched in Hungary, has produced a winning trio! Those retail products, backed up by our strong brands Medve, Tihany and Karavan, are a welcome complement to our food service offering.

THE LIQUID BUTTER REVOLUTION

Corman, the market leader for technical butters for professional use, continues to revolutionize the universe of bakers and pastry cooks with its new range of liquid butter specialties ready for use "straight out of the fridge". This unique product range inspired by the practices of the best chefs in search for superior ingredients, innovates by its ease of use. It was the subject of an exclusive product launch for the benefit of Belgian chefs at the Horeca Expo trade fair in Gand, and has also been supported by a media and digital campaign, an opportunity to discover the range's three preparations which are 100% natural and without additives: Beurre Noisette, Beurre Clarifié and Beurre Fusion.

MADE IN LOCAL.

WITH THE PUBLIC'S ENTHUSIASM FOR REGIONAL PRODUCTS, WHICH MUST SIMULTANEOUSLY NATURAL, AUTHENTIC AND CONVIVIAL, CHEESE HAS UNDENIABLY BECOME TRENDY.

Traditional cheese is back in force. At Savencia Fromage & Dairy, we claim a local production of excellence. In France, our products are manufactured using French milk collected within a close distance of our cheese plants or dairies.

HAUTE FROMAGERIE: THE EXCELLENCE OF OUR REGIONS!

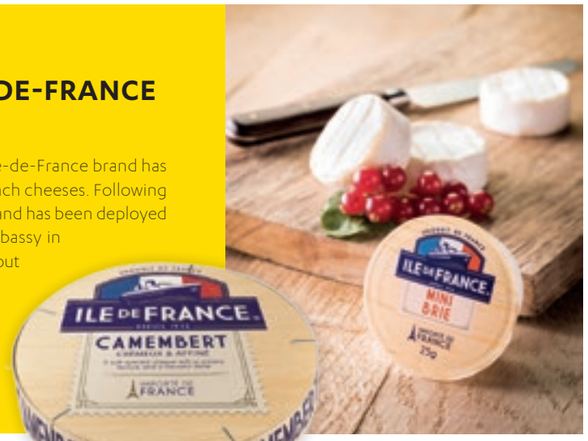
When we talk about regional cheeses, we mean tradition and heritage. In France, the new surge in openings of specialized dairy and cheese stores is a response to consumers' appetite for regional products and the occasion for Savencia Fromage & Dairy to remind us of the know-how of its master cheesemakers with new dedicated cheese ranges.
With its ambassador Roland Barthélemy, Haute Fromagerie is a new initiative designed to showcase French cheese-making excellence in a selection of stores in the USA. In 2017, American consumers have thus been able to discover five typically French cheeses: Le Montagnard des Vosges, Severac produced in the Cantal department, Etorki Grande Réserve, Ossau-Iraty Esquirrou and Maroilles Fauquet.

DOROTHY'S, A STRONG LEGACY

But who is Dorothy? She's the first woman to have obtained a diploma in dairy sciences from the University of Iowa and who has developed a recipe for brie and camembert cheese made in USA.
We now pay homage to this pioneer with two cheeses of character bearing her name, manufactured by the Lena cheese plant in Illinois and recently launched at deli counters in the United States.
Dorothy's cheese is unmistakably an artisan cheese with its traditional recipe, old-world packaging and unique history confirming the value of its legacy... an authentic regional soft ripened cheese made in USA.

ROLL OUT THE RED CARPET FOR ÎLE-DE-FRANCE

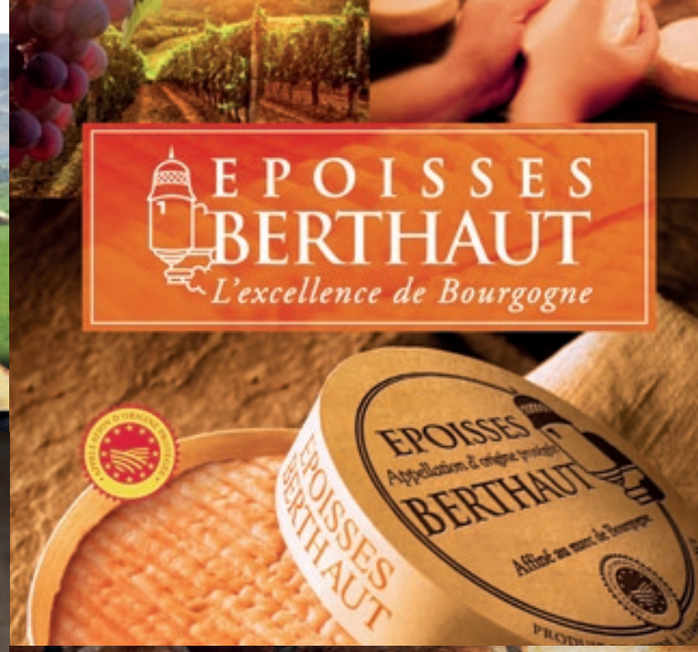
The forerunner for soft ripened cheeses in the USA since 1936, the Île-de-France brand has since extended its presence internationally with a broad range of French cheeses. Following the USA, South America, South Africa, Asia and Australia, in 2017 the brand has been deployed in the Balkans with a launch ceremony organized at the French Embassy in Belgrade. French gastronomy remains a sure value celebrated throughout the world for products that are typical of our know-how: creamy brie, unctuous camembert or fresh goat cheese... the ideal products for moments of So French conviviality!



AT THE HEART OF OUR REGIONS

OUR REGIONAL CHEESES AND AOP PRODUCTS ARE PROUD OF THEIR ORIGINS! THEY EMBODY QUALITY AND DIFFERENCES OF TERROIR, THEREBY EXPRESSING THEIR STRONG CHARACTERS AND UNIQUE SAVORS.

Today's consumers are fans of heritage brands and AOP products such as Époisses Berthaut, Maroilles Fauquet, Ossau-Iraty Esquirrou, Lescure's AOP Charentes-Poitou or Carlsbourg's Belgian Ardennes butters, all of which are genuine references evoking our regions, our terroirs and our local skills.



Organic all good.

ORGANIC PRODUCE IS THRIVING! CONSUMERS HAVE BECOME "CONSUM'ACTORS". THEY ASPIRE TO EAT RESPONSIBLY AND ARE VOTING MASSIVELY FOR AN AGRICULTURE MORE RESPECTFUL OF HEALTH AND THE ENVIRONMENT.

Rigorous selection of ingredients of quality, production in Germany of GMO-free milk, development of new organic recipes free from artificial flavorings and preservatives... by constantly innovating to provide the best of what cheese and milk can give, our brands are riding the wave that is soaring throughout Europe.

MODILAC, MY FIRST ORGANIC PRODUCT

Modilac is an infant formula specialist which for more than 30 years has accompanied babies and infants with its high quality and continuously more innovative infant formulae. Its teams develop products at the cutting edge of nutritional research, manufactured from rigorously selected ingredients of quality and complying with the most demanding European standards. With Modilac Bio manufactured in France and free from palm oil, babies and infants reap the benefits of environmentally-friendly agriculture.

SÖBBEKE, FRESH ORGANIC PRODUCTS FROM GERMANY

Söbbeke, the German market leader for fresh organic dairy products, manufactures its products in a modern and innovative dairy located in Gronau-Epe. As the first German company to have had its ecological, economic and social performance certified TÜV (for protection of the environment and of human health), Söbbeke makes exclusive use of organic raw materials. Its range of 100% organic yogurts, containing neither flavorings nor preservatives, is distributed under the Söbbeke brand in Germany and in specialist sales outlets in France. For French hypermarkets and supermarkets, the *Byo essentiel* brand offers a new range of yogurts with five different flavors for five times more pleasure.

WHEN ORGANIC GIVES A BOOST TO CARRÉ FRAIS

The fine taste of nature and simplicity! Carré Frais, an authentic fresh cheese, is available in a 100% organic version. To celebrate its 145th birthday, this semi-salted fresh cheese doesn't want to be forgotten and has adorned new packaging and launched a TV advertising campaign worthy of a romantic comedy that has succeeded in aligning French cheese-making tradition with current tastes... Carré Frais remains without a wrinkle and continues to renew itself by responding to the ever-growing demand for organic produce!

SNACKING NATURALLY

THROUGHOUT THE WORLD, LIFESTYLES ARE ACCELERATING AND CONSUMERS EAT MORE AND MORE ON THE RUN. SNACKING SIMPLIFIES DAILY LIFE BUT CAN ALSO RHYME WITH PRODUCTS THAT ARE HEALTHY AND DELICIOUS.

An extended range of cheese-based pleasures, new individual packs, new savors... our products and brands continue to adapt to new consumption habits. The current trend is for *"fast-good"* with fresh and premium snacks.

CHEESE UP REVOLUTIONIZES THE CHEESE PORTION

Milkana, the iconic German brand that is number one for processed cheese, reinvents snacking with its most recent invention, Cheese Up: practical and revolutionary cheese portions that are perfectly protected thanks to the pack's rigid and easy-to-open paper packaging. With its excellent Allgäu milk and delicately melting texture, Cheese Up allies pleasure and nutrition for the greater satisfaction of consumers searching for a healthy and savory snack. It is available in three flavors: natural, hot paprika peperoni and sour cream & onion.

THE LATEST OFFSPRING OF P'TIT LOUIS

Escargolo (a play of words on "snail") from P'tit Louis, the stretched cheese snack already famous as Tolle Rolle in Germany, has come to France. Escargolo is a fun little cheese that can be taken everywhere and unwoven like a children's toy for maximum pleasure. Free from additives and preservatives and 100% natural, Escargolo has initially been deployed in Casino stores but will be more widely distributed in 2018.

MAXI-SUCCESS FOR OUR MINI PORTIONS FOR TOASTING

The inescapable Camembert Cœur de Lion continues to echo new trends in consumption and is now available in portions with its Mini à Dorer sold in packs of four 30 g portions, thin-crusted mini-cheeses with melting texture manufactured using fine Norman milk. In natural or pepper versions, oven-toasted or pan-fried, Mini à Dorer have had maxi-success in a world of ever-changing consumption. As an aperitif, within a salad or as part of a cooked cheese dish, so many ways of developing a new approach to eating camembert!

A WORLD TOUR OF FRESH CHEESE MINI BALLS

Discovering new savors whilst remaining faithful to a premium brand with proven consumer recognition is the essence of the "global-local" alliance. Our teams use our know-how to innovate and adapt to the richness of local culture. Our "fresh at the heart" aperitif cheese morsels may thus adopt different savors in different countries and be distributed under various names. Billes de St Môret for the French market, Tartare Perles in Switzerland, Billes Paturain in the Netherlands or Bocados de Burgo de Arias in Spain: the recipes for our aperitif cheese mini balls are reinterpreted from one brand to the next.

Nutritionally speaking

CONSCIOUS THAT A SOUND AND VARIED DIET IS THE BASIS OF GOOD HEALTH, CONSUMERS ARE MORE AND MORE IN SEARCH OF FOOD PROVIDING UNDISPUTED NUTRIENTS FOR THEIR *WELLNESS* LIFESTYLE.

At Savencia Fromage & Dairy, our dairy products benefit from cutting-edge expertise and know-how that guarantee their nutritional benefits. Our ranges also offer products adapted to specific needs but leaving aside neither great taste nor pleasure.

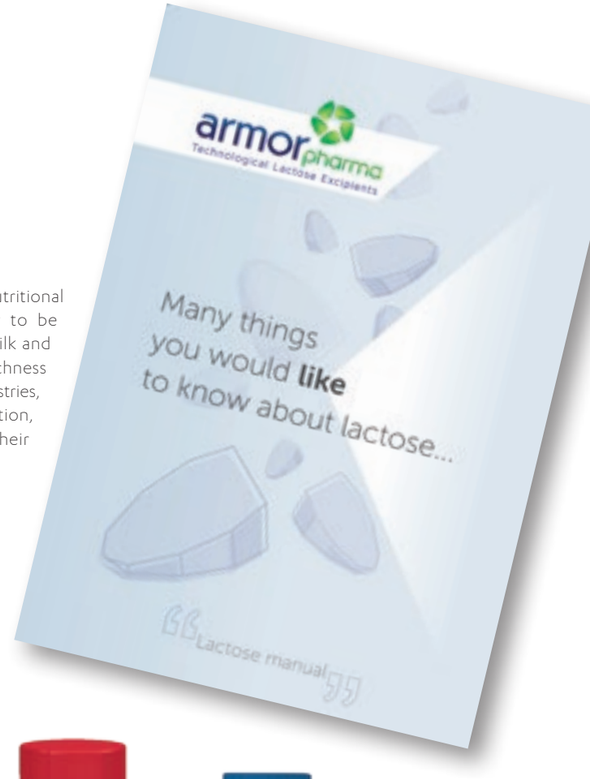
INNOVATION IN THE SERVICE OF NUTRITION

Attentive to its products' nutritional composition, Savencia Fromage & Dairy provides responses to consumers' growing demand for ever more healthy products.
Lucina fresh cheese, an emblematic product in the Czech Republic, is thus now available in a lactose-free version. Brazil's totemic Polenguinho cheese now exists in a version with reduced levels of salt, fat and calories that yet retains all its unctuosity. All are products with an improved nutritional profile which demonstrate the importance of the Group's know-how and innovation.

63%
OF FRENCH CONSUMERS BELIEVE THAT IT IS MORE BALANCED TO NIBBLE CHEESE THAN SUGER BASED PRODUCTS.

TAILOR-MADE SOLUTIONS

Armor is a specialist in functional and nutritional milk-based ingredients and a player to be counted with in the development of milk and whey-based ingredients. It uses milk's richness to offer the food and pharmaceutical industries, and manufacturers specializing in nutrition, a large range of solutions tailored to their requirements.



THE LIGHTEST OF CREAM

How to adopt a healthy and balanced diet without giving up the enjoyment of eating is the challenge taken up by our cream! Elle & Vire has launched its light cream, manufactured in Condé-sur-Vire with 100% Norman milk, which contains no additives and only 18% fat. Consumers thus combine the pleasure of rich cooking with no guilty feelings.

In Belgium, the Balade brand echoes the "0% lactose" trend through a lactose-free whole cream, offering all the pleasurable enjoyment of cream combined with easy digestion.

DIGITAL TOUCH.

THE DIGITAL REVOLUTION IMPACTS ALL SECTORS INCLUDING FOOD. THE TREND IS ONE THAT IS ALREADING TRANSMUTING INTO CONSUMER HABITS: ONLINE FOOD ORDERING, CLICK & BUY, DRIVE, EXPRESSION ON THE SOCIAL NETWORKS... A PROFOUND MODIFICATION OF PURCHASING HABITS AND OF CONSUMERS' RELATIONSHIP TO BRANDS.

