



**SAVENCIA**  
FROMAGE & DAIRY



**2018 ANNUAL REPORT**  
ACTIVITY & CORPORATE SOCIAL RESPONSIBILITY





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Leading the way sustainably is to act for sustainable growth by placing Corporate Social Responsibility at the heart of our strategy.

To reinvent food of quality allying savor and health, naturalness and responsibility.

To engage in sustainable innovation with brands committed to a model of consumption respectful of farm products, local cultures and the environment.

# Leading the way sustainably

Is to spread our know-how throughout the world and to participate in the economic and social development of the countries in which we are present.

To promote manufacturing with low environmental impact to preserve the planet.

To invent tomorrow with the ambition of taking part in global transformation and demonstrating commitment to present and future generations.

Leading the way sustainably is to commit with all our employees and other stakeholders to serving our vocation of "Leading the way to better food".



*"All human beings are born entrepreneurs. Some get a chance to unleash that capacity. Some never got the chance, never knew that he or she has that capacity."*

Muhammad Yunus



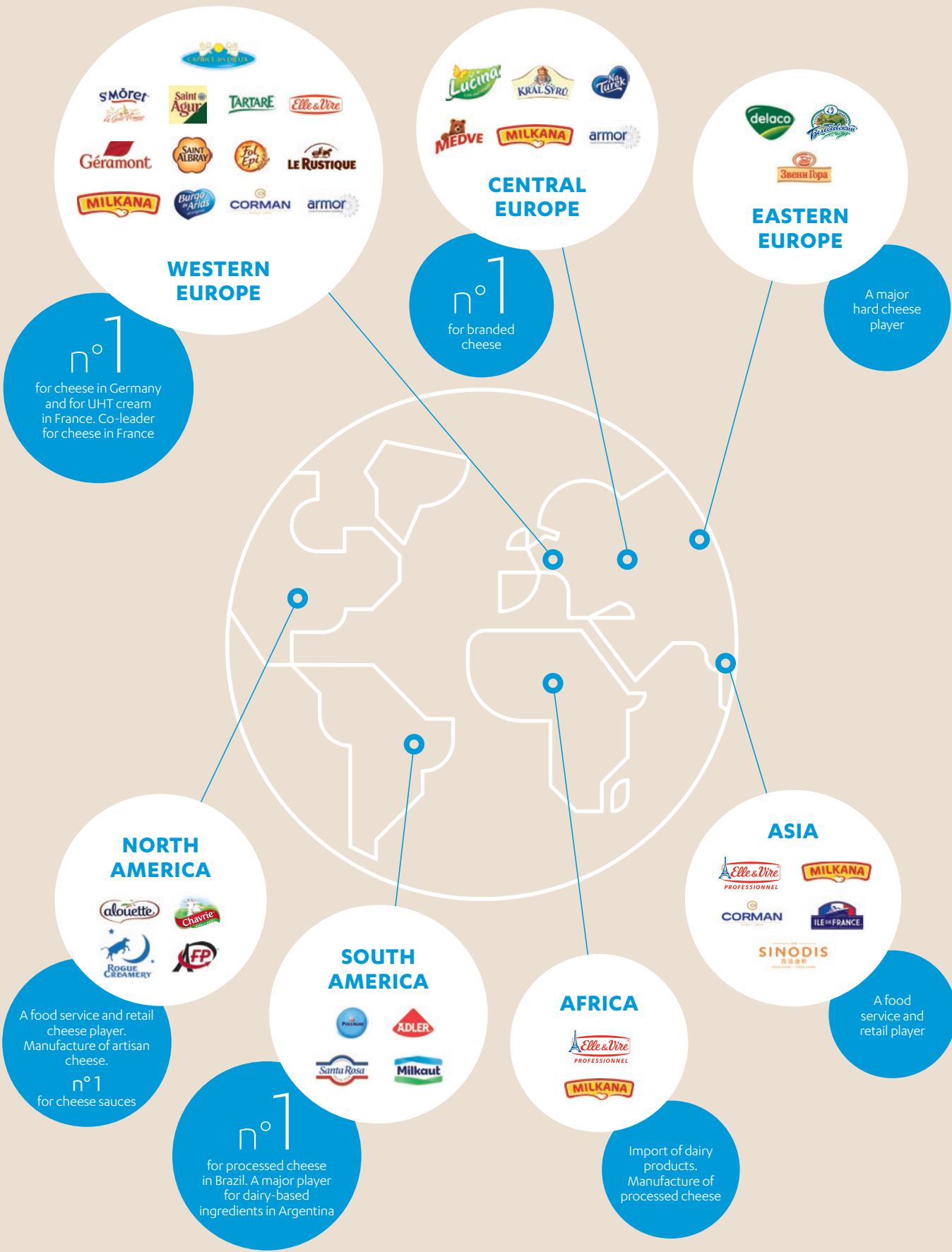
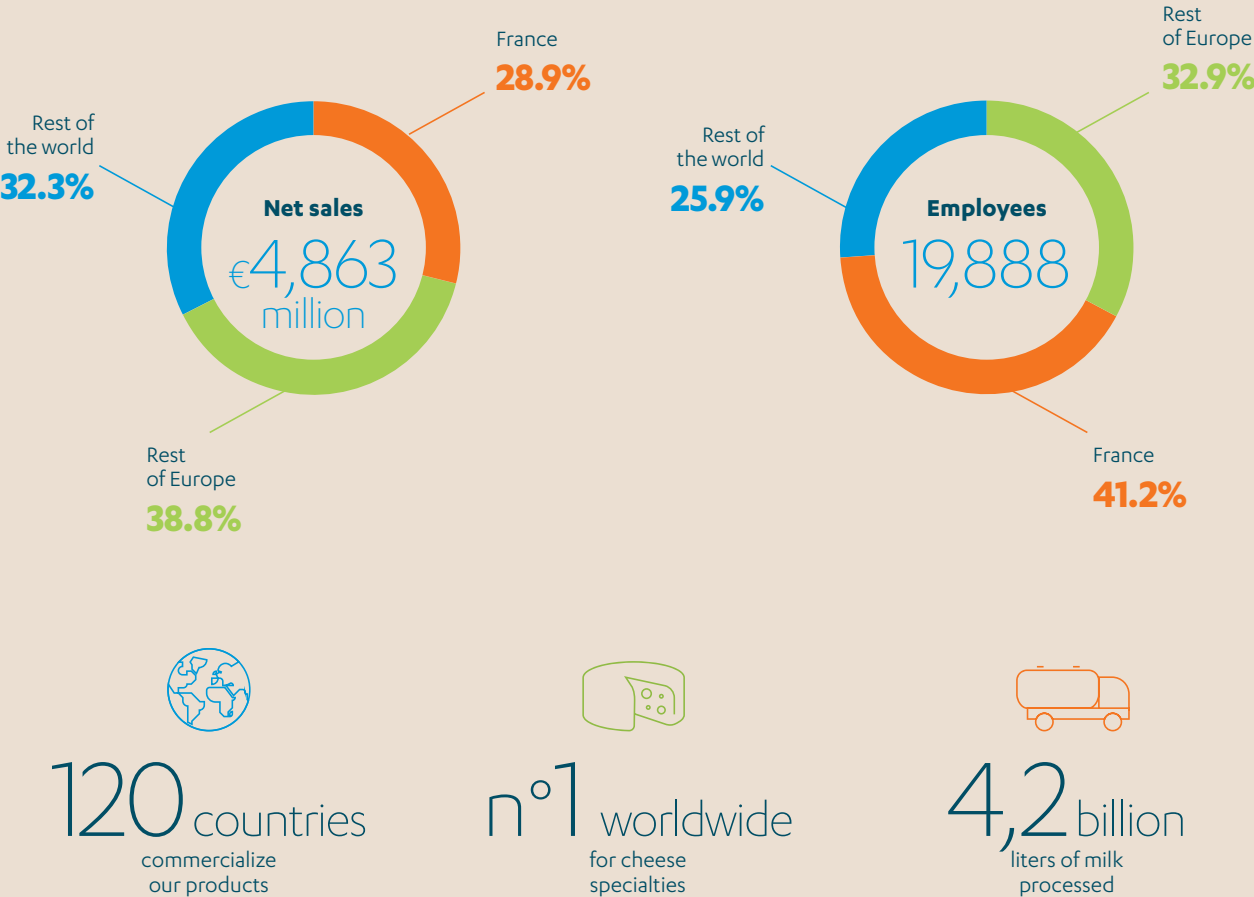
# Creating value all over the **World**

Focusing on cheese specialties and value-added dairy-based ingredients, Savencia Fromage & Dairy is one of the leading global milk processors, the 2<sup>nd</sup> cheese manufacturing group in France and the 4<sup>th</sup> worldwide. Quality, innovation and commitment to excellence are the three pillars of the Group's international expansion.