Social networks, web content, e-commerce, 3D modeling... at Savencia Fromage & Dairy, our brands are keen to enrich the customer experience via digital tools, a matter of changing customers' everyday life by providing ever more services, information and transparency.

3D COLLABORATIVE MERCHANDISING

MÈTRES IFM 2017 by

Perfect Shelf is the name of the 3D merchandising software solution developed by Dassault Systèmes. Intermarché and Savencia Fromage & Dairy have chosen to use this innovative tool to develop the Cheese Self-Service sales category by rethinking shelf design with a tool that enables real-time 3D modeling. A collaborative dedicated space has been set in the Cloud and enables our teams to work together simultaneously. The project, which has demonstrated its effectiveness, has been rewarded by a Mètre de Bronze IFM from France's Institute of Commerce.

BRANDS WITH AFFINITIES

With its "Qui veut du fromage" portal in France, and its "Ich Liebe Käse" portal in Germany, Savencia Fromage & Dairy has affirmed its will to create ever greater proximity with all cheese-lovers. The portals serve as true digital marketing engines and provide a multitude of content: information, nutritional advice, recipes and newsletters... on and around the pleasure of cheese!

OPERATION SEDUCTION

Enormously popular on the social networks, our brands do not hesitate to use humor and casualness to provide ever greater proximity with consumers. In partnership with Chef Juan Arbelaez, Saint Agur offers recipes using digitally transmitted video tutorials. Caprice des Dieux remains faithful to Saint Valentine's Day and invites couples, via eight droll and impertinent films, to take advantage of a moment together to offer themselves a "Caprice à Deux...

Saint Agur

CAPRICE À DEUX
CAPRICE ~~des~~ DIEUX
Sans eux

a Caprice sans eux!" St Môret, for its part, has opted for 360° technology to offer its consumers a total immersion in Lille's marketplace with Chef Norbert. In Slovakia, the Liptov brand has launched an innovative contest which has won the Digital Pie 2017 prize in the category Best Idea for Digital Campaign.

DIGITAL INNOVATION

China is experiencing unprecedented digital explosion with inescapable e-commerce players such as the giant Alibaba. Lollipop, Milkana's little round shell so appreciated by children, has innovated with an original game in the form of a hologram. The consumer is invited to use his or her smartphone as an interface for discovering a surprising and captivating universe!

governance & results

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Corporate governance

THE BOARD OF DIRECTORS

The Board of Directors is made up of twelve members. They are appointed for a one year renewable term. Six directors are independent on the basis of the criteria set by France's AFEP-MEDEF report. The Board sets its schedule of meetings, which are held every two months unless additional urgent or necessary meetings are called in the interest of the Company.

THE SPECIALIST COMMITTEES

The Board is assisted by two specialist committees. SAVENCIA Fromage & Dairy provides them with the means necessary for carrying out their task, when necessary with the help of the various departments concerned, and authorizes them to take outside advice. Each of these committees meets several times a year and whenever its opinion is deemed necessary by the Chairman of the Board, the Board or by the Chairman of the committee.

THE AUDIT AND RISKS COMMITTEE

This Committee is made up of at least three members of the Board of Directors and carries out its task in the fields of external statutory audit, internal control and the Group's half-yearly and annual financial statements and financial announcements. In each of these fields, it assesses the Group's requirements, the technical and human resources employed and their suitability. It informs the Board of Directors of any observations or recommendations that it considers useful.

MEMBERS

Jean-Michel Strasser, Chairman,
Jean-Yves Priest, Martine Liautaud.

THE COMMITTEE FOR MANAGEMENT, REMUNERATIONS AND SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

It is made up of at least three members of the Board of Directors other than the Chairman. It assists the Board in respect of the organization and structures of the Group, the appointment and evolution of executive directors, the selection of new Board directors and compensation policy for executive directors. With regard to the various aspects of the policies for Social and Environmental Responsibility and Sustainable Development defined by the Group, the Committee advises the Board on any ethical questions with which managers may be confronted.

MEMBERS

Dominique Damon, Chairwoman,
Armand Bongrain, Ignacio Osborne and Béatrice Giraud.

COMPOSITION OF THE BOARD OF DIRECTORS

ALEX BONGRAIN
Chairman

ARMAND BONGRAIN
Director and member of the Committee for Management, Remunerations and Social and Environmental Responsibility

PASCAL BRETON
Director

CLARE CHATFIELD
Independent director

DOMINIQUE DAMON
Independent director
Chairman of the Committee for Management, Remunerations and Social and Environmental Responsibility

BÉATRICE GIRAUD
Director
Member of the Committee for Management, Remunerations and Social and Environmental Responsibility

XAVIER GOVARE
Independent director

MARTINE LIAUTAUD
Independent director
Member of the Audit and Risks Committee

IGNACIO OSBORNE
Independent director
Member of the Committee for Management, Remunerations and Social and Environmental Responsibility

JEAN-YVES PRIEST
Director
Member of the Audit and Risks Committee

JEAN-MICHEL STRASSER
Director
Chairman of the Audit and Risks Committee

PASCALE WITZ
Independent director

Key figures

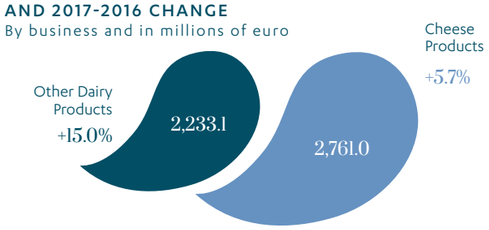
NET SALES FOR 2017
In millions of euro

Net sales rose by 9.8% over the previous year, with organic growth of 10.8% mainly reflecting the price impact of the increased cost of dairy raw materials. There was no change in scope of consolidation. The unfavorable foreign exchange impact amounted to -0.9% mainly reflecting the gain in value of the euro against the Argentinian peso, the Chinese yuan, the US dollar and the pound sterling, partly offset by the gain in value of the Brazilian real. 71% of net sales were achieved outside France compared with 70.3% in 2016.

CURRENT OPERATING PROFIT
In millions of euro and operating margin as a % of net sales

Current operating profit fell by 7.7% reflecting on the one hand the increased cost of dairy raw materials and the difficulty of reflecting that increase in selling prices and on the other hand, the scarcity of butterfat which penalized the development of our butter and cream businesses despite the reinforcement of the Group's international positions and its efforts in industrial productivity.

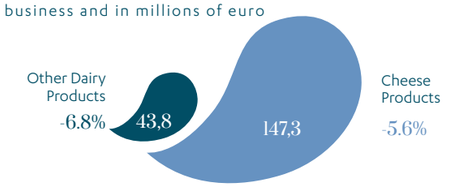
NET SALES FOR 2017 AND 2017-2016 CHANGE
By business and in millions of euro



Other activities: -€141,3 million, rose by 4,6%

Cheese Products accounted for 56.9% of consolidated net sales, with organic growth of 6% and a foreign exchange impact of -0.3%. Other Dairy Products accounted for 46% of consolidated net sales, with organic growth of 17% and a foreign exchange impact of -1.7%.

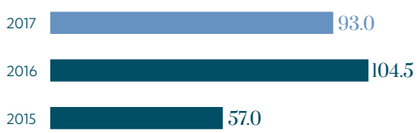
CURRENT OPERATING PROFIT FOR 2017 AND 2017-2016 CHANGE
By business and in millions of euro



Other activities: -€18,4 million

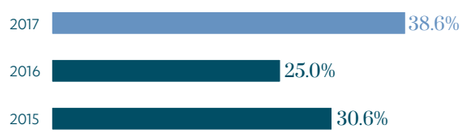
Current operating profit for Cheese Products fell by 5.6%. The current operating margin rate fell from 6.0% to 5.3% mainly as a result of increased raw material costs.
Current operating profit for Other Dairy Products fell by 6.8% mainly as a result of the high price for milk fat purchases. The current operating margin rate fell from 2.4% to 2.0%.

GROUP SHARE OF NET INCOME
In millions of euro



The Group share of net income fell by 11%. Non-recurring expense rose by €13.4 million whereas net financial expense fell by €12 million. The Group's share of results of associates fell by €1.3 million and its corporate income tax fell by €1.6 million.

NET DEBT/EQUITY
In percent



Investment in tangible and intangible assets amounted to €176.4 million, down by 2.2%. Acquisitions of subsidiaries and additional equity interests amounted to €157 million in 2017. There were no company acquisitions in 2016.
Net debt rose by €191.6 million, to €531.6 million, mainly reflecting acquisitions. Equity increased by €16.7 million over 2016.

EMPLOYEES
Average total employees including temporary staff

Average number of employees rose by 0.9%. Half our employees have more than ten years' past service, and more than a quarter more than twenty, thus bearing witness to their attachment to the Group.

WATER CONSUMPTION
(Like-for-like/all sites)
In millions of m^3

Water consumption per ton of production rose by 0.3% like-for-like. 96.7% of wastewater is treated before release into the natural environment.

TRAINING
In hours

75.3% of employees attended at least one training course. Training leading to a diploma is encouraged.

ENERGY CONSUMPTION
(Like-for-like/production sites)
In GJ/ton produced

Like-for-like, direct energy consumption per production ton fell by 0.7% over 2016.

SAFETY
Number of accidents requiring time off work per million hours worked

The Group's accident frequency rate rose by 7%. The severity rate remained stable in comparison with 2016.

NON-DANGEROUS INDUSTRIAL WASTE
(Like-for-like/production sites)
In thousands of tons

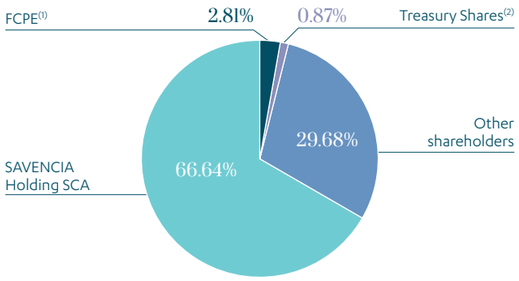
Non-dangerous industrial waste tonnage at our production sites, which account for almost all waste produced, fell by 4.6% like-for-like.

Stock market activity in 2017

- Euronext Paris – Eurolist Compartment B
- ISIN code FR0000120107
- Par value: €1
- Number of shares: 14,032,930
- Market capitalization at 12.31.2016: €938.80 million
- Euronext closing market price on 12.31.2017: €80.72
- Market capitalization at 12.31.2017: €1,132.74 million

SAVENCIA Fromage & Dairy is included in the Gaïa Rating 2017 prepared by the non-financial rating agency EthiFinance.

COMPOSITION OF THE SHARE CAPITAL IN 2017



(1) Employees of SAVENCIA Fromage & Dairy and its associated companies, as defined by articles L3344-1 and following of the French code of labor law, holding shares of SAVENCIA Fromage & Dairy in the framework of the Company's employee savings plan.
(2) Including the Company's liquidity contract.

DATA PER SHARE

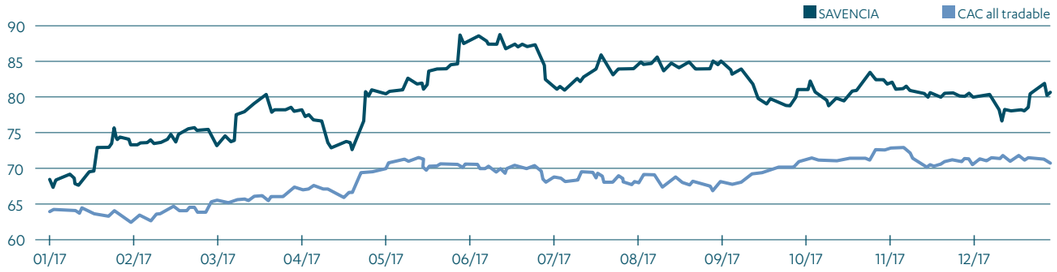
In euro	2017	2016	2015	2014	2013
Equity	98.2	97.0	90.6	86.9	85.9
Net income	6.7	7.5	4.1	2.8	3.5
Net dividend(1)	1.4	1.6	1.0	0.8	1.0
Global yield(2)	1.7%	2.4%	1.7%	1.5%	1.8%

(1) Proposed at the AGM held on April 26, 2018.
(2) Based on the share price at December 31.

STOCK MARKET DATA PER SHARE

In euro	2017	2016	2015	2014	2013
Highest adjusted price	88.9	68.8	64.8	65.0	58.3
Lowest adjusted price	67.4	54.4	49.5	51.3	45.8
Price at December 31	80.7	66.9	59.7	51.9	56.3
Market capitalization at December 31 (in millions of euro)	1,132.7	938.8	838.2	728.7	790.1

ADJUSTED SHARE PRICE IN 2017



SHAREHOLDERS' AGENDA

Annual general meeting	April 26, 2018
Dividend payment	May 17, 2018

FINANCIAL INFORMATION

Annual net sales for 2017	February 2018
Annual results for 2017	March 2018
1st quarter net sales	April 2018
Half-yearly results	September 2018
3rd quarter net sales	October 2018
Annual results	March 2019

Management report

The Group operated in 2017 a very unfavourable dairy context. The growth in international demand and the lack of inventories have indeed led to a surge in prices for butter and cream. At the same time, and despite an escalating price of milk, the price for skim milk powder decreased throughout the year, falling clearly below the intervention price set by the European Commission, influenced by the size of stockpile. Among all our markets, only France was unable to pass on increases in raw material costs to retail price. French dairy market remains strongly impacted by the price war between some distributors.
Internationally, Asia continued its growth while Latin America benefited from increasing consumption, despite strong inflation.
Within this context, SAVENCIA Fromage & Dairy demonstrated its resistance by pursuing its International development and that of Europe outside of France, relying on the strength of its brands and the quality of its products.

CONSOLIDATION SCOPE AND ACCOUNTING STANDARDS

During 2017, the Group sold its equity investment in Financière Louis and exercised its option for the purchase of an additional 28% interest in Delaco (Rumania) that is now a 100% subsidiary. On December 22, 2017 the Group acquired 96% of Belebeevski Molochny Kombinat (Russia), generally known as Belebey, a specialist manufacturer of pressed cheese. A put and call for the residual 4% may be exercised from the fourth year following the acquisition.
On June 15, 2016 the Group disposed of its non-controlling equity interest in Lacto Serum France SA.
The Group's consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union.
The Group has applied the new amendments to and interpretations of standards applicable with effect from January 1, 2017.