## The Group's credo? To engage in business with passion and offer:

- ▶ A large variety of cheese, butter and cream for **retail**;
- ▶ Products capable of sublimating the work of **food service** professionals and of the most renowned of chefs and pastry chefs;
- ▶ Cutting-edge research and advanced technologies devoted to serving **food manufacturing** and infant nutrition.

Savencia Fromage & Dairy develops a portfolio of premium brands in line with local cultures and local trends, as well as product and service innovations providing sustainable value creation in the countries in which we are present.



“2018 has been a year of strong international growth and improved current operating profit, as well as a year of transformation with a dual goal of efficiency and competitiveness.”

Marked by a troubled geopolitical environment and by monetary disorder directly impacting our Group, 2018 has been a turbulent year. The dairy economy confirmed its instability with high price levels for butter and cream alongside historically low prices for skim milk powder. This situation, which has been persisting since 2017, has significant repercussions for our Ingredients businesses and for our Retail operations in France where Retailers pursue their concentration thus continuing to delay and impede price increases on to distributors.

Nevertheless, our net sales grew organically by +2.1%, more particularly internationally. Our current operating profit increased by +2.9% over 2017. Those positive results resulted from the exceptional mobilization of our teams toward the growth of our brands, the quality of our products and our efforts for competitiveness.

Our constant striving for progress also translated in 2018 into the mobilization around Oxygen, our approach to Corporate Social Responsibility. It embodies our ambition of allying both social and economic performance. We have set ourselves ambitious goals for combining pleasure and health, promoting sustainable farming practices, reducing our environmental footprint and encouraging our employees' wellbeing and personal development.

To continually reinvent ourselves: such is our teams' ambition throughout the world. Our brands accompany the new trends in consumption: authenticity, local anchoring, naturalness, sustainable development, healthy snacking and the digital revolution.

In 2019, keeping in the spirit of our active participation in France's General Consultation on Food which has resulted in the so-called "EGalim" law, we have reached positive agreement with our partners to contribute to improving the price of milk and guaranteeing the future of France's dairy sector.

We are also pursuing our efforts for transforming our own organization, while maintaining our advance in terms of innovation and offering today's consumers the best possible responses in the spirit of our Oxygen approach.

**Jean-Paul TORRIS**, Chief Executive Officer

“Committed together to a sustainable, ethical and solidary world, we contribute each day to better food and the common good.”

## Savencia Fromage & Dairy's Executive Committee



**Laurent MAREMBAUD**  
Chief People Officer

**Jean-Paul TORRIS**  
Chief Executive Officer

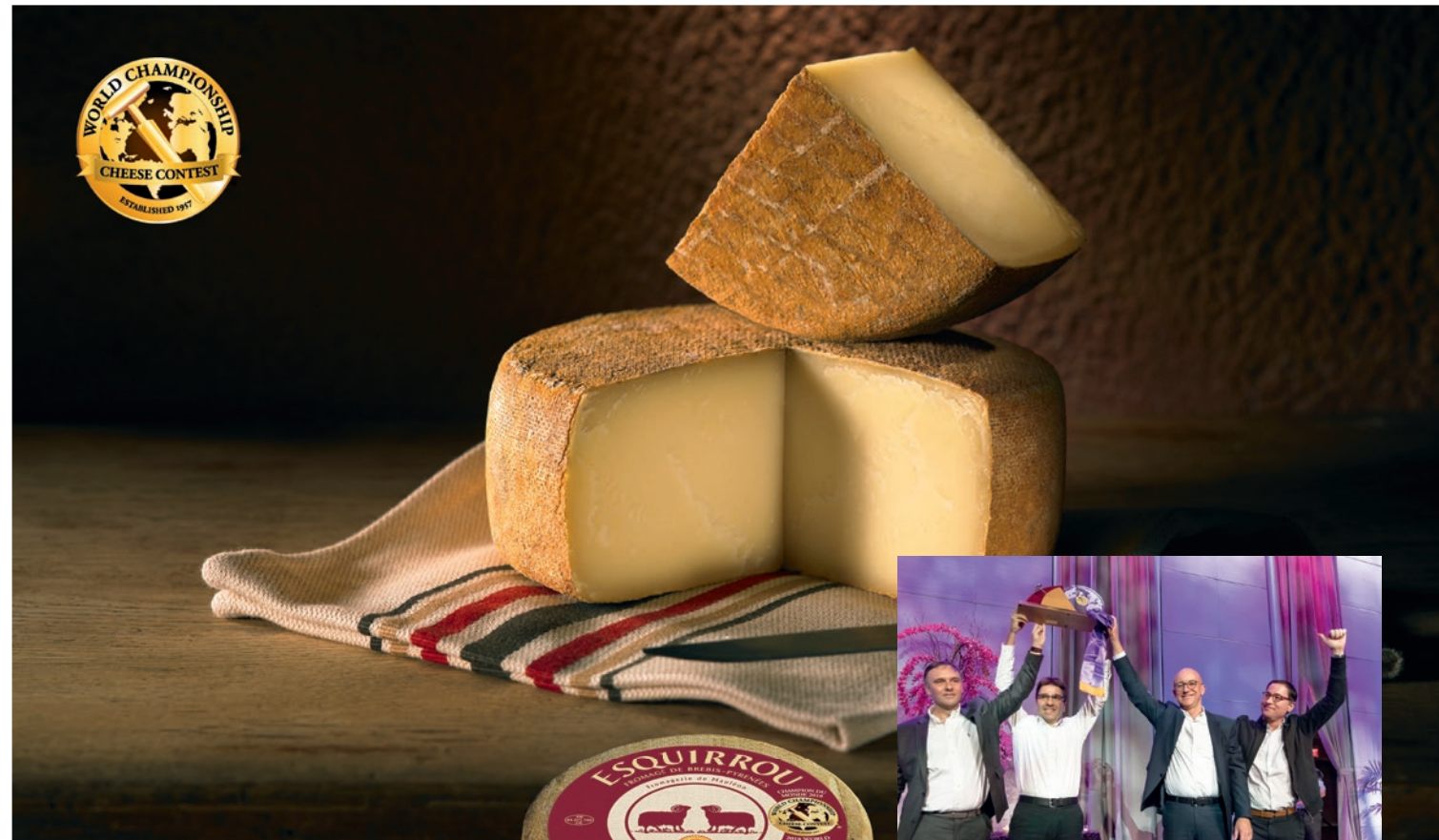
**Olivier DE SIGALONY**  
Chief Financial Officer

**Robert BRZUSCZAK**  
Deputy Chief Executive Officer

**Fabienne BORONI**  
Chief CSR & Communication Officer



# Clips from 2018



## CONTEST

### World champions!

Born at the Mauléon cheese plant in France's Basque Country, Esquirrou was consecrated as the best cheese in the world at the World Championship Cheese Contest held in Wisconsin, USA in March 2018. The Group's Ossau-Iraty AOP cheese (or PDO in English for protected designation of origin) is manufactured from local breed whole ewe's milk collected within a radius of 80km around the plant. In competition with 3.400 cheeses from the world, Esquirrou won hands down with its excellent score of 98.4/100.



**In it's 60 years of existence, this is the first time that a French cheese has won the World Championship Cheese Contest. What magnificent recognition for our team of cheesemakers' know-how!"**

**Michel Touyarou, Master Cheesemaker**

## UNITED NATIONS GLOBAL COMPACT

### Enduringly committed

As an early signatory (since 2003) of the United Nations Global Compact, Savencia Fromage & Dairy continues to pursue and renew its commitment each year. The company's goals, values, strategy and action principles are deployed in a manner consistent with the Compact's ten universal principles applicable to human rights, the environment, working conditions and fighting corruption. Savencia Fromage & Dairy also contributes to the United Nations' Sustainable Development Goals.



## GAÏA INDEX

### Trust index

Listed with Euronext Paris, Savencia Fromage & Dairy is included in the Gaïa Index, the leading sustainable development index for midcaps listed in Paris, prepared each year by the Ethifinance rating agency. Companies are rated in terms of their level of transparency and non-financial performance.



## PARTNERSHIP

### With Délice!

In Africa and the Middle East, Savencia Fromage & Dairy has reinforced its partnership with Délice, the Tunisian market leader for dairy products. In 2018, the joint venture has experienced strong growth both in Tunisia and in its export markets.



## PREMIUM FOOD SERVICE

### International outreach

The major international trade fairs devoted to catering, baking and confectionery are a "must" for food service professionals and as such, are major events for Savencia Fromage & Dairy. In April 2018, the Group and our chefs from Maison de la Crème Elle & Vire were in Singapore, at the Food & Hotel Asia trade fair, to present their know-how and innovations to visitors from all over the world. The trade fair is the most important one within the Asian market. In January 2019, the Group was also present at Sirha 2019 in Lyon with two venues: a service area offering high-quality catering to showcase our products and ingredients (pastries, a butter bar, a cheese bar, gastronomic platters and patisseries) and a VIP area at the heart of the most prestigious international competitions: the Bocuse d'or and the Coupe du Monde de Pâtisserie.





# Clips from 2018

## HR

### > Pathway for young talents

In China, Sinodis has won the title of Top Graduate Employer 2018! Great recognition for this subsidiary which has proved its attractiveness in the eyes of young talents by, in particular, offering them an accelerated career pathway of 18 months enabling them to discover the company's various departments and functions.



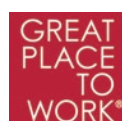
### > Still at the top!

In 2018, Groupe Savencia was for the ninth consecutive year distinguished by the award of the Top Employer Europe label in recognition of the quality of its managerial practices and human resource management systems. Groupe Savencia equally once more renewed its labels as Top Employer France, Germany, Belgium, Spain and Poland.



### > Great Place to Work

Great Place to Work (GPTW) surveys are regularly conducted at our subsidiaries. The 2017 edition revealed that 76% of the employees of Savencia Ressources Laitières declare that the company is "really a great place to work". Our subsidiary Savencia Fromage & Dairy Deutschland, for its part, reached the Top 10 for the GPTW survey in its category.



## BRANDS

### Happy birthdays!

Three of our brands celebrated special anniversaries in 2018. For 95 years Král Sýrů, the "king of cheese", has been a soft ripened cheese that is greatly appreciated by Czech and Slovakian consumers. The brand broadcast a special TV advert and revamped the packaging for its Král Sýrů Hermelin product. Our traditional Vieux Pané cheese celebrated its first 40 years by inviting employees and milk producers to discover the manufacturing secrets of its success at our Mayenne cheese plant. And, finally, Söbbeke, our 100% organic subsidiary and a major player for organic yogurts in Germany, blew out its 30 candles during the year.



## CONCOURS GÉNÉRAL AGRICOLE 2018

### A storm of medals

Savencia Fromage & Dairy surpassed itself at France's *Concours Général Agricole 2018* competition: a Gold medal, nine Silver medals and six Bronze medals recompensed the excellence of its products. Amongst the winners – distinguished by a jury of professionals and knowledgeable consumers in the framework of the *Salon de l'agriculture* trade fair – were our Époisses Berthaut AOP 250g (Gold), our Au Bouchon cheese from Périgord (Silver) and our Surgères butter (Bronze).



## ROGUE CREAMERY

### Organic blue cheese made in Oregon

Rogue Creamery is a unique American artisan cheese company and part of Savencia Fromage & Dairy since May 2018. The family company, which specializes in the manufacture of organic blue cheese, owes its name



We are delighted to have joined Savencia to continue to make a difference, one wheel of cheese at a time."



David Gremmels,  
President of Rogue Creamery

to the Rogue River Valley in southern Oregon where it was founded in 1933. Organically certified by the USDA, its plant is supplied by 68 local organic farms. Its flagship product, Rogue River Blue, has won more than 40 awards in the USA and worldwide including World's Best Blue Cheese at the 2003 World Cheese Awards, thereby justifiably placing the artisan creamery on the international scene. And finally, Rogue Creamery became the first company in Oregon to be certified a B Corp for its excellence and CSR commitment.



B Corp is a prestigious certification created in the USA to recognize businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.





# Leading the way sustainably

Climate change, global population explosion, growing urbanization: the world's profound and rapid evolutions present as many challenges for our planet's future. This new reality gives today's "consum'actors" legitimate expectations towards the business community which has a key role to play in building a future sustainable for all. We must cultivate excellence determinedly, day by day, and engage in responsible innovation to contribute to tomorrow's food.



**PRODUCTS**  
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**RAW  
MATERIALS**  
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**THE PLANET**  
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**PEOPLE**  
20





# Local initiatives, global ambition

Committed to a sustainable, ethical and solidary world, we create Better Food and serve the Common Good. Our approach to Corporate Social Responsibility (CSR), structured and reenergized in 2018 under the name OXYGEN, embodies our ambition of allying both social and economic performance, acting with our partners and innovating for a sustainable world.

CSR is an integral component of our mission and of our business culture. For many years, the subsidiaries of Savencia Fromage & Dairy have been undertaking multiple initiatives in this field. With OXYGEN, we have extended our sustainable

development objectives by structuring our approach at Group level. In order to define the critical objectives, we have consulted 185 of our stakeholders worldwide and chosen to focus our priorities on our products, our raw materials,

the planet and our employees. The initiatives we have defined are part of the long-term vision of the Group. Our goal is to share a global ambition backed up by local actions.



Our 4 major  
progress focuses by 2025



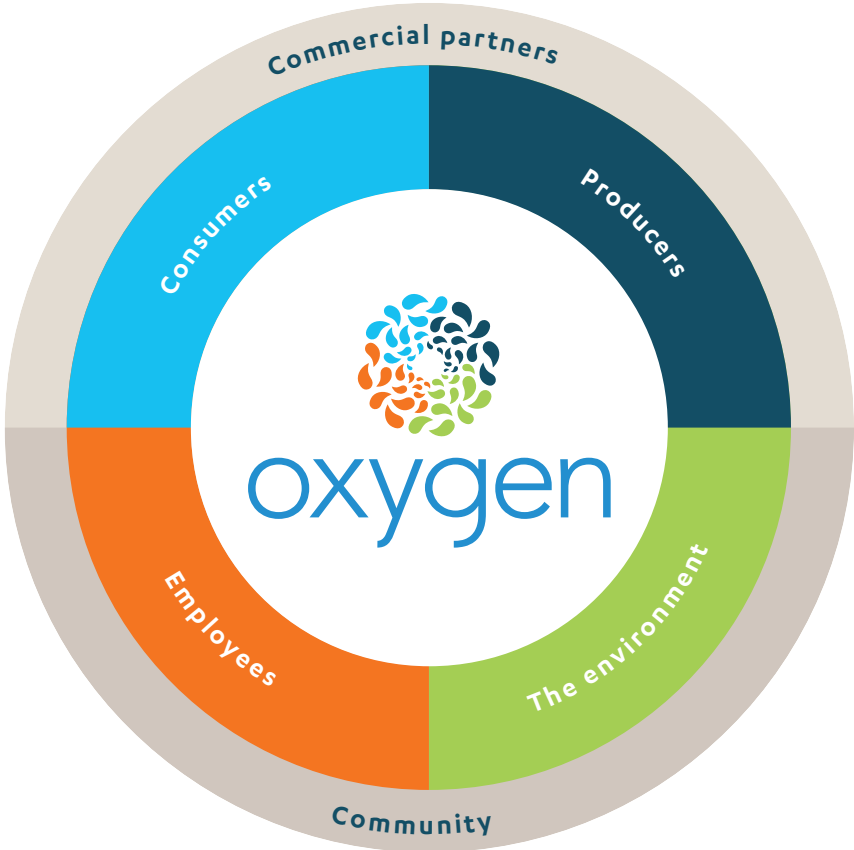
A healthy and  
responsible pleasure

Improve the design and nutritional quality  
of our products and promote responsible  
consumption