ACTIVITY AND RESULTS

The growth in net sales of SAVENCIA Fromage & Dairy (the trade name of SAVENCIA SA) during 2017 is mainly attributable to an increase in selling prices, reflecting the rising purchase prices for dairy raw materials, cream and butter. After a very favorable 2016, current operating profit declined in 2017 under the impact of the very strong increases in raw material costs and the difficulty of passing them on to selling prices, in particular in Europe. The Group has pursued its International development and efforts for competitiveness.
The geographical dispersion of the Group's markets, and the diversity of its businesses, enable SAVENCIA Fromage & Dairy to absorb the impact of the temporary shocks liable to affect both consumption and the various components of its production costs. Consumer demand does not in effect evolve in the same way in mature markets and in developing areas. Consumer demand is also responsive to type of retail product and to the intensity of commercial actions undertaken. Changes in world prices for industrial products do not generally affect Cheese Products and Other Dairy Products simultaneously, with the same extent and in the same direction. The Group's capacity to pass on increases in its costs is also conditioned by the strength of its brands and the often innovative nature of our retail product offerings.
Other dimensions of risk to which the Group is exposed are outlined in the section of the annual report devoted to internal control, risk management and the duty of care *(page 64)*.

SAVENCIA Fromage & Dairy's consolidated net sales for 2017 amounted to **€4,852.8 million,** compared with **€4,418.4 million** for 2016, a rise of 9.8%.
Like-for-like for Group structure(1) and foreign exchange rates(2), net sales grew by 10.8%. The sales trend was penalized by the unfavorable -0.9% foreign exchange impact reflecting the strengthening against the euro of the Argentinian peso, the Chinese yuan, the US dollar and, to a lesser extent, the pound sterling and the Egyptian pound, partly offset by the gain in value of the Brazilian real.
Net sales achieved outside France rose from 70.3% of our total 2016 to 71% in 2017.

Current operating profit fell by 7.7% to €172.7 million. Current operating margin, at 3.6% of net sales, compared to 4.2% in 2016, reflecting:
- The impact of the increased cost of milk and cream in the Group's mature markets dominated by continuing pressure on retail selling prices especially in France and more generally in Europe;
- The high cost and scarcity of butterfat penalizing the development of our butter and cream businesses;
- An inflationary economic context in certain countries and in particular in South America.

All this despite:
- Volume mix improvement for certain businesses;
- The development of the Group's international activities;
- The pursuit of rationalization initiatives.

(1) The scope adjustment for newly consolidated entities involves:
- For new entrants of the current period, deducting the entrant's contribution to the reported aggregates of the current period;
- For new entrants of the prior year, deducting the entrant's contribution from January 1 of the current period to the end of the month of the current year in which the acquisition took place the year before.
The scope adjustment for newly deconsolidated entities involves:
- For exiting companies of the current period, deducting the entity's contribution to the reported aggregates of the prior year from the 1st day of the month of divestment and till the end of the year;
- For exiting companies of the prior year, deducting the entity's contribution to the reported aggregates of the prior year.
(2) The foreign exchange adjustment involves calculating the reported aggregates of the current period using the foreign exchange rates of the prior year.

CHEESE PRODUCTS

Cheese Product net sales rose by 5.7% compared with 2016, to **€2,761 million** or 56.9% of SAVENCIA Fromage & Dairy's total consolidated net sales. It amounted to 59.1% in 2016.
The growth in net sales resulted from both the increase in selling prices, reflecting the strong growth in raw material costs, and of an improvement in the mix of the volumes sold which progressed faster in South America and Asia-Pacific than in the European markets.

The change in net sales breaks down into:
- Organic growth[3] of +6%; and
- An unfavorable foreign exchange impact of -0.3% mainly reflecting the weakening against the euro of the US dollar, the Chinese yuan and, to a lesser extent, of the Egyptian pound and the pound sterling.
- There was no change in scope of consolidation.

In **France,** net sales progressed thanks to the partial pass on of increased raw material costs to selling prices and to the resistance of volumes for our strategically branded products.
In the rest of **Europe,** net sales equally progressed thanks to positive pricing impacts in most markets. The volume impact was slightly positive overall but variable country by country, some of with experiencing difficult economic conditions leading to a slowdown in consumption. **Internationally,** net sales were penalized by the globally unfavorable foreign exchange impact. Organic net sales growth was very strong for South America and Asia due to the improvement in the mix of volumes sold. The situation was further accentuated in South America by increased selling prices.
Current operating profit fell by €8.8 million or -5.6% over 2016, **to €147.3 million.** Operating margin for Cheese Products also fell from 6% to 5.3%, reflecting the steep increase in raw material costs not entirely passed on to selling prices and this, despite improvement in the products portfolio and reinforcement of our international operations.

OTHER DAIRY PRODUCTS

Other Dairy Product net sales rose by 15% compared with 2016, **to €2,233 million** or 46% of SAVENCIA Fromage & Dairy's total consolidated net sales (43.9% in 2016).

The change in net sales breaks down as to:
- Organic growth of 17%. In France, the increase was essentially attributable to price increases reflecting the trend in world prices for butter and the local increase in raw material costs. The Group's International activities pursued their development;
- An unfavorable foreign exchange impact of -1.7% mainly reflecting the weakening against the euro of the Argentinian peso, the Chinese yuan and the US dollar.
- There was no change in scope of consolidation.

Current operating profit for Other Dairy Products fell to €43.8 million, compared with €47 million in 2016, a fall of -6.8%. Current operating margin fell from 2.4% to 2%. The segment benefited in 2017 from the increased prices for industrial products, in particular for Ingredients which therefore derived greater value from their production, but the high price and scarcity of butterfat greatly penalized the development of the Group's butter and cream businesses.

UNALLOCATED ITEMS

Unallocated items depleted current operating profit by -€18.4 million compared with -€16 million 2016. They mainly comprise holding company costs.
Non-recurring items amounted to **-€19.5 million** compared with -€6.1 million in 2016. They mainly include the recognition of impairments loss for certain assets and restructuring costs and provisions for the Group's ongoing performance improvement plans.
Operating profit amounted to **€153.3 million,** down 15.3% over 2016.
Net financial expense amounted to **€16.1 million,** compared with €28.1 million in 2016, thanks to the impact of lower interest rates within the Eurozone and to favorable foreign exchange impacts.
The Group's share of results of associates, net of taxation, amounted to **€5.4 million** compared with €6.7 million in 2016.
Corporate income tax amounted to **€46.2 million,** down by €1.5 million over 2016 and reflecting an effective tax rate of 32.4% compared with 29.9% in 2016. The change essentially translates an increased deferred tax charge as a result of the fall announced in the rates of corporate income tax in France, Belgium and the USA in particular.
Net income for continuing operations amounted to €96.5 million compared with €111.9 million in 2016.
There was no net income from operations discontinued, sold or in process of sale.
SAVENCIA Fromage & Dairy's **consolidated net income for the year** attributable to equity holders of the parent company amounted to **€93 million,** compared with €104.5 million in 2016.

CAPITAL EXPENDITURE

SAVENCIA Fromage & Dairy's investment in **tangible and intangible fixed assets** fell by 2.2% in 2017, to **€176.4 million** compared with **€180.3 million** in 2016.

Its split by sector was as follows:
- Cheese Products: 62.6%;
- Other Dairy Products: 30.1%;
- Unallocated: 7.3%.

External investment in 2017 mainly comprised the acquisition of Belebey in Russia and of the residual non-controlling interest in Delaco in Rumania. No subsidiary was acquired in 2016.

(3) Organic growth measures the change of a given aggregate, like-for-like for Group structure and foreign exchange rates, after the adjustments for foreign exchange and Group structure described above.

RESEARCH AND DEVELOPMENT

SAVENCIA Fromage & Dairy has always considered research and development expenditure as key to innovation and thereby to growth of its businesses. Consistently with our business culture and operating principles, development activities are organized into technological divisions in order to meet the specific requirements of each business. They are transversally coordinated and focus on balanced diet and the exploitation of milk's nutritional qualities.
All research and development expenditure charged by nature to costs as incurred.

EMPLOYEES

The Group employed on average (including temporary staff, and at fully consolidated entities) **19,485 employees in 2017** compared with **19,307 in 2016,** a rise of 0.9%. There was no impact of change in Group structure.

Their split by sector was as follows:
- Cheese Products: 71.0%;
- Other Dairy Products: 25.3%;
- Unallocated: 3.7%.

FINANCIAL POSITION

The Group's **balance sheet** continues to reflect a sound financial position.
Equity rose by €16.7 million, or 1.2%, compared with 2016, to **€1,378.4 million.**
Net borrowings rose by €191.6 million to **€531.6 million** and represent **38.6% of equity** compared to 25% as of December 31, 2016.
The financial ratios imposed by the Group's covenants have been respected.
SAVENCIA Fromage & Dairy has no significant exposure to financial market risks. As in the past, its foreign exchange risks are limited by the policy of locating production units close to their commercial markets. Interest rate risks are limited by a policy of prudent hedging.

EVENTS AFTER THE YEAR-END

In the framework of the development of its Retail and Premium food service businesses, the Group is engaged in the acquisition of a company in South Korea. The transaction has obtained the agreement of the South Korean competition authority but remains subject to certain preconditions; it is expected to be signed in the coming days. Also, in order to rationalize their operations, certain Central European subsidiaries have launched restructuring plans expected to have total impacts of about €14 million.

OUTLOOK

The erratic evolution of raw material costs and the potential for passing cost increases on to selling prices will remain the key issues of the coming period. Within this environment SAVENCIA Fromage & Dairy, confident in its teams' motivation, will continue to focus on its fundamentals: the development of its specialty brands, the improvement of its competitiveness and the reinforcement of its international positions.
Within this context, at the beginning of 2018 SAVENCIA Fromage & Dairy increased its stakes in non-controlling shareholdings to 50% in Tunisia and 49% in Italy. As mentioned above, the Group is also engaged in the acquisition of an import company in South Korea for which the agreement of the competition authorities has been obtained and which will therefore shortly be finalized.

Social and environmental information

SAVENCIA Fromage & Dairy is committed to a policy of excellence and continuing progress, taking into account the point of view of all its stakeholders: employees, consumers, producers, shareholders, customers, partners and the community, and to respecting the environment. Its strategy is consistent with sustainable development defined as *"development that meets the needs of the present without compromising the ability of future generations to meet their own needs"* (the Brundtland report).

As a signatory to the UN's Global Compact since 2003, SAVENCIA Fromage & Dairy undertakes to comply with its ten fundamental principles in the areas of human rights, working conditions, the environment and anti-corruption.

METHODOLOGICAL NOTE

CONTEXT AND CHOICE OF INDICATORS

The indicators for Corporate Social Responsibility (CSR) defined for the Group's activities are designed to provide a transparent view of the Group's non-financial performance.
Our approach to CSR reporting also meets the requirements of the implementing decree for article 225 of France's so-called Grenelle II law dated July 10, 2010 codified as articles L225-102-1, R225-105-1 and R225.105-2 of the French code of commercial law.
The approach to CSR reporting is an integral part of our subsidiaries' operating processes.

ORGANIZATION OF THE REPORTING PROCESS

The collection of social and environmental indicators is organized by the Group's operating departments, according to their respective scopes of action (HR, industry), relayed by local experts who provide the raw data required.
The Group's finance department is the main contact for our independent auditors.

SCOPE

The scope of our social and environmental reporting for 2017 covers 100% of the activities and employees of the Group and its controlled subsidiaries as defined by article L233-3 of the French code of commercial law. Data not applicable to the Group's full scope of consolidation is identified as such. Companies consolidated during the course of a year are covered by the CSR reporting for the following year.
The changes compared to 2016 have been calculated on a like-for-like basis, i.e. reflecting the data for those subsidiaries which were present in both years.

REPORTING PROCEDURES AND GUIDELINES

Two sets of reporting guidelines have been prepared, respectively addressing the Group's indicators for environmental and social performance.
The documents serve as a reference for the independent review of the data collected, as provided for by the implementing decree for article L.225-102-1 of the French code of commercial law.

REPORTING SYSTEMS

Data is reported and consolidated via the Group's financial consolidation system which is used Group-wide.
An annual questionnaire is addressed to all applicable manufacturing, supply chain and sales subsidiaries worldwide as a means of collecting the information required.

CONSOLIDATION AND INTERNAL CONTROL

At Group level, the persons responsible for social and environmental reporting exploit the data collected in order to generate the consolidated Group indicators present in this chapter.
They also take responsibility for the associated internal control by assessing the coherency and consistency of the indicators, through analysis and explanation of changes from one year to the next.
Major variances are specifically analyzed in conjunction with the applicable data-providers.

INDEPENDENT VERIFICATION

Since 2002, on a voluntary basis, the reporting process has been subject to verification by the Group's Statutory Auditors.
Since 2013, the whole range of the Group's social, environmental and societal indicators has been subject to review by one of the Group's Statutory Auditors designated as an independent third party as defined in the framework of the Grenelle II law.

ENVIRONMENTAL REPORT

GENERAL POLICY AND ENVIRONMENTAL ISSUES

Environmental protection is a natural part of the industrial policy of the Group whose production units are generally located at the heart of their milk collection zones. It is integrated within a strategy of progress associating all the parties concerned and in particular the Group's milk producers.
The Group is attached to minimizing its environmental footprint commencing with the management of its agricultural raw materials and extending to the delivery of its finished products. All the Group's subsidiaries are required to respect the same commitments.
Upstream, the Group's approach is based on the establishment of structured relationships with milk producers and a protocol detailing best livestock husbandry practices, promoting reasoned farming practices designed to reduce farms' carbon footprints and other environmental impacts, and optimizing milk collection.
As a manufacturer, the Group is committed to controlling the impact of all its operations on the environment. The main issues center on preventing pollution; reducing water, energy and packaging consumption; and making optimal use of raw materials.
Standardization of processes and operating methods, generalization of the most efficient equipment and the identification and dissemination of best practices all help reduce consumption, emissions and waste.
The concentration of wastewater rejects, the quality of their treatment, and atmospheric emissions and the treatment of waste are all rigorously controlled and managed.
A system for assessing safety and regulatory compliance at production sites helps operating units implement appropriate prevention and protection policies. The approach involves the use of ratings reflecting the quality of risk management. Since the institution of this system, the loss occurrence frequency has been significantly reduced.
As in previous years, in 2017 the Group has recognized no provisions and provided no guarantees in respect of environmental risks.

ENVIRONMENTAL MANAGEMENT

ORGANIZATION

A manager or technical department is responsible for the operational deployment of environmental protection measures at every site. At subsidiaries with several production sites, the manager is generally in charge of Hygiene, Quality, Safety and the Environment (HQSE).
At the head office, the Group's industrial department supports subsidiaries in the operational implementation of environmental protection measures, supervises their improvement plans, promotes sharing of best practices and monitors changes in their environmental indicators.
In 2017, meetings of the environmental managers of the Group's French sites were organized on the topics of water, energy, waste and atmospheric emissions as a means of pooling experience and sharing best practices.
A meeting was thus organized at a Group site on the subject of the processing of industrial effluents, on which occasion the participants visited the site's waste water treatment plant and shared the experience of a local farmer engaging in methanization on his farm.
A second meeting was devoted to waste recycling, based on internal experience and the expertise of a specialist in eco-design.