A sustainable  
agriculture

In conjunction with our raw materials suppliers,  
co-develop a more sustainable sourcing  
with greater added value



Employee  
wellbeing

Foster our employees' wellbeing  
and encourage their solidary commitment



Environmental  
footprint

Reduce our operations'  
environmental footprint





## Improve the design and nutritional quality of our products to ally healthy pleasure and responsibility, and promote responsible consumption

- Provide clear **nutritional information** for **100%** of our branded products
- Deploy a **clean label** approach for **100%** of our branded new products
- Each company to propose plans for progress, **products** or **packaging** compliant with **Savencia's Responsible Design Charter**
- Support consumers** in developing practices of healthy and responsible consumption practices
- Deploy staff **training in nutrition** and responsible consumption plans to **100%** of the Group's companies by 2025

## Initiatives

### Products that are naturally good

Most of our products are natural and are manufactured using a limited number of ingredients: milk, yeasts and salt in the case of cheese. We strive to eliminate the additives contained in certain recipes as part of our deliberate Clean Label policy. Our teams also strive to improve the nutritional profile of our products in particular by reducing their levels of fat or salt. For example, the salt content of Milkana's Tolle Rolle has been reduced by 13%. The nutritional composition of this 100% natural and additive-free small cheese, commercialized in Germany but also in France under the name of Escargolo by P'tit Louis, thus meets the requirements of the guide to products for children published by the World Health Organization.



### The Nutri-Academie for children

With the aim of raising children's awareness of nutrition and of the importance of a balanced diet, Milkana has implemented an amusing food education program, Nutri-Academie. More than 25,000 children at schools in Ghana, Congo and Ivory Coast have already benefited from the program.



### Cheese, ideal at the heart of a meal

In Europe, roughly a third of consumers declare that they have reduced their meat consumption. At the heart of a meal, with vegetables or as part of a salad, cheese is a good alternative for dishes that are balanced and easy to cook. In order to help improving dietary habits and encourage consumers to eat well, we offer them ideas for recipes and other information on our websites:

- [www.quiveutdufromage.com](http://www.quiveutdufromage.com)
- [www.ich-liebe-kaese.de](http://www.ich-liebe-kaese.de)



### St Môret says "Stop to waste"

The French throw away, on average around 30kg of food away each year, half of which in the form of fruit and vegetables. Faced with that finding, for several years St Môret has multiplied anti-waste initiatives. For example, the brand collects unsold fruit and vegetable market produce and gives it away, together with the equivalent weight of St Môret portions, to local charities. St Môret has also partnered with Phenix, a social enterprise dedicated to giving waste a new life. For example, the brand attracts consumers' attention to best practices by distributing a booklet of recipes and anti-waste practical tips both on marketplaces and on internet. Its theme: how to restore freshness to their tired fruit and vegetables with help from St Môret. The brand also raises the awareness of its own employees by organizing playful events in particular during the European Sustainable Development Week.





## Promote responsible purchasing and, in conjunction with our raw materials suppliers, co-develop a more sustainable sourcing with greater added value

- Extend the **Best Farming Practices Charter** to all our milk collection areas worldwide by 2025
- Deploy our **“Sustainable Milk Production”** diagnosis, with its 10 drivers for improvement, with **50%** of our milk producers by 2025
- Co-develop milk produced from herds fed **GMO-free** diet and from **Organic** agriculture
- Responsible purchasing** for the majority of our other **strategic agricultural raw materials** by 2025
- Develop responsible purchasing from all our other suppliers via the **Group Responsible Purchasing Charter**



## Initiatives

### 3 questions for Daniel CHEVREUL

Savencia Fromage & Dairy's Director of Milk Procurement

#### What are Savencia's actions in favor of sustainable milk production?

We have been committed alongside our milk producers for quite a long time, in particular through our approach to Responsible Milk Sourcing. We propose that our farmers perform an exhaustive diagnosis of their farms. Animal wellbeing, open air access, land fertility and biodiversity are amongst the ten criteria of the diagnosis. By the end of 2018, 16.4% of the milk we purchase was sourced from farms involved in the program.



#### Do you give priority to local sourcing?

For us, sustainable milk production is above all milk that is produced nearby. France accounts for 75% of our overall milk procurement. The milk we process in France is 100% of French origin and all our cheese plants are located near farms: 97% of our total milk intake comes from less than 70km from the plant and 70% from less than 30km.

#### What opportunities for development have you identified?

24% of the total volumes we collect are sourced from different milk production segments: goat milk, ewe milk, organic farming, GMO-free cow milk or protected designation of origin (PDO), segments that contribute to value creation and that as such we seek to develop.

**70 km**  
The distance between our farms and plants, enabling local production.

### Associating our non-agricultural suppliers

In the framework of the Group's CSR approach, our suppliers are invited to subscribe to our Group Charter for Responsible Purchasing. The social and environmental performance of the Group's main suppliers is assessed on a standardized basis by EcoVadis. An audit performed by EcoVadis and covering 466 of our suppliers produced an average score of 49.6/100 compared with the overall EcoVadis Food and Beverage average of 42.2/100.



### Committed to organic

In Germany our Söbbeke brand, the market leader for organic yogurts, manufactures its new range of yogurts exclusively from organic raw materials containing no artificial aromas or preserving agents. Bresso, for its part, offers our consumers products manufactured at Kempten in Bavaria using milk from herds nourished on a GMO-free diet. In France, in the framework of our Responsible Milk Sourcing approach, we help dairy farmers wishing to make the move towards Organic Farming by offering them technical and financial support during their farms' conversion.





# Environmental footprint

## Reduce our operations' environmental footprint

- Reduce our energy consumption and **greenhouse gas emissions** for production and transport by **25%** by 2025<sup>(1)</sup>
- With **fuel** consumption reduced by **25%** by 2025<sup>(2)</sup>
- By increasing our consumption of **renewable energies**
- Reduce **water** consumption captured in the natural environment by **25%** by 2025<sup>(1)</sup>
- Reduce the **carbon footprint** of our milk collection by **300,000 tons** of CO<sub>2</sub> equivalent by 2025<sup>(3)</sup>
- Develop sorting and recycling of industrial **waste** and contribute to more circular solutions

(1) Per ton vs 2015  
(2) Per km vs 2015  
(3) Vs 2010



## Initiatives

### Integrating eco-design

Reducing our carbon footprint also means eco-designing our packaging and making use of recyclable materials. For its Chaumes L'Original 200g, the brand has launched a tray incorporating at least 67% of renewable organic material. The product's plastic lid has also been replaced by a recyclable cardboard sheath. In the same way, Fol Épi has saved up to 70 tons of plastic per year thanks to its new tray containing 23% less plastic and 30% of recycled plastic. At our Spanish Arias subsidiary, 35% of the raw materials incorporated in our PET packaging are recycled materials. At RichesMonts, in 2018 our eco-design efforts have reduced their consumption of cardboard for outer packaging by more than 100 tons.



### Energy savings

In France, our Champdeniers site has converted its previous heavy fuel oil heating system to natural gas. The investment, which meets the new environmental requirements, reduces energy costs and contributes to reducing the site's environmental footprint by reducing by 27% the previous level of CO<sub>2</sub> emissions. The new installation has also made significant progress in terms of noise reduction and has proved a boon for the neighboring village whose inhabitants will soon have access to town gas.



Approximately  
**191,000**  
tons of carbon  
equivalent saved  
between 2010 and 2018  
in our milk collection.

### A High Environmental Quality warehouse

Destined to manage the Group's export flows, the new Normandie Export Logistics warehouse in Honfleur (France) meets the strictest environmental requirements. HQE certification assesses both the building's environmental quality and the operating management contributing to achieving the targeted environmental performance. A construction site with minimal environmental disruption, construction materials selected to reduce their impact on health: environmental compliance is part of the warehouse's DNA. The building's design renders it particularly thrifty in terms of water and energy consumption. The outside landscaping has been designed to favor biodiversity and facilities have been provided to encourage employees to give preference to nonpolluting modes of transport.







## Foster our employees' wellbeing, skills, and encourage their solidary commitment

- Improve Health and Safety at Work with the goal of **0 accident**
- Develop skills. **Double the number of apprentices** by 2025
- Perform opinion surveys and implement plans for progress in **100%** of our companies to improve **quality of life at work**
- Each subsidiary** to achieve **an action of solidarity** related to our mission of "Leading the way to better food"
- Commit to diversity and inclusion. Reach **gender parity for managers** by 2025

## Initiatives



### CQP, transmit and be qualified

The Certificate of Professional Qualification (CQP) ensures the transmission of know-how and reinforces the skills of our operatives. A network of tutors helps each employee wishing to obtain the certificate. Our Fro' subsidiary's Marsac site has chosen this approach for training all its production line operators. At Elle & Vire, eight employees obtained their CQP in 2018 after completing 28 days (almost 200 hours) of theoretical and practical training.



### Accompanying the first steps in professional life

Savencia believes that extended internships and apprenticeship are effective levers for integrating future employees. Apprenticeship contracts are particularly suited to helping future graduates take their first steps in professional life. In 2018, 63 young persons were apprentices at Elle & Vire. And at Savencia Produits Laitiers France, the support provided in 2018 to the 28 apprentices and other trainees was rewarded by a Happy Trainees label.



### Everyone mobilized in favor of safety

Safety is a major concern for all our staff and a priority for the Group. On the occasion of the 6<sup>th</sup> Worldwide Week for Health and Safety at Work held in March 2018, 295 teams of employees from 22 countries took part in the latest Safety Challenge. Each day, a 5-question quiz and a "selfie" challenge were proposed as a means of raising everyone's awareness.



### Cultivating solidarity

Via its *Bien nourrir l'Homme* endowment fund, Groupe Savencia accompanies employees in their solidary initiatives. The projects supported in 2018 included *Jardimôme* (literally: kids' garden), a market gardening project helping the village school of Mbodiène, in Senegal, enrich its children's midday meal whilst at the same time providing the school's teachers with a pedagogical tool. In Burkina Faso, a new partnership with the *Association pour le développement économique et social en Afrique* (ADESAF) has enabled 500 small farmers to receive training in agroecology and helped 80 women create a cooperative aimed at improving their living conditions and proposing products of quality on local markets.





# Leading the way the world over

“Leading the way to better food” requires that we reinvent ourselves continuously to produce food that is savory, healthy and balanced and capable of making a lasting imprint on the new trends of consumption in Europe and throughout the world. Authenticity and regional terroir are today’s safe havens, healthy snacking is the rising value, whilst premium specialties and organic products are the symbols of excellence. Cheese and other dairy products are simple and natural products that are popular all over the world. Our know-how knows no borders.



**A DELIGHTFUL  
CUSTOMER  
EXPERIENCE**  
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**FARAWAY  
FRONTIERS**  
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**GRASSROOTS  
EXCELLENCE**  
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**GOOD FOOD,  
NATURAL  
FOOD**  
P. 36



**SIMPLE  
AND HEALTHY**  
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A DELIGHTFUL  
CUSTOMER EXPERIENCE

# Cheese at its best!

**Naline LONG-LEONARD**,  
an Area Manager with Savencia  
Produits Laitiers France, in front  
of a Merch' Up display at the Leclerc  
hypermarket in La Teste-de-Buch  
(Gironde, France).

## A delightful customer experience

From London to Moscow, from Prague to Sao Paulo, appetite for cheese is never lacking. Consumers delight in this product of pleasure that can be adapted to all the consumption occasions of today's world. At Savencia Fromage & Dairy, we thrive to reinvent cheese daily with the help of our strong brands and by offering our customers constant innovation. We also imagine the store shelves of tomorrow and tailored food service solutions so as to increase our presence in all sales channels.

### Savencia, the champion for growth

In France, for the past five years Savencia Fromage & Dairy has been the champion for retail sales growth, an impressive performance reflecting the excellence of our products, our unique brand portfolio and the recognized expertise of our sales teams.



Cheese is in fashion as much in countries with a tradition of cheese as in more recent markets such as Asia or South America. It appeals to any public with its versatile modes of consumption: cold or warm, on toast or with a salad, it keeps up with the times and with new uses. Ideal for a TV dinner, it can also be consumed at the heart of a meal as evidenced by the success of French *raclette*. A champion for snacks, cheese is popular for nibbles, in sandwiches or with an aperitif. Sliced or in portions, it can be rapidly and easily prepared. Its popularity is broad-based and includes

the millennials. And finally, in Europe where a third of consumers are flexitarians, it benefits from the decline of meat consumption. At Savencia Fromage & Dairy, our well noticed innovations meet that global trend. Our sales teams, attentive to our major retail customers, are at the cutting edge of category management and bring renewed enchantment to the dairy counter. For food service professionals, our chefs offer advice and personalized solutions aimed at grasping the opportunities for growth associated with out-of-home consumption.

**3** champions 

The French, the Danes and the Finns constitute the leading world trio for per capita cheese consumption

In France,  
cheese was the


**1<sup>st</sup>** 

dairy counter  
growth driver in 2018

**71%**

of cheese  
purchases  
are impulse  
purchases 

**96%**

of shoppers  
consider the  
presence of a deli  
counter to be a major  
factor for their choice  
of favorite store 





## TRADE FAIRS

### Collaborative winners to the world over

The main international trade fairs are the opportunity for Savencia Fromage & Dairy to affirm its leadership and share with its customers. At SIAL, the global encounter for food innovation which took place in Paris in October 2018, our teams

presented our innovations and the diversity of our product offering to visitors from all over the world. Spot-lighted on our stand: *Haute Fromagerie*, represented by a selection of fine cheeses proposed by our ambassador Rodolphe

Le Meunier, *Meilleur Ouvrier de France*, three-startasting sessions performed using the varieties of butter and cream of excellence proposed by the chefs of Maison de la Crème Elle & Vire, but also our cheese bar designed to showcase the whole range of our Group's cheeses in a friendly setting. In the same way Gulfood in Dubai, the world's largest food and beverage trade exhibition outside Europe, was the occasion for our international teams present on the Savencia stand to welcome customers from both the Middle East and the rest of the world.



**At SIAL, for five days our global customers have the opportunity to discover the full range of the Group's innovations and know-how."**

**Jérôme Wolff,**  
General Manager for Butter and Cream, Premium Food Service & Africa and the Middle East



## MERCHANDISING

### 3D at the service of performance



In 2018, Savencia Produits Laitiers France was awarded an LSA Trophy for the deployment of its 3D "Perfect Shelf" merchandising solution developed in collaboration with Intermarché and Dassault Systèmes. Tested in a dozen stores, this simulation tool boosted growth for self-service cheese and was a success with consumers 76% of whom judged the new self-service counter clearer than before.



## STORE EVENTS

### Reinventing the deli counter

In France, the deli counter accounts for 20% of the cheese purchased in hypermarkets and supermarkets. A dedicated deli counter is a mark of quality and differentiation in the eyes of consumers. To showcase our products and help our distributor customers provide an impetus of quality for their deli counter, we have developed our Cheese Bar concept. On offer: five days of store events, cheese tastings for about twenty of our brands, taste combinations and the distribution of recipe booklets. An innovation rewarded by an 2018 LSA Sales Force Trophy for Store Events.

## CHEESE COUNTER



### Merch'up, a shelf one step ahead

To improve shoppers' store experience, as a driver for growth in sales of butter, cream and cheese, is the goal of Merch'up, our innovative shelving concept launched in 2018. Created in partnership with Intermarché and Epta, this breakthrough innovation has reinvented the cheese and "crèmerie" counter. The three pillars of its success? A new segmentation, innovative stands and attractive and instructive guidance to bring help and encourage the discovery of new products.