STANDARDS AND CERTIFICATION

SAVENCIA Fromage & Dairy uses the ISO framework in managing its operations at subsidiaries, relying in particular on ISO 22000 and placing the accent on the issues at the heart of its activity i.e. hygiene and the food safety of its products.
As a means of anchoring the development of control over their environmental impacts, several subsidiaries are equally engaged in ISO 14001 and 50001 certification.
The Group has also developed internal Guides to Best Practices with regard to various issues with environmental impacts: raw material yields, energy management, cleaning-in-place systems and loss prevention.
The guides are generally accompanied by self-diagnosis questionnaires enabling each entity to measure its progress.

MANAGEMENT OF ENVIRONMENTAL INCIDENTS

A crisis management system is operational at all the Group's manufacturing, logistical and administrative locations. Regular exercises are performed to check the responsiveness of this organization and to fine-tune its operation.
Best practices for preventing risks of fire, explosion, accidental pollution and natural catastrophes are disseminated with the aim of reducing their impacts in the event of occurrence.
This preventive action is complemented by investments including sprinklers and water tanks, the securing of electrical installations, the creation of retention ponds, the reconstruction of industrial and rainwater effluent networks, the reinforcement and improvement of water purification stations by means of pre-treatment systems etc.
The risks associated with climate change are not judged significant given the geographical location of our subsidiaries. 10.8% of our sites have nevertheless identified potential risks and prepared for their occurrence by developing Business Continuity Plans in the event of water shortages or flooding.

TRAINING AND INFORMATION OF EMPLOYEES

In 2017 several sites engaged in environmental protection training and information of employees including:
- The monitoring and publication of environmental indicators;
- Training in eco-friendly practices;
- Training in saving energy and water, waste management and sorting of waste;
- Employee meetings to explain results and goals for progress.

In-house training for all supervisory personnel contributes to awareness-raising and helps spread a true culture of environmental respect within the Group.

COMPLIANCE AND REGULATORY WATCH

SAVENCIA Fromage & Dairy pays great attention to its regulatory compliance.
A firm of outside consultants assists us in following the day-to-day changes in legislation and regulatory requirements. A dedicated software program, periodic bulletin and quarterly interviews are used to help our sites keep up to date with new requirements and their practical application.
In France, as required by law, each production facility submits a file relative to facilities classified for environmental protection. The activities concerned are split by different criteria:

In 2017,
- 47.3% of sites are subject to declaration;
- 39.5% of sites are subject to recording;
- 13.2% of sites are subject to authorization.

CONSUMER HEALTH AND SAFETY

PRODUCT QUALITY AND SAFETY

Most of the Group's production is performed using milk that the Group collects either directly or via partner cooperatives. Milk traceability is full and subject to rigorous and systematic control. All suppliers of ingredients and materials in contact with products are subject to listing procedures, including the joint signature of specifications ensuring compliance with all the applicable regulatory requirements, and to regular audit.
The requirement for quality is an integral component of our business culture. The Group devotes very significant resources to achieving progress in all areas of quality, with a level of commitment in excess of its regulatory requirements.
New products are subject to an approved process prior to their launch in the market; manufacturing batches are quality controlled prior to release and on-site audits are regularly performed at all locations. In addition external audits, focused on compliance with ISO 22000 dealing with food safety management, are regularly undertaken.

Quality as perceived by consumers is monitored via two tools in particular:
- A permanent panel of consumers which continuously assesses our products; and
- Sensorial analysis which enables our products to be regularly checked by trained staff.

This approach enables us to put the focus on improving product quality relative to its competitive environment.

NUTRITION

SAVENCIA Fromage & Dairy manufactures natural products using carefully selected quality raw materials. In accordance with its vocation of "Leading the way to better food", the Group reaffirms in 2017 its will to contribute to public health objectives by reinforcing its nutritional policy.

The Group values positive development of diet via both levers of product offerings and the encouragement of appropriate dietary habits. In that framework, several main focuses have been defined:

- Offer sound and natural products integrating nutritional criteria, an approach combining nutritional balance and gustative pleasure;
- Help and encourage the consumer to adopt responsible consumption habits by the provision of clear and transparent information on our products' nutritional composition as well as serving-size information for our major brands;
- Facilitate access to healthy and affordable products, in particular in emerging countries via a product offering adapted to the specific needs of their populations and markets;
- Provide consumers with information on healthy and sustainable eating habits via our digital platform "quiveutdufromage.com":
  – Clear and transparent information including ingredient lists and nutritional values per 100 g and per individual portion;
  – Information accessible to all on feeding children, the concept of the portion and varied diet, as well as on the natural nutritional benefits of cheese;
  – Simple and balanced recipes, adapted to current habits of consumption, to encourage better use of our products. The recipes are backed by material presenting product portions and/or associated foodstuffs providing balance and a varied diet.

Since 2016, SAVENCIA Fromage & Dairy has been working on use of the Nudge methodology with the concept of behavioral economics and that consists in encouraging individuals, without forcing them, to adopt habits that are beneficial for themselves, their communities and/or the planet.

An initial Nudge project, involving the Caprice des Dieux brand and its En Cas de Caprice product, won the Nudging for Good Award for Health and Sustainability in 2017 with an innovative product format and packaging combination. The concept – the product is in cylindrical form and easy to slice with its strips visualizing 15 g (52kcal) portions – helps the consumer simultaneously improve control over his or her consumption and reap the product's natural nutritional benefits.

SUSTAINABLE USE OF RESOURCES

SAVENCIA Fromage & Dairy's commitment to limiting its environmental impact involves every level of management and all processes with potential impacts.
The implementation and monitoring of action plans are carried out by specialized cross-functional committees (for water, energy, raw materials etc.) which help to identify and disseminate sites' best practices.

COMBATING WASTE

In 2015 the Group launched, with participation by all employees, an industrial performance program focused on combating waste and improving working conditions.
The aim is to reduce losses, excess consumption, substandard products, breakdowns, superfluous travel, painful physical postures etc. thereby combating all forms of waste.

The approach is one of lean production at every stage, by developing operatives' autonomy and responsibility in order to strengthen their involvement and foster their ability to propose solutions for improvement.
Since its launch, the program has been implemented at several plants worldwide with the help of a dedicated team and of a large number of operatives at each site.
Numerous projects for improvement have thus been implemented.
The program's aim is to train operatives to solve autonomously the problems arising on their production line using their initiative and with the help of appropriate tools for continuous improvement: 5S, problem-solving, Six Sigma, SMED, performance routines.
Other complementary actions developed to limit food wastage include the development of formats adapted to consumers' needs (portions, re-sealable boxes etc.) or gifting to food banks. In 2017, 75.0% of the donations made by the Group's production sites took the form of products.

The Group's subsidiaries have also taken a number of initiatives:

- In the framework of the election of France's Favorite Marketplace, St Môret distributes anti-waste recipes designed to give new freshness to fruit and vegetables past their best. St Môret also works alongside an association which collects unsold produce on the markets;
- In one of our sales subsidiaries, a partnership has been formed with a company whose aim is to give a 2nd life to unsold products and waste by encouraging the circular economy via gifting to associations.

OPTIMIZING CONSUMPTION OF RAW MATERIALS

The Group engages in continuous review of manufacturing processes in order to maximize milk transformation and enhance byproducts value.
The standardization of processes and operating methods, the generalization of high performance equipment, as well as loss reduction plans, all help reduce consumptions.
Complete daily analyses of material yield enable operating teams to optimize manufacturing process control.
The quantities of milk purchased are confidential.

CONTROLLING WATER CONSUMPTION

Reported water consumption equates with water directly drawn or purchased; recycled water from manufacturing processes is not taken into account.

In 2017, water consumption amounted to 16 million m³, a rise of 1.2% related to production volumes.

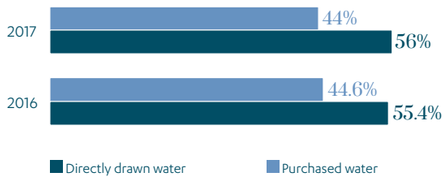
Numerous measures are deployed onsite in order to control consumption:

- Improvement of metering, monitoring and definition of target consumption for each workshop and communication of results to operatives;
- Partial recovery of the water contained in milk or whey, by evaporation or inverse osmosis, which water is filtered and then used for external washing;
- Optimization of cleaning processes: attachment of water pistols to hoses, recovery and reuse of water used to rinse tankers and cool pumps, adjustment of cleaning frequencies and rinse times, reduction of losses when purging. In France and internationally, several modern and efficient cleaning-in-place installations have been deployed in order to optimize cleaning and reduce overall water consumption for prewashing, washing and rinsing;
- Employees Motivation based on training, continuous improvement and the creation of working groups.

Water supply

Local water supply constraints are rare and essentially seasonal by nature. They only concerned 10.1% of the Group's sites in 2017.
56.0% of the water consumed in 2017 was directly drawn water, a small rise in comparison with 2016 (55.4%).

STRUCTURE OF WATER SUPPLY
(Like-for-like, all locations)



In France, the Group participates in shared efforts to identify the risks associated with water resources and hydric stress, improve water recovery and recycling using appropriate technologies and thus limit the use of directly drawn water and the rejection of effluents into the natural environment.

CONTROLLING PACKAGING AND PAPER CONSUMPTION

Our progress

By reducing the packaging weight of its Tartare 150g cup, **our Fro' subsidiary saved**
5.2 tons of plastic in 2017.

Conscious of the environmental issues at stake, for several years already SAVENCIA Fromage & Dairy has devoted efforts to reducing the volume of its packaging. In 2017, several subsidiaries engaged in eco-design in order to minimize their environmental impact, mainly in the form of modification of packaging (redesign, optimization) by reducing the thickness and quantities of the materials used.

In 2017, packaging and paper consumption, all materials and all product types included, increased by 0.3% over 2016 attributable to:

- The launch of new products;
- The development of self-service products and of portions and snacking products adapted to new modes of consumption;
- Increased volumes and co-packing activity.

Actions for reducing consumption included:

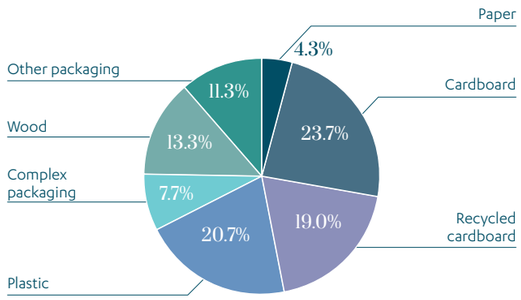
- Redesign of packaging for certain products;
- Production process optimization in order to reduce packaging consumption;
- Reduction of packaging line losses via quality control.

Partnerships are engaged in with various national bodies in charge of collecting, sorting and recycling packaging.

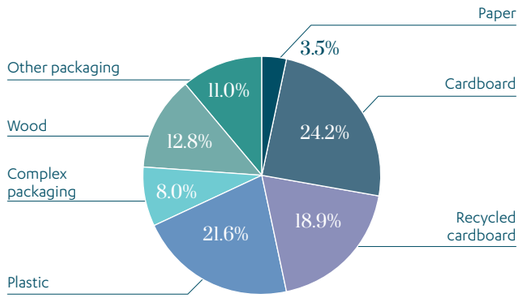
Structure of consumption of paper and packaging

The main evolution has been the 4.0% fall in consumption of plastics.

STRUCTURE OF CONSUMPTION OF PAPER AND PACKAGING IN 2017
(Like-for-like, all locations)



STRUCTURE OF CONSUMPTION OF PAPER AND PACKAGING IN 2016
(Like-for-like, all locations)



CONTROLLING ENERGY CONSUMPTION

In 2017, the Group's energy consumption amounted to 7,945 GJ, a fall of 0.9% compared with 2016.
The performance reflects the effectiveness of best energy practices deployed at sites.
A steering committee engages in periodic monitoring in order to accelerate the momentum of progress in three main areas:

Energy production and transformation:
- Systematic measurement of boiler yields and periodic performance appraisal;
- Replacement of old boilers with new ones providing higher yields (a plan has been implemented and progress is regularly monitored);
- Renovation of cooling equipment to increase performance;
- Modernization or replacement of air compressors;
- Replacement of lighting by low consumption appliances;
- Installation of speed controllers on pumps, ventilators and compressors, and of variable pressure systems on piping networks.

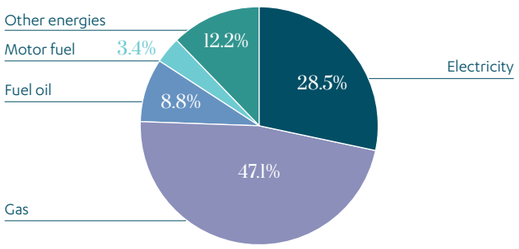
Energy distribution:
- Lagging;
- Pressure reduction for fluid networks;
- Tracking of compressed air leaks and inspection of steam network bleeders.

Energy consumption:
- Development of metering and monitoring of yields;
- Plan for renovation and enhancement of cleaning-in-place equipment;
- Deployment of membrane-based processes in partial or full replacement of evaporators;
- Progressive replacement of neon lighting by LEDs, thereby simultaneously reducing electric consumption and providing greater comfort for employees working in the areas concerned.

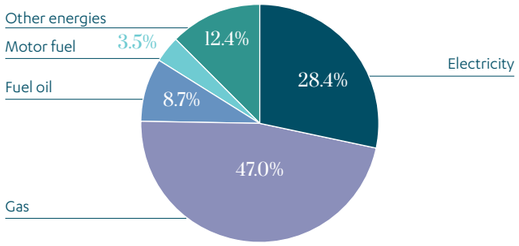
Concerning the Energy Savings Certificates in France, the Group undertakes work such as the renovation of refrigeration equipment and the installation of insulation blankets or speed controllers.
Energy audits, mandatory in France and in certain other European countries, encourage consolidated effort. In the Group, these audits are conducted to a higher standard than the regulatory obligations and help accelerate progress.

Structure of energy consumption

STRUCTURE OF ENERGY CONSUMPTION IN 2017 IN TJ
(Like-for-like, all locations)



STRUCTURE OF ENERGY CONSUMPTION IN 2016 IN TJ
(Like-for-like, all locations)



Renewable energies

Our progress

At our Vegalencia site in Spain,
100% of organic waste is recycled as energy.