### The trump card of OSA

With Nielsen's On Shelf Availability (OSA) solution, it is now possible to measure in real time product stockouts on the shelves, to determine their cause and therefore to rapidly identify and implement corrective action at both national or local level.



## ACQUISITION


### Growth in South Korea

In the development of its premium food service operations, the Group acquired in 2018 Bake Plus in South Korea, a specialized bakery and patisserie distributor with a particular expertise cream cheese patisserie recipes. For Savencia, a winning response to Korean consumers' enthusiasm for French patisserie.





# A taste for quality

 **Angela DULATOVA,**  
A master cheesemaker  
in Russia, proud to manufacture  
high quality hard cheese,  
with Belebey since 2014.

## Faraway frontiers

Throughout the world, new generations of more discriminating and knowledgeable consumers are accessing to the coveted pleasures of premium cheese and French gastronomy. Between tradition and innovation, taste for products of quality is at an all-time high.

The appetite for authentic products is global, extending to all regions and all distribution channels. As a player of reference, Savencia Fromage & Dairy is increasingly present

internationally and in all channels. We are currently reinforcing our positions in strategic markets such as Russia where we now can offer consumers premium cheese in the Russian tradition.



 **Savencia, #4 cheese manufacturer worldwide and in #15 place for dairy products**

Passion for quality and commitment to excellence are at the heart of our portfolio of local and international brands. It's by offering the best of cheese and milk that we earn our consumers' lasting trust.



We develop solutions to meet the expectations of our food service, fast food and retail customers on all the continents. Thanks to our unique know-how and expertise, we offer a range of standard or customized products and services. Throughout the world, new consumers are looking out for the latest culinary trends. Enthusiasm for gastronomy, patisserie and chefs' secrets is at the root of a worldwide phenomenon. In our case the renown of the chefs of our Maison de la Crème Elle & Vire enables us to respond, with the brand's high added value technical

innovations and butter and cream of excellence, to the renewed appetite of pastry chefs and the public at large for patisserie.

In Europe,

**1** 

meal in 5  
is consumed  
out-of-home

**10,000**

chefs  
are trained each year  
by Maison de la Crème  
Elle & Vire

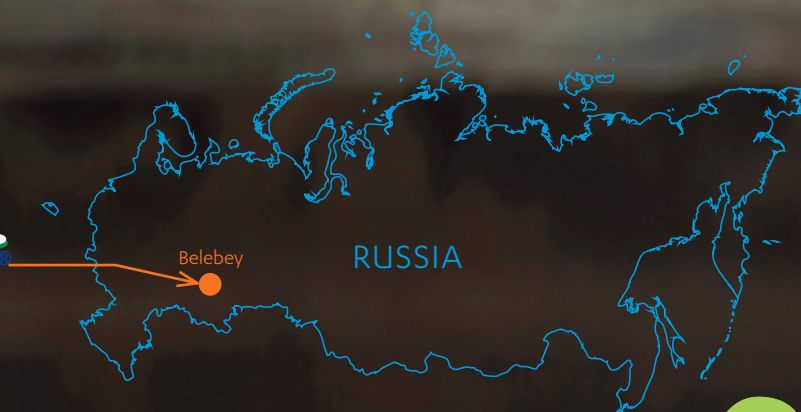


**96%**

of pastry chefs  
believe that the aesthetic  
quality of patisseries is  
paramount







#### BELEBEY

### A major player in Russia

With the acquisition of Belebey, a leading Russian hard cheese manufacturer, Savencia Fromage & Dairy plans to develop a major position in the Russian market. Founded in 1932, the cheese plant is located in the Republic of Bashkortostan, a region of substantial milk production, and disposes of a large milk collection zone. All the Group's Russian teams gathered at the Prodexpo trade fair in

Moscow, under the Savencia banner, to present the company's complete range of traditional cheeses. More recently, the subsidiary announced the launch of Velikoslavitch, a unique range of distinctive tasting hard cheeses (including classic muscat and aged) available in slices, portions and at the deli counter. The innovation has been supported by an advertising campaign

inspired by Russia's artistic culture and tradition of excellence, illustrating the know-how of Belebey's master cheesemakers.



#### SAGA

### The reinvented French Touch

In 2018, Elle & Vire Professionnel used a game contest to invite chefs to wake up their French Touch by revisiting emblematic French creations with a touch of Norman excellence. Chefs and pastry-cooks readily responded with surprising combinations of savors: a Mont Blanc dessert flavored with Yuzu, a Rum Baba flavored with mojito Cuban highball or an Alsatian Flamiche tart with Maroilles. In 2019, transmission is under the spotlight: transmitting your French Touch means perpetuating the tradition of French style, audacity and elegance between peers or amongst mentor and mentored.



#### INNOVATION

### Sculptural!

With the importance of "decor", patisseries can become genuine miniature works of art. Sculpture, the latest innovation signed by Corman, liberates pastry-chefs' creativity and helps them produce stunning visual effects. Easy to use, the new specialty owes its firmness and exceptional whipping capacity to a mix of carefully selected ingredients including buttermilk and vegetable oils.



#### FOOD SERVICE

### Crispy crumbs

Appetite for the crisp and soft combination of breaded cheese knows no frontiers. Our fast food service offering includes a wide range of golden morsels that melt in your mouth, as well as personalized solutions. For premium food service, Savencia Fromage & Dairy has created its new Cromesquis range for chefs. Inspired by French culinary tradition, these breaded cheese morsels are coated with special breadcrumbs encasing four complementary French cheeses: Cœur de Lion, Tartare, Chavroux and Mozzarella Suprema. These savory products will soon also be available at retail, in France and in Germany, under the Deli'Cheese brand.







# "Haute Fromagerie"

**Rodolphe LE MEUNIER,**  
Meilleur Ouvrier de France  
(Best Craftsman of France)  
and Haute Fromagerie expert  
adviser, devotes his passion  
to the development of our  
premium cheese varieties.

## Grassroots excellence

Consumers are rediscovering the savor of authentic products and the richness of local know-how. Manufactured by master cheesemakers using milk collected as close as possible to our dairies, Savencia Fromage & Dairy's traditional products provide a marvelous expression of the taste of rural countryside.

A strong character and unique savors: regional cheeses and PDO products proudly claim their origins and are a legacy that consumers appreciate. Authentic products, small brands and regional terroirs are in fashion. Made locally is

sought for as a proof of quality and proximity with producers. The taste for authenticity and proximity is not the preserve of countries traditionally consuming cheese: the demand is everywhere and notably in the USA.



**Cheese of excellence**

At Savencia, we combine the passion and pride of French gastronomy with cheese-making know-how of excellence. We contribute to the international development of traditional cheeses by a rigorous selection of authentic premium products manufactured in harmony with the practices of artisan cheesemakers. To carry the banner of this renewal, we have chosen as our ambassador Rodolphe Le Meunier, elected *Meilleur Ouvrier de France*, well-known for his talent and for his demand for quality.

Local know-how is at the heart of Savencia Fromage & Dairy's business. With our PDO products such as Esquirrou's Ossau Iraty, Berthaut's Epoisses, Fauquet's Maroilles, the artisan cheeses of Rogue Creamery or Lescure's Charentes-Poitou butter, we offer authentic taste lovers products of character prepared

by our master cheesemakers and dairymen who perpetuate an ancestral culture of excellence and tradition.

84% of Europeans appreciate the quality of local products and almost a quarter would like to consume more locally

85% of the French give precedence to food produced in their region

France is the **#1** global manufacturer of goat cheese



ELLE & VIRE

## Made in Normandy

Elle & Vire cream and butter are irresistibly Norman with their unique taste reflecting the know-how of this exceptional territory recognized worldwide for the quality of its cream. If our products are so unique, it is thanks to the quality of the milk collected daily from around our Condé-sur-Vire dairy. On average, Norman cows spend 210 days per year in the open air.



ADVERT

## SAINT-LOUP, AS TRUE AS YOU CAN GET

Saint-Loup is not just a well-known goat cheese. It is also the name of an authentic Poitou village with its real countryside, its real inhabitants and its real soul, as many assets that the brand's new ad has decided to highlight. The actors, all inhabitants of the village, entered into the spirit their countryside and their cheese with pride. With its slogan, "The real goat cheese of a real village", the ad has totaled about 4 million viewings on YouTube.

More than  
4 million  
views on  
YouTube within  
a few weeks

THE SOUTH

## All the authenticity of the Mediterranean

The Mediterranean countries offer quite a few authentic cheeses. In Spain, our Arias subsidiary has launched Secretos de Angulo, a range of traditional fresh cheeses from the llanura (the plain). Hand-molded, they combine three milks (cow, goat and ewe) that are 100% sourced in Spain. Another Mediterranean best-seller is our Giovanni Ferrari brand's cow milk Parmigiano Reggiano DPO cheese. In 2018, the transalpine brand improved its position as the German market leader for Italian hard cheese. In 2019, it is innovating by investing the mozzarella market segment in Germany and in France.



AMBASSADORS

## Cheese-making traditions

Cheese-making traditions remain vibrant the world over thanks to the prestigious events which Savencia Fromage & Dairy takes part in. This year, we were in Argentina for the 8<sup>th</sup> chapter of the *Guilde Internationale des Fromagers*, held in the presence of master cheesemaker Roland Barthélémy. In Serbia, the country's French Week began under the sign of traditional cheese-making. Journalists, diplomats and amateurs of French gastronomy had the opportunity, at the opening ceremony, to taste our Selekt and Ile de France cheeses displayed by Mlekoprodukt.



DOROTHY'S

## A heritage cheese

In the USA, Dorothy's soft ripened cheeses of character, manufactured at Lena in Illinois, reflect a unique legacy: the heritage of Dorothy, a pioneer and the first ever woman to graduate in dairy science from the University of Iowa. Today, Dorothy's continues to place the accent on its character as artisan cheeses: the brand's Comeback Cow cheese was awarded the Gold medal at the US Champion Cheese Contest held in Madison, Wisconsin in 2019.



SAINT AGUR

## #1 for blue cheese in Europe

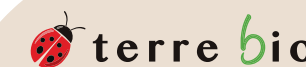
A veritable concentrate of the Auvergne region, allying strength and softness, Saint Agur is a blue cheese paying strict respect to cheese-making know-how. Its shape pays homage to the landscapes of Auvergne: octagonal, it reminds us of the characteristic basalt outcrops of the region and with its pronounced ridges, it expresses all the force of this intense product. Saint Agur has fans all over the world, from Canada to Japan via Scandinavia, and notably in the United Kingdom where it remains the market leader for continental blue cheese.



# Proud to be a breeder

**Jérôme CHAMPION**,  
a cooperative farmer in Finiot  
Essey-les-Eaux (52),  
has chosen to convert  
his dairy farm to organic.

## Good food, natural food



### Organic enterprise

In 2018, Savencia Fromage & Dairy created a new subsidiary, terre bio, whose objective is to offer a range of organic cheese and other dairy products without any sacrifice of pleasure or quality. A commitment in favor of better production and better consumption.

To eat good and responsible food without compromising pleasure are strongly expressed by consumers expectations. With simple, natural and tasty products, Savencia Fromage & Dairy fits well this lasting trend.

Natural, organic, vegetal: today's desires are for simple products manufactured with respect for the planet and for consumers' health. Consumption of meat


and of excessively processed products is decreasing in favor of new dietary habits: vegetables, cereals and dairy products fill a place of choice on our plates. Even so, there is absolutely

no question of sacrificing gustative pleasure. Simplicity must come with taste! At Savencia Fromage & Dairy, we offer cheese, butter and cream products that are subject to minimum processing and are manufactured from natural ingredients. We also develop a broad organic offering. In the framework of our approach to Responsible Milk Sourcing, we support producers in their conversion to organic agriculture. We also offer innovations with vegetal alternatives for those who wish to reduce their animal protein intake. We equally encourage consumers to adopt more

responsible and thoughtful dietary habits.



92%   
of the French  
take care to feed their  
families healthy and  
varied products

23%   
of the world's  
population  
has become  
flexitarian

9   
French people  
out of 10  
declare that they have already  
consumed organic products





## BRANDS

### Organic innovation

Whether purchased regularly or occasionally, organic has become a lasting consumer habit. 82% of the French trust in organic products. At Savencia, several of our brands are close followers of that trend and have extended their product ranges to include organic offerings. It's the case in France of Carré Frais, an authentic fresh cheese, and of Brebiou with its characteristic ewe milk taste, both of which are available in 100% organic versions. Our Passendale brand cheeses are sustainably manufactured in Belgium. Passendale's Classic Bio, the very first branded organic cheese launched in the Belgian market, is manufactured with milk that is 100% locally sourced and 100% organic.

Butter follows the same trend. Corman has recently launched the first spreadable light organic in the European market. Sold in Belgium under the Balade brand, this additive-free product, 100% natural and with 25% less fat than whole butter, is no less practical than before: it can be spread straight out of the fridge. The trend towards organic also provides bakers and pâtisseries with an excellent opportunity to differentiate their product offerings. With Corman's Dairy Butter, which exists in an organic version, they have access to a high quality organic butter that is easy to use and helps produce savory finished quality products.



## GOAT CHEESE

### Simple and real

From Southern to Eastern Europe, goat cheese has become a must. At our Arias subsidiary in Spain, freshness, texture and taste have joined together to create Burgo de Arias Cabra ("goat"). With 100% of natural ingredients (milk, salt and rennet), this fresh, soft and low-calorie cheese has had immediate success. In the Czech Republic, our new Lucina fresh goat cheese range has also made it simple: goat milk, a pinch of salt, nothing else!



## BRAND STRATEGY

### Medve, success in slices

In 2018 Medve, our Hungarian heritage brand which has the benefit of a very high capital of trust with consumers, launched a sliced version called Medve Szeletem which includes a play on words since it means both "my slice" (of cheese) and "I love it". With the help of promotions, impactful point of sale communication, store tastings and a 360° media campaign, the launch has been a great success.

## SPREADABLE PRODUCTS

### Irresistibly vegetal

Flexitarianism is THE trend of the moment. Less a diet than a state of mind, it is already shared by 34% of the French: eat less meat and consume more vegetables, cereals and dairy products. We have designed Végétal Irrésistible as a response to this new form of demand. Launched on a test basis at the end of 2018, the 100% vegetal and 100% tasty range of spreads offers original associations of vegetables, leguminous plants such as chickpeas, lentils and kidney beans, and spices. The spreads are ideal for an aperitif. Free of artificial colorings, preservatives and aromas, they provide vital vegetable proteins with no sacrifice of taste.