Five sites – three in Brazil, one in Uruguay and one in France – are equipped with wood boilers. Local supply is preferred and in France, the wood consumed is sourced from renewable forests managed by the Office National des Forêts.
The biomass boilers replace fossil energy and have increased to 3.9% the proportion of renewable energy used for steam production.
In France, one site makes use of the hydroelectric potential available locally.
In India, a site now covers 5% of its daily electricity consumption by means of the installation of photovoltaic panels on its roof.

PREVENTION OF POLLUTION

REDUCING INDUSTRIAL WASTE

The quantities indicated are those evacuated in 2017; substandard products are not included.

Non-dangerous and dangerous waste for our production sites fell by 4.7% compared with 2016.

That result materializes the sites' commitment and the effectiveness of the measures implemented:
- Reduction at source of the weight of packaging weight in close cooperation with our suppliers;
- Purchasing priority for the least dangerous products for a given level of quality;
- Reduction of losses and waste in manufacturing and packaging workshops;
- Optimization of the sorting and storage of waste for optimal local collection and recycling;
- Recycling of containers;
- Specific recycling of bio-waste.

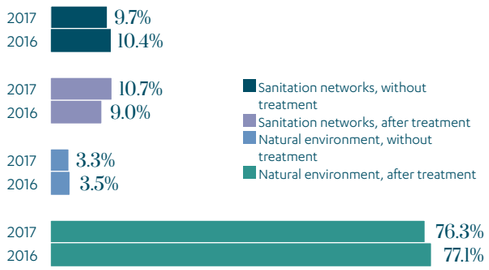
In France, a site has implemented a new system of selective sorting and recycling of its office waste in partnership with a company which employs handicapped persons or facing difficulties of professional insertion.
74.9% of non-dangerous waste is recycled by category.

QUANTITIES OF WASTE GENERATED
(Like-for-like/ production sites)
In thousands of tons

REDUCING WASTEWATER DISCHARGES AND IMPROVING WASTEWATER QUALITY

Total wastewater discharges amounted to 14.2 million m³, stable compared to 2016.
96.7% of wastewater is purified before being discharged into the natural environment.

DESTINATION OF WASTEWATER
(Like-for-like, all locations)



These results are attributable to actions, improved each year:

Manufacturing process control:
- Recycling of final rinse-water for reuse in subsequent rinsing;
- Recovery of whey in order to limit discharge of effluents and derive greater value from the milk resource;
- Deployment of membrane processes to filter wastewater;
- Reduction of water consumption, thus mechanically reducing the volume of wastewater;
- Reduction in the proportion of pollutants in water before it goes to the treatment plant thanks to the reinforcement and systematization of controls;
- Installation of waste water meters and turbidity meters designed to measure and monitor changes in load.

Control over purification:
- Implementing best practices;
- Installing pre-treatment or post-treatment processes to optimize purifying plant efficiency;
- Installing devices for measuring chemical oxygen demand (i.e. the quantity of oxygen required to oxidize the organic matter contained in wastewater) and regularly monitoring results;
- Use of new processes for the recuperation of phosphor;
- Installing pre-treatment processing of effluents to reduce purifying plant workload and divert the sludge recovered to a methanization installation for energy conversion.

Reducing undesirable smells:
Several measures assist in reducing undesirable odors:
- Odor monitoring;
- Closed-loop control of ventilators;
- The installation of remote optical camera to control piping.

In Belgium, a site has installed a sludge press to facilitate composting, thereby limiting odors.

COMBATING CLIMATE CHANGE

IMPROVING THE CARBON FOOTPRINT OF MILK PRODUCTION

Our progress

About
164,000 tons of carbon equivalent saved
in France between 2010 and 2017.

Since 2010, the Group has engaged in a Responsible Dairy Sourcing program that supports milk producers in the sustainable development of their farms and helps them reduce their environmental impact and improve their carbon footprint while also improving their economic performance.

The policy of Responsible Dairy Sourcing is based on six commitments:
- Logistics respectful of the environment;
- Sustainable economic performance;
- Active dialogue with the parties concerned;
- Living and working in closer cooperation;
- Responsible social policies;
- Sustainable milk production.

Sustainable milk production involves 4 stages:
- Diagnosis of dairy farms;
- Identification of strengths and points for improvement;
- The offer of training and the encouragement of pooling of experience by farmers;
- Prioritization of action plans and the offer of help for their implementation.

The diagnosis, which purpose is to measure the farm's performance in economic, environmental and social terms, is performed over ten indicators:
- Profitability of the farm;
- Financial autonomy of the farm;
- Sustainable management of resources;
- Carbon footprint;
- Animal wellbeing;
- Food autonomy of the herd;
- Biodiversity;
- Soil fertility;
- Quality of life of the farmer;
- Management of the farm.

In order to perform diagnosis and help farmers engage in actions for improvement, partnerships have been concluded with several organizations including France's INRA, IAD, TRAME, CÉRÉOPA, CER France etc.

Milk producers supplying the Group have attested to the positive effects of the approach. The following actions are typically deployed:
- Vegetative cover of land;
- Limitation of phytosanitary treatments and inputs of fertilizers;
- Preservation of hedges;
- Less purchasing of food complements;
- Promotion of best farming practices.

In France, at the end of 2017, 1,200 dairy farms supplying the Group had performed a diagnosis under the program and 2,600 days of training were provided.
In 2017, approximately 164,000 tons of CO^2 equivalent were thus saved in comparison with 2010. The goal is to achieve a 20% reduction, by 2020, of the carbon footprint of dairy farms delivering to the Group in France.
For the farms diagnosed, the net carbon footprint amounts to 0.82 kg of CO^2 equivalent compared with the French average of 0.91 kg. Food self-sufficiency amounts to 82% of the farms' food requirements. In 2017, the farms' herds spent on average 191 days in the open air.
In Germany, farmers are trained in achieving water and energy savings and their herds' feeds are guaranteed GMO-free.
In Poland, producers are encouraged to invest in milking equipment and herd management.
In the Ukraine and Serbia, farmers are trained in farm management with a particular emphasis on animal nutrition.

IMPROVING THE CARBON FOOTPRINT OF MILK COLLECTION AND TRANSPORT

The organization of milk collection, the exchange of dairy materials between plants and product distribution are all part of the effort to reduce greenhouse gas emissions.
Milk collection rounds are optimized by using collection tanks of larger capacity.
In France, transport subsidiaries subscribe to the "CO2, Carriers Commit" charter.

SAVENCIA Fromage & Dairy has also undertaken, in 2017, several actions designed to optimize the Group's distribution logistics including:
- The optimization of delivery rounds by using energy-efficient trucks and a dedicated system which has produced, like-for-like, a 6.5% saving in kilometers covered in 2017 compared to 2016;
- The improvement of truck loading by 5% for secondary transport, thus removing the equivalent of 1,150 trucks from the roads;
- Control over Fuel oil consumption via the use of a navigation system enabling technical data for the Group's trucks to be remotely extracted and analyzed in terms of driving practices. The system has been tested in 2017 and will be implemented in 2018.

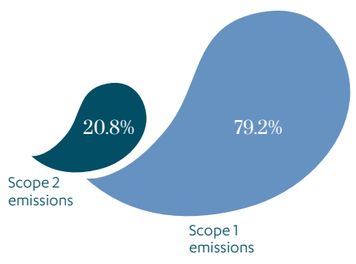
Fleets are also equipped with robust and economic tractor units. In 2017, 35% of the Group's own vehicle fleet comprised vehicles meeting the most recent (Euro 5 and Euro 6) anti-pollution standards. The whole fleet will have been renewed by early 2019.
Drivers are also trained in eco-driving.
All these measures help improve environmental performance.

IMPROVING THE CARBON FOOTPRINT OF PRODUCTION

The main actions and results are described in the paragraph devoted to the improvement of energy efficiency *(page 53)*.

Greenhouse gas emissions for sites' direct activities are measured over two scopes:
- Direct emissions (scope 1) comprising those related to the combustion of fossil energies, to non-energy processes and to leakage of refrigerants;
- Indirect emissions (scope 2) comprising those related to the production of electricity, steam or other sources of heating or cooling purchased and consumed by sites.

2017 CLASSIFICATIONS OF SCOPE 1 & SCOPE 2 GREENHOUSE GAS EMISSIONS
(Like-for-like/production sites)



The data covers all the Group's production sites and is presented in accordance with the ADEME 2012 methodology.
In 2017, the Group began working on the identification of its scope 3 greenhouse gas emissions, in particular those related to downstream transport and distribution (cf. the section on improving the carbon footprint of milk collection and transport). The work will be pursued in 2018 in order to identify the most significant categories and better target the actions required to reduce scope 3 emissions.
The Group ensures that new equipment emits lower levels of greenhouse gases, in particular in the case of boilers and cooling equipment within a renewal program.

PROTECTION OF BIODIVERSITY

Our Responsible Dairy Sourcing program contributes to the preservation of biodiversity (cf. the paragraph above devoted to improving the carbon footprint of production).
Developing pasture and natural herd feeding are at the heart of the approach. Pastures stock carbon, prevent soil erosion, filter water, encourage biodiversity and enable natural recycling of cowpats. Properly managed, they require virtually no use of pesticides or fertilizers. Responsible Dairy Sourcing is also a matter of promoting best watering and cleaning practices in order to reduce farms' water consumption.
Preventive measures widespread at our production sites are mainly aimed at preserving rivers and other aquatic environments. They include:
- Reducing the consumption of cleaning products;
- Renovating drainage networks;
- Optimizing the functioning of purifying stations.

Our sites also take initiatives to preserve or develop biodiversity around our installations by:
- Planting vegetation on the land bordering our sites and purifying stations;
- Restocking ponds;
- Equipping certain waterways with fish passes;
- Providing havens for insects;
- Flowering fallow land and performing late-season haymaking of natural pastures.

SITES LOCATED IN PROTECTED ZONES

10.9% of our sites are located in protected zones such as natural parks, Natura 2000 nature protection areas or forests.
Various methods are applied for their preservation: conservation of forest areas by planting endemic species, reduction of greenhouse gas emissions etc.

ACTION PROGRAMS AND CAPITAL EXPENDITURE IN 2017

The Group's programs and actions implemented have been presented in the chapters dealing with consumption of water and energy and waste management.

CAPITAL EXPENDITURES

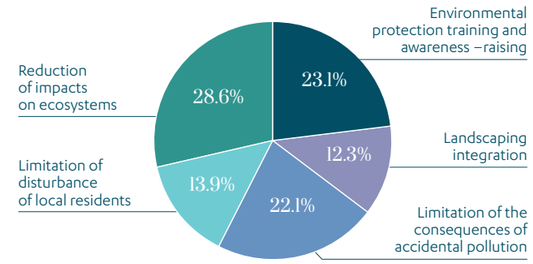
All investment in production capacity, or renewal of capacity, takes into account the environmental aspect:
- 19.7% of sites have committed expenditure to protecting the environment with new heating and cooling equipment, measuring and controlling consumptions and waste, engaging in prevention and optimizing the evacuation and treatment of waste and wastewater;
- 17.6% of sites have committed expenditure to reducing the risks of damage to assets and persons, in particular with regard to fire risk with the installation of fire detection and sprinkler systems and the reinforcement of electrical safety.

OPERATING EXPENDITURES

- 29.5% of sites have committed expenditure to protecting the environment, in particular with regard to the verification and maintenance of installations, to spreading of sludge and to treatment of waste and wastewater;
- 33.2% of sites have committed expenditure to reducing the risks of damage to assets: verification of electricity networks and maintenance of fire detection systems.

Preventive measures designed to limit risks, or the impact of their consequences, have been implemented.

PREVENTIVE MEASURES IN 2017



RELATIONS WITH STAKEHOLDERS

The main stakeholders been identified: consumers, employees, livestock breeders and milk producers, suppliers, local residents, regulatory agencies, city halls and fire services the needs of all of whom are assessed via on-site meetings, progress and satisfaction surveys and audits, as appropriate. Sites strive to meet all their requirements by developing relationships of trust and engaging in appropriate communication.

MILK PRODUCERS

SAVENCIA Fromage & Dairy commits strongly to its milk producers in order to encourage the development of a sustainable dairy industry.
In France, producers have joined together in producer organizations and cooperatives which manage the volumes to be purchased, the applicable price and the requisite quality specifications.
Our Milk Collection Technicians are in daily contact with farmers to answer to their questions, help them resolve quality issues and accompany changes in their practices.
For several years now, the Group's Responsible Dairy Sourcing program has enabled those farmers so wishing to make changes to their approach to producing milk.
Following a diagnosis of the farm, the "support" takes the form of training in response to the needs and priorities set by the farmers themselves and devoted to themes such as cows' wellbeing and nutrition, soil fertilization, protein autonomy, social and economic factors etc.
Field visits and farmer work groups are also organized.
The installation of young farmers is facilitated through the allocation of a production volume, financial support, a guaranteed margin for the first three years and ongoing training. In 2017, within a particularly difficult context for milk producers, the Group maintained its 2016 offer of support for young producers in the form a specific bonus which was taken up by all those concerned. Young farmers represent about 15% of all milk producers.
SAVENCIA Fromage & Dairy is also very active within dairy industry trade bodies such as, in France, the National Dairy Industry Federation, the *Centre National Interprofessionnel de l'Économie Laitière,* FranceAgriMer, regional centers and laboratories etc.
In 2017, SAVENCIA Fromage & Dairy was a participant in the workshops of the *États Généraux de l'Alimentation* general consultation on food organized by the French government and in the preparation of the dairy industry plan presented in December.

LOCAL RESIDENTS

Specific preventive measures are aimed at reducing and limiting any disturbance for local residents, mainly in the following areas:

- Noise disturbance with the installation of acoustic walls;
- Olfactory disturbance with the optimization of purifying station treatments in order to accelerate biodegradation, limitation of the ventilation of purifying station sludge and dehydration of sludge using centrifugation.

For example, in order to limit the disturbance occasioned by heavy goods vehicles, a site entrance initially located in a residential area has been displaced.

SUPPLIERS

SAVENCIA Fromage & Dairy develops long-term collaborative relationships with its main suppliers with the focus on sharing progress. Suppliers are selected on the basis of criteria of quality, security, service and competitiveness, and of their capacity to accompany the Group for the long term. The Group is attentive to the long-term economic equilibrium of its medium and small SME suppliers in particular.
Functional analysis of requirements, reasoning in terms of total cost and the search for innovative solutions are the engines of the Group's purchasing policy which encourages the emergence of competitive and sustainable solutions. Forums for innovation allow suppliers to present their products and processes.
Purchasing consolidation, the rationalization of references and the development of framework agreements also contribute to the Group's competitiveness.

RESPONSIBLE PROCUREMENT

The Group's Charter for Sustainable and Socially Inclusive Purchasing sets out the Group's expectations. Widely distributed to suppliers, who are invited to confirm their adherence, it is also systematically communicated in all requests for tender.
In France, SAVENCIA Fromage & Dairy is a signatory of the *Charte Relations Fournisseur Responsable de la Médiation des Entreprises et du Conseil National des Achats* intended to promote responsible purchasing and long-term partnerships between large and small companies of the same industry, and to support the competitiveness and financial equilibrium of large and small SME suppliers.
Buyers and all new managers receive training in the Group's responsible purchasing policy.
The social and environmental performance of our main suppliers is assessed by EcoVadis using a consistent methodology. Areas for progress identified are shared with the vendors concerned.
SAVENCIA Fromage & Dairy does not engage in any significant amount of production subcontracting but has recourse to service-providers in particular for cleaning and maintenance. Our service-providers are informed of the hygiene and safety requirements in force at the sites on which they operate.

SOCIAL REPORT 2017

VALUES AND ORGANIZATION

SAVENCIA Fromage & Dairy has developed a responsible Human Resources policy anchored in its humanistic culture designed to ensure the Group's growth and sustainability with the support of its employees and to develop their talents by providing each and every-one the opportunity to grow and achieve his/her full potential within the Group.
To that end, SAVENCIA Fromage & Dairy seeks constantly to offer its employees a professional environment propitious to their wellbeing. Safety at work is a major issue for all and a foremost focus of our Human Resources policy. The charter for Health and Safety at Work displayed at our all sites stresses the commitment of each and every one to the Group's ambition of attaining zero accident at work. Our policy for the prevention of professional risks is embodied in the "Safety is OUR business!" program. For the past 5 years, a Worldwide Week for Health and Safety at Work, with awareness-raising workshops, has been organized at all sites.
The diversity of our geographical locations, activities and businesses makes it possible to offer numerous career opportunities within charter for mobility. Annual assessment provides input to personal development plans both reinforcing skills and ensuring continuing employability. Our participative management through objectives makes it possible to delegate, render each employee responsible and accountable with actions focused the year's Group priorities.
Periodic staff opinion surveys have been performed in conjunction with the Great Place To Work Institute since 2009. They enable each subsidiary to dispose of quantified data and define focuses for progress and improvement. In 2017, 8 entities renewed their surveys in 4 countries (France, Japan, Hungary and Belgium). GPTW has ranked SAVENCIA Fromage & Dairy Deutschland as one of the 100 leading German enterprises of 50-500 employees considered to be a great place to work.
The Top Employer label recognizes the quality of human resource managerial practices and systems. In 2017, the Group received the Top Employer France label for the 9th consecutive year and for the 8th time, the Top Employer Europe label.

THE GROUP AND ITS EMPLOYEES

The Group had 19,485 equivalent full-time employees (including temporary employees) in 2017 (19,307 in 2016).

They were located as follows:

- 41.5% in France;
- 30.2% in the rest of Europe;
- 28.3% in the rest of the world.

ANALYSIS OF EMPLOYMENT AT DECEMBER 31, 2017

18,232 persons were employed on the basis of indefinite or fixed term contracts of employment at December 31, 2017 (18,568 at the end of 2016).

By status

The number of managerial staff in the Group was 2,778 at December 31, 2017 i.e. 15.2% of the total for the Group and 18.3% in France, stable compared with 2016 (respectively 14.9% and 18.0%).

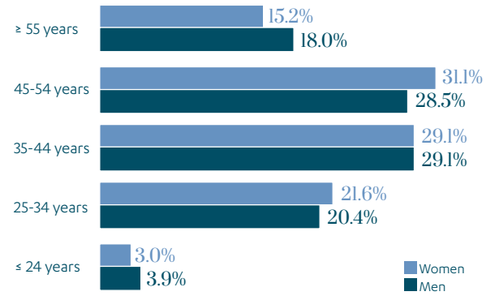
By type of contract

BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT IN 2017

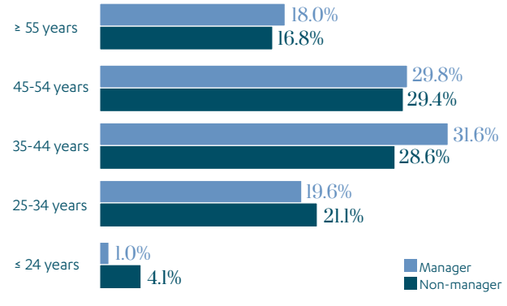
In France, permanent contracts represented 93.9% of total employees in 2017 compared with 94.0% in 2016.
At December 31, 2017 the Group had 1,409 temporary employees, i.e. 7.2% of total employees including temporary staff.

By age

BREAKDOWN OF PERMANENT EMPLOYEES BY SEX AND BY AGE IN 2017



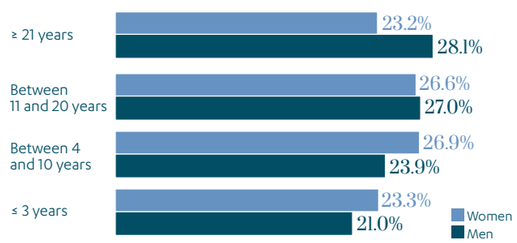
BREAKDOWN OF PERMANENT EMPLOYEES BY STATUS AND BY AGE IN 2017



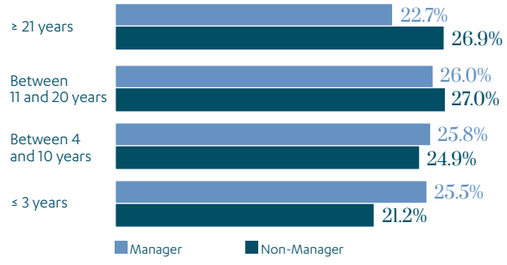
The average age of employees on payroll was 43 in 2017.
Young employees (≤ 24) represent 3.5% of permanent employees and employees over 55, 17.0%.

By length of service

BREAKDOWN OF PERMANENT EMPLOYEES BY LENGTH OF SERVICE AND BY SEX IN 2017



BREAKDOWN OF PERMANENT EMPLOYEES BY LENGTH OF SERVICE AND BY STATUS IN 2017



The average length of service in the Group amounted to 14 years in 2017, stable compared with previous years.

ORGANIZATION OF WORKING HOURS

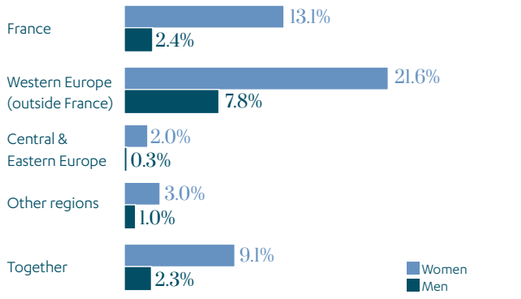
HOURS WORKED

On average, a Group employee worked 1,664 hours in 2017 and 1,476 hours in France.
39.9% of employees worked at least some overtime in 2017, with an average of 23 hours per employee for the year.

PART-TIME WORK

Part-time work concerned to 4.9% of the Group's permanent employees (9.1% of women and 2.3% of men).
Part-time work is mostly chosen by employees (not mandatory) as a means of meeting the balance between work and home, a topic to which the Group pays close attention.

BREAKDOWN OF PART-TIME WORK BY GEOGRAPHICAL ZONE AND BY SEX IN 2017



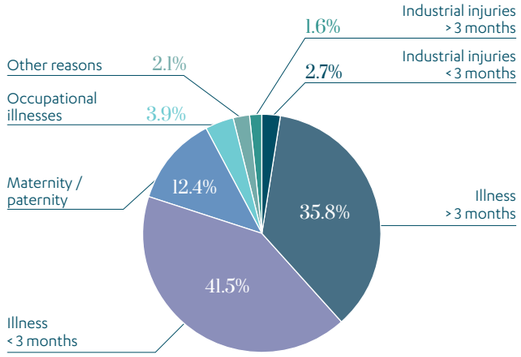
SHIFT WORK AND NIGHT WORK IN FRANCE

In France, 45.0% of employees work shifts. Night work concerns 18.0% of employees.

ABSENCE

On average, SAVENCIA Fromage & Dairy experiences 17 calendar days of absence per employee and per year, stable compared to 2016. More than three quarters of absences are due to illness.

BREAKDOWN OF REASONS FOR ABSENCE IN 2017



EMPLOYMENT AND EMPLOYEE'S PERSONAL DEVELOPMENT

TRAINING

Our progress

Over 5 years, the number of training sessions has increased by **48%, from 3,971 in 2013 to 5,875 in 2017.**

The training offered by the Group draws on recognized internal and external expertise. To accompany changing trends in working practices, new skills are developed. SAVENCIA Fromage & Dairy supports its employees in following those trends by strengthening their expertise and commitment, respecting the Group's values.

Some specific programs, of:

- Training for new managers;
- "Management Excellence" seminars for managers;
- Support for Group policies in the areas of safety, risk prevention etc.;
- Personal skills training such as in the techniques of communication, project management or negotiation;
- Functional seminars such as in Marketing Excellence, Sales Excellence, HR Excellence or our SAVENCIA Academy which offers industrial managers courses focusing on cheese and dairy know-how with the emphasis on manufacturing, quality and research.

In 2017, the TPM+ Management and Excellence program, designed for supervisors of projects or routines, was key to the success of the drive for improved industrial performance in the Group's plants and subsidiaries.
The launch of the Sales Excellence program in 2017 has enhanced training in business skills and contributed to the development of subsidiaries' sales strategy.
SAVENCIA Fromage & Dairy encourages training and the recognition of experience sanctioned by diplomas such as France's *Certificats de Qualification Professionnelle*.

In France, more than a third of the training provided is focused on health and safety at work, while about a quarter helps employees develop their functional or specific job competencies.
In 2017, training represented 222,189 hours and 1.5% of payroll compared with 1.7% in 2016. The 5,875 training sessions which took place were directed at 75.3%* of the Group's employees.

**Calculated on the basis of the number of employees trained during the year in comparison with those present at December 31.*

RELATIONSHIPS WITH EDUCATIONAL ESTABLISHMENTS

The Group believes that long internships and formal apprenticeship are effective in integrating future staff members. It implements an active policy of partnership with business and engineering schools and offers job training and apprenticeship for all levels of education and for many functions including in particular those involving dairy, marketing, sales and finance.
In France, apprenticeship concerns 2.1% of employees, with punctual internships accounting for 1.3% of employees.

INTERNAL MOBILITY

SAVENCIA Fromage & Dairy encourages internal mobility both within and between its subsidiaries and at all levels.
An internal database informs employees on all job opportunities within the Group.
All subsidiaries perform annual career reviews focused on preparing future career movements. This allows the Group an overall vision and facilitates movements whether between subsidiaries, functions or countries.

RECRUITMENT AND TRANSFER

The hire rate for permanent employees amounted to 10.3% compared with 9.7% for departures (including intragroup transfers, in both cases based on employees on payroll at the year-end). Departures initiated by the employer represented 3.0% of the total.
SAVENCIA Fromage & Dairy offers young persons fresh out of college a Graduate Program in Sales and Marketing. It allows participants to gain related work experience in the various countries where the Group is present and has subsidiaries, and prepare them to occupy positions of responsibility within their specialty through their in-depth experience in the field and in-depth understanding of the Group.

HEALTH AND SAFETY AT WORK

Our progress

Since 2013, the Group's accident frequency rate has fallen by **19%, from 11.6 in 2013 to 9.4 in 2017.**

The Group has pursued the actions engaged in Health and Safety at Work with its awareness-raising "Safety is OUR business!" program.
The Group's approach requires commitment and exemplary behavior by all, in all the applicable working environments, whether industrial, logistical or administrative. The Group-wide Behavioral Safety Visits rally top management, line managers and operatives with the goal of identifying and eliminating situations conducive to risk, and enable employees to share their thoughts on safety as a means of providing a better understanding of exposure to risk.
The approach also relies on the specific methods and tools available to employees, to help in their progress. A Worldwide Safety Framework, including the essential best practices to be implemented, has been deployed and its enforcement is audited by our in-house teams.
The Group's monthly monitoring, including the *Flash info Accident Groupe*, helps raise awareness at subsidiaries.
The prevention of musculoskeletal disorders is an important focus for the Group. It includes preventive actions such as warm-up exercises upon arrival at workstations, the involvement of ergonomists and the design or redesign of production lines. Ergonomics are at the center of prevention policy.
Using 3D digital virtual reality systems, gestures and postures can be simulated to improve their correction.
The 5th Worldwide Week for Health and Safety at Work was a high point of the year for all our sites worldwide. A safety competition was organized involving the design of an educational video.

In France, SAVENCIA Fromage & Dairy provides assistance and psychological help. This includes on-site support and for certain subsidiaries, a help and crisis line for employees and their family available 24/24. Managers have also been made more aware of the forms psycho-social risks can take.
To prevent safety risks for temporary employees, specific training is organized to raise their awareness of health and safety issues. Safety prevention plans are also developed for the benefit of suppliers and subcontractors working on our sites.

	2017	2016
Accident frequency rate (all employees)	11.3	10.6
Accident severity rate* (employees on payroll)	0.4	0.4

**With days' absence from work based on calendar days.*

In 2017, the accident frequency rate excluding temporary employees amounted to 9.4, a slight rise over 2016 (8.6). The accident severity rate remained stable at 0.4.
In France, 56 employees experienced work related illness in 2017. Similar data is not communicated for the rest of the world given the heterogeneity of international definitions of work related illness.

DIVERSITY

The Group's Ethical Charter restates that respect for persons, and equal opportunity, are pillars of our corporate culture. The Group prides itself on giving every talent its chance and is attentive to individual opportunity and non-discrimination.

NON-DISCRIMINATION ON THE BASIS OF AGE

In France, appropriate measures complement and reinforce past initiatives in favor of non-discrimination on the basis of age: mentoring, lifelong training, improved working conditions and prevention of job stress or duress in particular for personnel nearing retirement.
The measures supporting the integration of young employees have been continued: mentors, induction courses such as the Graduate Program, etc.

EQUAL OPPORTUNITY FOR WOMEN AND MEN

SAVENCIA Fromage & Dairy promotes equal opportunity for all its employees by means of non-discrimination in terms of recruitment, qualification, training, remuneration or career progress. A guide to best practices has been provided to recruitment firms, which are required to submit mixed lists of candidates.
The proportion of women employed amounts to 39.0% of total employees on payroll and 50.2% in headquarters and service companies. The proportion of women managers amounts to 39.8% overall (stable compared with 2016) and in France, almost 42.5% (also stable in comparison with 2016).

The Group identifies and shares best practices for professional equality:
- In-house communication promoting diversity, including specific training;
- A comprehensive approach to taking account of periods of severe family constraints;
- Organization of work and services, helping reconcile professional and personal life.

MEASURES IN FAVOR OF THE EMPLOYMENT OF PEOPLE WITH DISABILITIES

In line with its humanistic values, SAVENCIA Fromage & Dairy facilitates the access to and continuing employment of handicapped persons via appropriate recruitment, support and training processes, individualized welcome and integration and adaptation of premises, workstations and working hours. Collaboration is also developed with sheltered workshops and similar entities.
The Handicap Week provides the opportunity for events and workshops designed to raise employees' awareness and perception of handicaps, fight stereotypes and promote the recruitment and maintained employment of handicapped persons.
Certain subsidiaries have signed agreements to help their staff obtain Recognition of Handicapped Worker Status.
In 2017, the Group employed 2.7% of handicapped persons (based on employees on payroll at December 31). In France, the proportion was 3.7%.

COMPENSATION

SAVENCIA Fromage & Dairy's compensation policy is designed to ensure equity, enhance the Group's attractiveness and retain and motivate talents. In addition to fixed compensation, certain employees may be eligible, depending on their responsibilities and functions, for an individually determined variable component of compensation based on the achievement of objectives set during the annual appraisal review. Profit-sharing arrangements may also be available.
Total payroll rose by 3.0% in 2017.
In France, the Group provides employees with a detailed annual summary of all the elements of direct and indirect remuneration applicable to the employee.

EMPLOYEE SAVINGS IN FRANCE

In 2015, SAVENCIA Fromage & Dairy implemented a *Plan d'Épargne Retraite Collectif* (PERCO) Group Retirement Savings Plan for all its employees. The plan enables them to save additionally for retirement with the benefit of an incentive contribution from the employer. The plan has reinforced employee savings in the Group in addition to a *Plan d'Épargne Groupe* (PEG) Group Savings Scheme.
Available since 2008, the PEG allows all employees in France to invest via various mutual funds including the SAVENCIA SA Mutual Fund, an employee shareholding fund. In order to encourage and add value to the savings of employees who take a stake in the Group's development, the Group has a partial matching contribution to the SAVENCIA SA Mutual Fund.
French entities' mandatory profit-sharing for 2017 amounts to €7,247,570.
Certain subsidiaries have signed additional profit-sharing agreements designed to promote greater commitment by employees to their companies' performance or to the achievement of goals of quality, productivity or safety at work etc.

QUALITY OF EMPLOYEE RELATIONS

SOCIAL DIALOGUE

Social dialogue is encouraged via employee representation. At all levels in its organization, the Group has bodies representing personnel: at sites and subsidiaries with works committees, in France with the Group committee and in Europe with the European works committee.
Dialogue with employees is placed as close to the field as possible, to adapt to each of the Group's businesses and organizations in accordance with the Group's principle of subsidiarity.
Rules and procedures for consultation, information and negotiation help improve social dialogue.

COLLECTIVE BARGAINING AGREEMENTS

In France, SAVENCIA Fromage & Dairy pursues the implementation of harmonized collective bargaining agreements which already include the PERCO Group Retirement Savings Plan, the Group Savings Scheme, saving plans and supplementary healthcare insurance. In 2017, improved healthcare benefits were negotiated and signed by all our trade unions. Agreements are monitored by joint Group employee and management commissions.
In 2017, annual remuneration agreements were signed at 52% of our subsidiaries.
In addition to profit-sharing (cf. the section on employee savings in France) agreements, agreements for the prevention of particularly painful working conditions have also been reached by certain subsidiaries. They may, for example, provide for special pre-retirement working arrangements for employees subject to harsh working conditions.

STAFF WELFARE IN FRANCE

In France, the staff welfare budget is mainly managed by each subsidiary's works committee.
Most companies subsidize, partly or totally, benefits such as supplementary healthcare insurance, transport, meal vouchers and holiday checks. Supplementary healthcare insurance is the welfare benefit most widely provided.

IN-HOUSE COMMUNICATION

The Group's internal communication is complemented by in-house magazines, general and specialized intranet web-sites, posters, travelling exhibitions etc. A Group magazine, available in four languages, is available to all employees in a paper version or a digital version with enriched content.
SAVENCIA Fromage & Dairy's decentralized form of organization stimulates dialogue and contributes to staff development both within individual subsidiaries and in the Group as a whole.

LISTENING TO EMPLOYEES

Our progress

According to the 2017 Great Place To Work survey,
76 % of the employees of Savencia Ressources Laitières consider the company as a "really great place to work".

Great Place To Work employee surveys have been performed periodically at all subsidiaries since 2009. They measure the social climate by allowing all staff members to say what they think anonymously and express their expectations. The questionnaire covers pride of belonging, management's credibility, respect, equity and conviviality.
Employees are informed of the results, which are used by each subsidiary to identify areas for progress and implement action plans. It allows subsidiaries to fine-tune their human resource practices and results and contributes to our policy of continuously improving human resource management and tools with the involvement of both management and all employees.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE APPROACH TO RESTRUCTURING AND ORGANIZATIONAL CHANGE

SAVENCIA Fromage & Dairy pays attention to adapting and developing its employees' skills so that they are able to respond to the ongoing changes in our organizations and jobs. It encourages training leading to diplomas that enhance staff employability.
The Group's Ethical Charter recalls that "when restructuring is required, the Group undertakes never to leave an employee confront a problem of employment alone". The Group emphasizes training, mobility and career management. When it is impossible to resolve an employment issue by internal mobility, SAVENCIA Fromage & Dairy implements measures to help employees find work elsewhere: skills assessment, training courses, outplacement, help with business creation etc. In such circumstances, employees are always followed on an individual basis.

COMPLIANCE WITH HUMAN RIGHTS AND FUNDAMENTAL LIBERTIES

Via its adherence to the UN's Global Compact, SAVENCIA Fromage & Dairy is committed to complying with its ten principles governing human rights, working conditions, the environment and the fight against corruption.
The ten fundamental principles are recalled in the Group's Ethical Charter which states that each employee has a duty to alert whenever the employee believes that a violation of the Group's ethics has been committed.

LOCAL AND SOCIAL COMMITMENT

Since 2011, the Group's *Arrondi sur salaire* program enables volunteers forfeit the centimes in their net monthly pay, in return for which SAVENCIA Fromage & Dairy matches the contribution, for the benefit of four partner associations.
In 2017, the Group renewed its sponsorship agreement with *Planète Urgence* which enables volunteer staff to engage in a humanitarian missions for two weeks of special leave for the goal of providing his or her skills via a local NGO in Africa, Asia or South America. This year, four employees undertook missions in Africa, Madagascar and South America.
The Group encourages its entities and their staff to support local initiatives. Group subsidiaries are mostly located in rural areas where they play an active role in providing jobs and in local economic and social development.

Numerous initiatives are conducted in cooperation with local and regional entities, especially with regard to:
- Jobs: partnership with national employment agencies, providing internships and apprenticeship and publishing job offers in schools and universities;
- Training: cooperation with schools and universities, payment of training taxes, sponsorship, educational involvment in schools;
- Providing work for distressed people: working with sheltered employment institutions and associations for disabled workers.

Subsidiaries provide local support to cultural or humanitarian associations, such as *Restos du Cœur* and food banks, and organize specific aid for the victims of natural catastrophes.
At Group level, our *Bien Nourrir l'Homme* endowment fund helps employees working with associations and finances projects designed to improve living conditions with the accent on food (drilling of wells for access to water, kitchen gardens, solidarity groceries, farming etc.).

Internal control, risk management and duty of care

GENERAL REMARKS

SAVENCIA Fromage & Dairy's internal control procedures are designed in particular to ensure that the accounting and financial information communicated to the Group's corporate governance bodies provides a true and fair view of the financial performance and financial position of the companies comprising the Group. They are also intended to provide control over the operating processes deployed at the Group's various operating entities.
Internal controls are implemented by each Group entity under the impulsion of Group general management, with support from the Board of Directors and its Audit and Risks Committee, with the purpose (in conjunction with the Group's risk mappings) of ensuring that:

- The laws and regulations applying in each of the countries in which the Group operates, and the Group's operating policies, are duly complied with;
- Its assets are safeguarded;
- The accounting and financial information communicated to the Group's corporate governance bodies provides a true and fair view of the financial performance and financial position of the companies comprising the Group and complies with all the applicable laws and regulations.

The internal control procedures are also designed to prevent and detect error and fraud.
As with any system, they cannot provide absolute assurance as to the complete identification and control of all risks.
The Group's enterprise risk management at all levels of the Group, based on its risk mappings, aims to control the Group's operating, financial, strategic etc. risks while optimizing:

- The means of prevention;
- The means of mitigating or covering risks (e.g. via insurance);
- The acceptance of certain risks.

RISK MAPPING

The Group possesses three mappings for its risks prepared in coordination with general management. The mappings are designed to identify the main risks to which the Group is exposed and to develop measures designed to mitigate, so much as possible, their impact and occurrence:

- A description of "Group" risks;
- A description of "Sapin II Law" risks;
- A description of "Law on the Duty of Care" risks.

RISK MAPPING OF "GROUP" RISKS

Deployment of our enterprise risk management approach to the Group's main operating subsidiaries continues in order to improve the Group's knowledge of the risks with which it is confronted.

RISK MAPPING INCLUDES THE FOLLOWING PHASES:

- Risk identification: a risk is the possibility of occurrence of an event the consequences of which would be liable to affect people, assets, the environment, the Group's objectives or its reputation;
- Evaluation of the level of severity of risks: risks are assessed in terms of their probability of occurrence and impact;
- Analysis of the level of control over risks: this involves examining the existing measures of prevention and protection and the level of control over potential exposures.

THE MAIN RISKS IDENTIFIED AT THE GROUP LEVEL ARE:

Risk of failure to comply with regulatory requirements
The Group's activities are subject to multiple laws and regulations, changing and ever more demanding, with regard to food safety, consumer protection, nutrition, the environment and competition law.
The Group strives to ensure compliance with all the applicable legal and regulatory requirements of the countries in which it operates and engages the measures it deems appropriate for that purpose. In addition to permanent monitoring of regulatory developments, it as an example devises awareness-raising campaigns directed at the populations concerned and engages in appropriate training initiatives.

Product risk
Consumer trust in the Group's brands lies on raw materials and products of irreproachable quality. The Group is therefore particularly attentive to its products' food safety. The risk of contamination is mainly related to microbiological causes, but also includes potential chemical contaminants, allergens or foreign bodies at all stages of product elaboration from milk collection, or purchase of other raw materials, through manufacturing to storage and distribution.
The Group's quality assurance policy covers raw material purchase processes, production and distribution. It is in line with the most severe international protocols for food safety diagnosis and control and is continuously updated in particular for new businesses such as infant formula or para-pharmaceuticals.

Risk of major damage to the Group's reputation
The Group's reputation and its image may at any time be damaged by unfavorable events harming our product awareness, or by the uncontrolled dissemination (via the media and social networks) of harmful information relating to our activities, production facilities, brands, products or their composition and to our management.
To cope with this risk, the Group has developed a crisis management mechanism designed to anticipate and prevent situations of crisis and mitigate their impacts.

Risk of price volatility for raw materials
In all the markets where it operates, the Group is confronted with increasing raw materials and industrial products price volatility, which has become more acute in Europe since 2007 and increased in 2015 with the suppression of milk market regulation. In the event of a steep rise in market prices, the Group might not be able to raise its prices to the trade in the same proportion and in accordance with the same timing, thereby inducing a risk for its financial results.
Faced with this risk, the Group is able to rely on a unique portfolio of international and local brands recognized in their markets.

Risk business interruption at a strategic site
Certain specialties or strategic ingredients are manufactured or transit via a limited number of sites or even a single site. An incident resulting in the total or partial destruction of one such site might have a material impact on the production and commercialization of the products concerned.
For many years, the Group has pursued a program of securing its sites, and preventing fire risks, with the help of its insurers. It sets improvement objectives for its main industrial sites designed to reduce the occurrence of such risks. The Group also continues to engage in Business Continuity Planning for the event of any major incident. The Group has also always, practiced a prudent policy of protection of its assets and insurance covering major risks such as damage to assets, profits losses and liability.

Personal safety risk
The health and safety of the men and women who work for the Group are a priority. In order to constantly improve safety at work, the Group has implemented an international program of awareness, training and management known as "Safety is OUR business!" It includes a guide designed for all production units; poster displays of the program's 10 golden rules ensure comprehensive dissemination of the goals of prevention. The program's Behavioral Safety Visits are a key feature of the program, raising awareness and commitment on the part of all the persons concerned: general management, line managers and operatives. A program designed to enhance the safety of travelers has also been developed.

Financial risks

Market risk
The Group is exposed to financial risks such as interest rate risk or forex risk, or in the purchase prices for raw materials, which may have an unfavorable impact on the Group's sales and financial results. The Group's policy consists in monitoring and managing the associated exposures centrally and using derivative financial instruments for the unique purpose of economic hedging. Market transactions are subject to strict procedures. Foreign currency risk is also mitigated by the Group's strategy aimed at producing and commercializing most of its specialties on a local basis.

Investment risk
The Group is exposed to counterparty risk, in particular with regard to its banking partners, within its financial management. The Group's banking policy is designed to reduce its risks by diversifying its counterparties, giving preference to the quality of their credit and liquidity, and applying financial limits for each counterparty.

Financing risk
The Group has had occasion in recent years to increase its debt via short and long-term financing. The Group's financing policy consists in centralizing and diversifying its financing sources and ensuring its compliance with the associated covenants.

Climate risk
In the short term, the Group has not identified any significant financial risks associated with the impacts of climate change. The risks associated with climate change are limited given the geographical location of our subsidiaries. To date, those sites having identified potential risks have prepared for their occurrence by developing business continuity plans and performing specific surveys.
With the aim of progressive reduction of its greenhouse gas emissions, SAVENCIA Fromage & Dairy sets priorities for its reduction of energy consumption and ensures that new equipment installed has a lower level of emissions.

Risk of loss of customers
The concentration of hypermarkets and supermarkets, the Group's main retail customers, increases the risk of delisting given that sales are progressively made to a smaller number of customers.
To mitigate this risk, the Group stresses the strength of its brands, the quality of its services to customers and the profitability accruing to its customers by means of the Group's policy of constant innovation.

RISK MAPPING OF "SAPIN II LAW" RISKS

In accordance with the provisions of the French law of December 2016 (the so-called "Sapin II law") on the subject of transparency, fighting corruption and modernization of the economy, the Group is required to map its exposure to external solicitation for the purposes of corruption in terms notably of the geographic zones in which it operates. The risk mapping has two series of objectives:

- To identify, assess and rank the risks of corruption in order to ensure effective and appropriate compliance control;
- To inform management and provide management with the necessary visibility for the deployment of measures of prevention and detection proportionate to the issues identified.

RISK MAPPING OF "LAW ON THE DUTY OF CARE" RISKS

France's law on the Duty of Care has created a legally enforceable requirement for the Group to identify and prevent breaches of human rights, fundamental liberties, health and safety and environmental damage with regard not just to its own activities but to the activities of the companies it controls. The Group's resulting risk-mapping has enabled the preparation of a Care Plan whose measures will be monitored and assessed for effectiveness, with supervision from the Group's Compliance Department, by means of specific indicators.

CONTROL PHILOSOPHY

The Group's internal control and enterprise risk management procedures reflect its policy of subsidiarity and operating autonomy of its various units, as well as the description of its risks. The parent company controls the operations of its subsidiaries via:

- Specialized departments responsible for providing guidance and supervision;
- The Finance Department which assesses the Group's results and financial equilibrium.

The Board of Directors' Audit and Risks Committee assesses the effectiveness of the controls in place based on the work performed by Internal Audit and by the Group's Statutory Auditors.
In the framework of a multi-annual plan the Internal Audit Department, which reports to Group general management, assesses the level of internal control prevailing at each entity, and within the Group's ever more significant Group-wide processes, using for that purpose the framework of reference defined by the *Autorité des Marchés Financiers* (AMF), France's financial markets oversight board. Its assignments contribute to identifying the major risks associated with each entity's operations, in conjunction with the Group's risk description prepared in the framework of the Group-wide enterprise risk management approach currently under deployment. The report prepared at the end of each assignment highlights points for improvement of internal control. The entities involved are then required to prepare and implement action plans and report periodically on the progress achieved. These action plans are supervised by the directors responsible for each of the Group's businesses and monitored annually by the Internal Audit Department.
With regard to financial reporting, the preparation of each subsidiary's financial statements involves:

- Use of a common Group-wide chart of accounts;
- Reference to an accounting manual designed to harmonize the Group's accounting policies.

Subsidiaries prepare monthly reports, including prior year comparatives, as well as annual profit forecasts. The Group's Finance Department monitors actively performance and validates the information received from the finance directors responsible for each of the Group's businesses.
Each subsidiary's statutory accounts, as well as the entries for the purposes of the Group's half-yearly and annual consolidated financial statements, are also subject to statutory audit at the level of each subsidiary. Subsidiaries' Statutory Auditors are appointed on a coordinated basis with the parent company's auditors. The directors of each subsidiary sign a letter of representation, addressed to the Board of Directors, as to the quality and content of their financial statements.
The process of preparation of the Group's consolidated financial statements is underpinned by an information system enabling the collection of subsidiaries' statutory accounts as adjusted for Group reporting purposes, plus the additional information required for the consolidated financial statements.
In order to provide optimal internal control over the consolidation process and data used, the abovementioned system is a unique one the access to which is strictly controlled. The reliability of the consolidation process and the faithfulness of the resulting consolidated financial statements are guaranteed by appropriate segregation of duties and supervision.
As part of their verification of the consolidated financial statements, the Statutory Auditors perform an annual review of the procedures contributing to their preparation and issue appropriate recommendations for their improvement which are acted on in order regularly to improve the existing procedures.

WORK PERFORMED FOR THE PURPOSES OF PREPARATION OF THIS REPORT

The preparation of this report has been based both on the internal control arrangements just described, on work performed by the Group's risk management functions at the request of Group Management and in particular, of the Chairman, and on the preparatory work performed by the Audit and Risks Committee which has prepared a report on its activity in 2017.
The same Committee met on March 6, 2018 to interview the persons responsible for preparing the Group's financial and accounting information. The results of those interviews were presented and discussed at the meeting of the Board of Directors held on March 7, 2018.

Consolidated income statement

In thousands of euro	12 months 2017	12 months 2016
NET SALES	**4,852,816**	**4,418,361**
Purchases adjusted for changes in inventory	- 3,199,354	- 2,763,912
Personnel costs	- 859,568	- 839,169
Depreciation and amortization	- 124,710	- 125,267
Other current operating expense	- 496,476	- 502,910
CURRENT OPERATING PROFIT	**172,708**	**187,103**
Other operating expense	- 23,731	- 18,626
Other operating income	4,276	12,516
TOTAL OPERATING PROFIT	**153,253**	**180,993**
Financial expense	- 29,363	- 38,278
Financial income	13,297	10,210
Group share of results of associates	5,419	6,715
PROFIT BEFORE TAX	**142,606**	**159,640**
Income tax expense	- 46,147	- 47,693
Net income from continuing operations	**96,459**	**111,947**
NET INCOME	**96,459**	**111,947**
Net income attributable to equity holders of the parent company	92,988	104,494
Non-controlling interests	3,471	7,453
EARNINGS PER SHARE		
Attributable to equity holders of the parent company :		
• basic	6,69	7,48
• diluted	6,56	7,30
For continuing operations :		
• basic	6,69	7,48
• diluted	6,56	7,30

Consolidated statement of comprehensive income

In thousands of euro	12 months 2017	12 months 2016
NET INCOME	**96,459**	**111,947**
Other comprehensive income:		
Foreign exchange differences(1)	- 50,884	22,078
Change in fair value of available-for-sale financial assets	377	- 946
Change in fair value of cash flow hedges, net of taxes(2)	353	- 2,837
Other changes	- 1,867	- 468
Share of associates and joint ventures in recyclable components	- 428	- 97
Total recyclable components of other comprehensive income	**- 52,449**	**17,730**
Actuarial gains and losses relating to employment benefit plans	- 37	- 7,678
Other changes	-	-
Share of associates and joint ventures in non-recyclable components	- 63	23
Total non-recyclable components of other comprehensive income	**- 100**	**- 7,655**
Total other comprehensive income net of tax	**- 52,549**	**10,075**
TOTAL COMPREHENSIVE INCOME NET OF TAXE	**43,910**	**122,022**
Group share	40,234	115,092
Non-controlling interests	3,676	6,930

(1) Mainly relating to the following foreign currencies: USD, BRL, CNY, ARS.
(2) Mainly relating to hedging of interest rates and raw materials.

Consolidated statement of balance sheet

ASSETS

In thousands of euro	December 31, 2017	December 31, 2016
Intangible assets	542,050	434,163
Property, plant and equipment	950,810	928,558
Other financial assets	29,774	30,823
Investments in associates	121,277	118,417
Non-current derivative financial instruments	2,727	18,253
Deferred tax assets	34,751	33,368
TOTAL NON-CURRENT ASSETS	**1,681,389**	**1,563,582**
Inventories and work in progress	494,107	462,461
Trade and other receivables	871,887	797,047
Tax receivable	46,894	36,469
Current derivative financial instruments	6,172	6,948
Other current financial assets	14,443	12,466
Cash and cash equivalents	362,116	430,824
TOTAL CURRENT ASSETS	**1,795,619**	**1,746,215**
Assets held for sale or relating to discontinued operations	674	938
TOTAL ASSETS	**3,477,682**	**3,310,735**

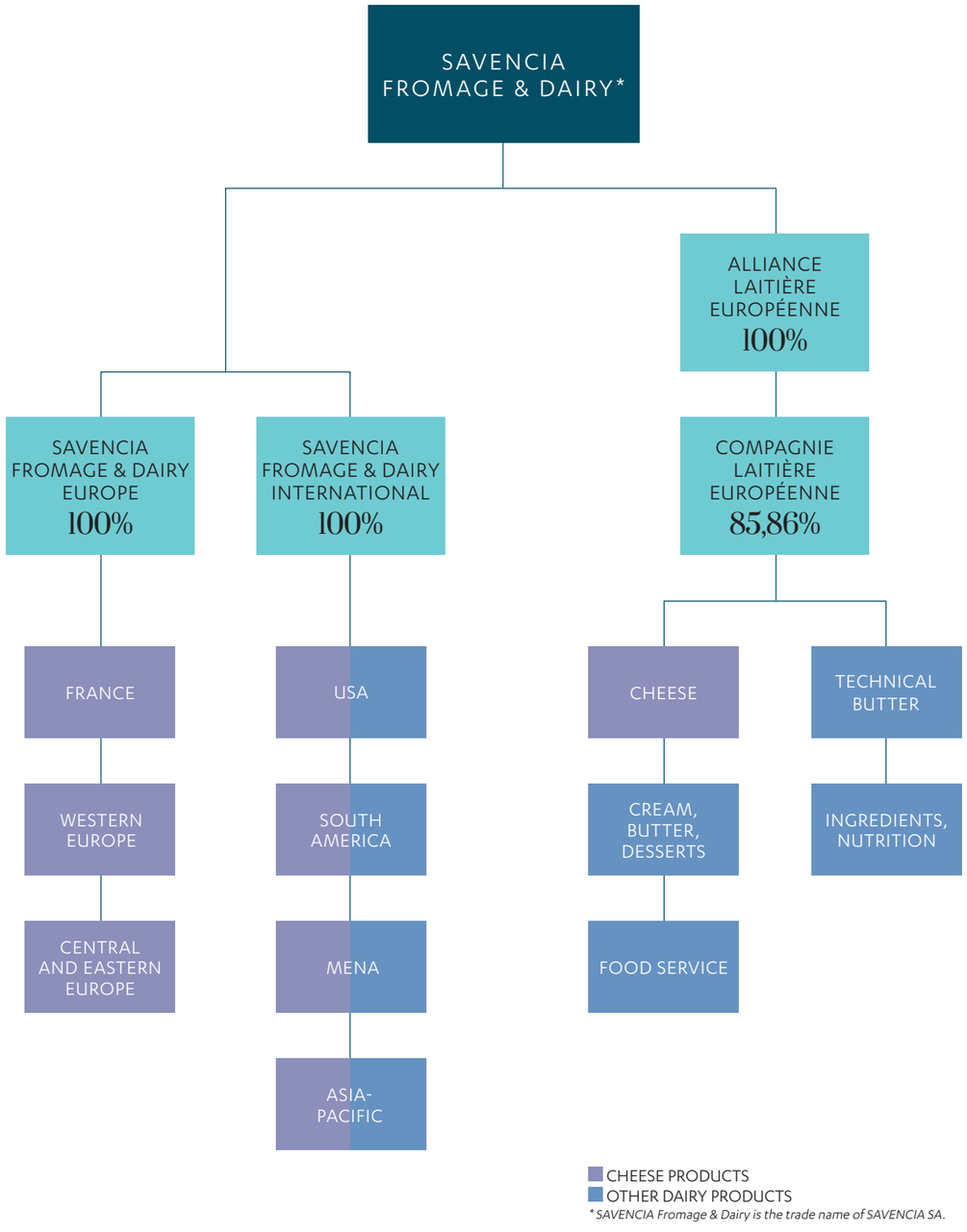
EQUITY AND LIABILITIES

In thousands of euro	December 31, 2017	December 31, 2016
Paid-in capital	88,166	86,956
Reserves	- 63,805	- 12,835
Retained earnings	1,250,408	1,186,253
GROUP SHARE OF EQUITY	**1,274,769**	**1,260,374**
Non-controlling interests	103,655	101,312
TOTAL EQUITY	**1,378,424**	**1,361,686**
Provisions	106,995	110,609
Non-current financial borrowings	278,629	196,573
Other non-current liabilities	23,908	36,204
Non-current derivative financial instruments	4,824	6,559
Deferred tax liabilities	48,075	52,579
TOTAL NON-CURRENT LIABILITIES	**462,431**	**402,524**
Trade and other payables	976,573	932,687
Tax payable	19,728	14,652
Current derivative financial instruments	3,589	3,793
Bank borrowings	636,899	595,347
TOTAL CURRENT LIABILITIES	**1,636,789**	**1,546,479**
Liabilities held for sale or relating to discontinued operations	38	46
TOTAL LIABILITIES	**2,099,258**	**1,949,049**
TOTAL EQUITY AND LIABILITIES	**3,477,682**	**3,310,735**

Consolidated statement of cash flows

	12 months	
In thousands of euro	2017	2016
Net income from continuing operations	**96,459**	**111,947**
Income tax expense	46,147	47,693
Depreciation and amortization	124,710	125,267
Gains and losses on disposal of assets	636	1,959
Group share of results of associates	- 5,419	- 6,715
Net financial expense	9,748	11,517
Other non-cash income and expense	9,453	10,842
Gross operating margin	**281,734**	**302,510**
Interest paid	- 19,233	- 20,018
Interest received	9,373	8,869
Income tax paid	- 59,068	- 64,480
Change in working capital	- 61,384	- 10,788
Net cash flow from operating activities for continuing operations	**151,422**	**216,093**
NET CASH FLOW FROM OPERATING ACTIVITIES	**151,422**	**216,093**
Acquisition of subsidiaries, operating units and non-controlling interests	- 156,967	-
Disposal of businesses net of the cash transferred	433	13,564
Purchase of tangible and intangible non-current assets	- 176,381	- 180,323
Proceeds from disposal of assets	5,793	13,576
Acquisition/disposal of financial assets and changes in other current financial assets	- 4,109	3,391
Dividends received (including dividends received from associates)	1,198	1,272
Net cash flow from investment associated with continuing operations	**- 330,033**	**- 148,517**
Net cash flow from investment associated with discontinued operations or in process of sale	**-**	**- 3**
NET CASH USED IN INVESTING ACTIVITIES	**- 330,033**	**- 148,520**
Net cash flow from financing activities		
Purchase and sale of treasury shares	1,196	-7,211
Share capital increase paid by non-controlling interests	3,483	-
Proceeds of borrowings	188,087	130,824
Repayment of borrowings	- 52,778	- 39,829
Dividends paid	- 27,695	- 16,539
Net cash flow from financing activities for continuing operations	**112,293**	**67,245**
Net cash flow from financing activities for discontinued operations or in process of sale	**-**	**-**
NET CASH FLOW FOR FINANCING ACTIVITIES	**112,293**	**67,245**
Impact of foreign exchange differences	- 1,623	8,535
Net change in cash and cash equivalents	**- 67,941**	**143,353**
Reclassification of cash and cash equivalents for discontinued operations or in process of sale	**9**	**216**
OPENING CASH AND CASH EQUIVALENT	**390,792**	**247,222**
CLOSING CASH DAND CASH EQUIVALENT	**322,860**	**390,792**

Simplified Group structure



** SAVENCIA Fromage & Dairy is the trade name of SAVENCIA SA.*

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** Indicators providing a partial response to the issue.*

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