## ECORESPONSIBILITY

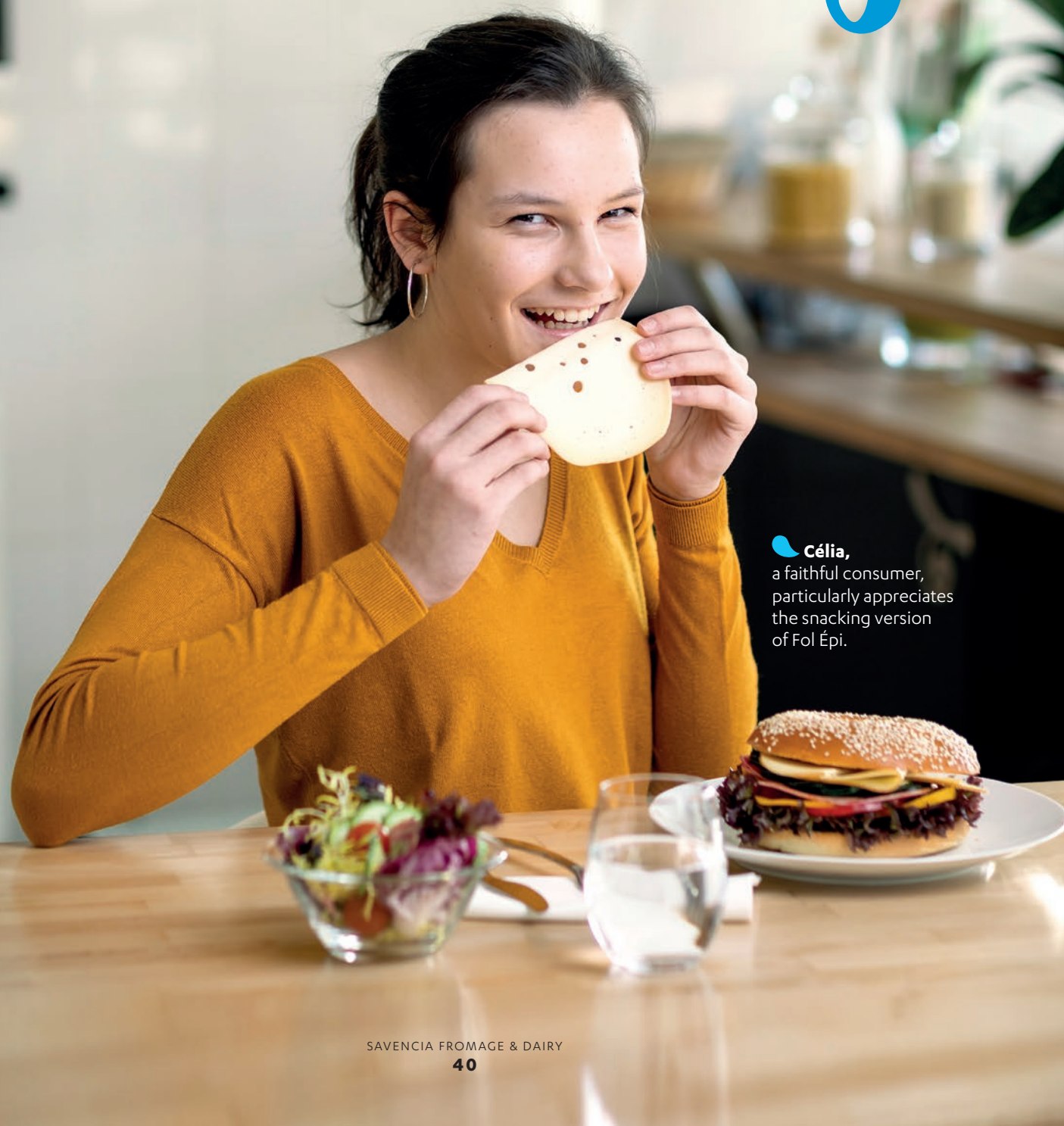
### Pure Caprice


An iconic brand, Caprice des Dieux is a marvelous combination of simplicity, pleasure and responsibility. Its recipe? Milk, cream, natural lactic ferments, a pinch of salt, nothing more. Since its creation in 1956 in Illoud in the Haute-Marne department of France, it remains exclusively manufactured in France using cow's milk collected locally, salt from the Vosges, and packaging made from 100% recycled cardboard, in a plant respectful of the environment. After launching a single portion version of its famous En-cas de Caprice, the brand has continued its commitment to thoughtful consumption. The inside bottom of the 300g pack provides a visual guide to cutting an appropriate 25g portion. Caprice des Dieux also displays its commitments on the side of its renowned oval packs, under the signature "Pure by nature".



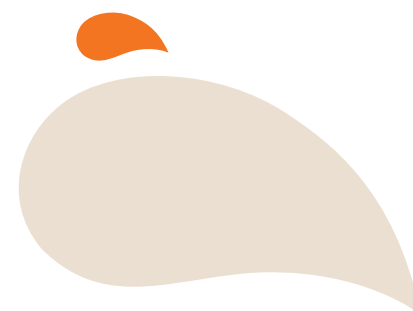


# Inspiration for snacking



 **Célia,**  
a faithful consumer,  
particularly appreciates  
the snacking version  
of Fol Épi.

## Simple and healthy



**A tasty sandwich, a healthy and balanced snack: consumers no longer want to have to choose between health and practicality. Snacking is more and more pervasive but more than ever, must also meet requirements of balance and quality.**

Today's consumers devote less time to meals. But even if snacking has become a lasting habit, there's no question of trading health for practicality:

people still want to eat a balanced diet and vary their pleasure. Within the new dietary landscape cheese, simple and practical by nature,



### Innovation at the top

In 2018, four innovations signed by Savencia found a place in the Top 10 cheese innovations in France: RichesMonts' smoked rind-free Raclette, RichesMonts' rind-free Duo Poivre and natural Raclette, RichesMonts' Burger Slices and P'tit Louis's Escargolo, the 100% natural cheese you can unwind like a children's toy. These innovations provide the perfect response to the new food requirements.




has a lot to go for it: its great variety of formats, tastes and textures.

To satisfy consumers' new expectations we have developed, both for retailers and food service professionals, innovations which simultaneously guarantee taste, practicality of use, individual portions for consumption on the go and conservation. Whether in slices, cubes, beads or as a spread, cheese meets all

desires and is there at any time, for any modern use.

The French now eat more than

10 

billion meals per year out-of-home



+73%

the revenue growth for fast food over the last 4 years



95%

of bakery shops now offer a lunch formula



300

million sandwiches eaten each day in the USA





#### PREMIUM SLICES

### Practicality and naturalness

Slices are a major segment of the world market for cheese. In Central and Northern Europe, cheese slices are a dietary habit. Elsewhere, they constitute a convenient snacking ingredient for sandwiches, burgers and wraps. For retail, Savencia Fromage & Dairy has launched internationally, under the Milkana and ILE DE FRANCE brands, a premium range of cheese slices for hot or cold sandwiches. Three other well-known retail brands, Fol Épi, Etorki and Chavroux, have recently launched sliced products for food service. The range has been specifically developed to enable bakers as well as catering professionals to sublimate their recipes using quality cheeses.



#### DIGITAL

### Alouette, smart snacking

In the USA, Alouette's cheese spread thrives to win the heart of the millennials with its new "Eat Artfully" advertising campaign. Via a series of videos on the social networks, the brand has opted for humor to show that a simple touch of Alouette suffices to sublimate any form of snack.

#### NUTRITION

### Polenguinho, a new pocket format

As the pioneers for branded cheese in Brazil, Polenghi and its flagship Polenguinho product have built their success on their quality, their ease of consumption and conservation and their widespread distribution. In 2018, Polenguinho has changed its recipe and now offers a still more unctuous and healthy product with 10% less salt. Polenguinho has also been very present on TV screens with an advertising campaign praising the new pocket version, two small cheese squares to put in your bag for consumption on the go.



#### CLEAN LABEL

### The lightest cuisine

With only 18% fat and no additives, Elle & Vire's light cream is perfect for natural and tasty cuisine for all the family. The cream is produced locally at our Condé-sur-Vire dairy, with 100% Norman milk, and its packaging has been re-thought to ensure practical and safe thanks to its ergonomic stopper.



#### HEART OF MEAL

### DIY cheese dishes

Cheese at the heart of the meal is no longer the exclusive preserve of lovers of French *raclette* on cold winter evenings. RichesMonts has innovated with a year-round range of supermarket slices for burgers and cheese on toast providing a perfect response to the current trend of home-made but easy-made. At Saint Agur, count on the inventive recipes of young chef Juan Arbelaez, shared on the web, to make your mouth water for cheese all through the meal. A typical menu: tomato and strawberry salad with cubes of Saint Agur or thin-sliced raw sea bream with Crème de Saint Agur.



#### CENTRAL EUROPE

### Barbecued cheese

In Central Europe, soft ripened cheese can also be barbecued and barbecued cheese has even become the strong seasonal market trend of the region. After the success of Sedlcansky for the grill in the Czech Republic, NaTurek has launched its Na Grill camembert in Poland and in Slovakia, Liptov has launched its Hranolčeky beech-smoked mountain milk made hard cheese.



# Results and Non-Financial Performance

- p. 45** Key figures for 2018
- p. 46** Non-Financial Performance Statement
- p. 60** Corporate governance
- p. 61** Stock market activity in 2018
- p. 62** Management report
- p. 65** Internal control, risk management and duty of vigilance
- p. 68** Consolidated statement of income
- p. 69** Consolidated balance sheet
- p. 70** Consolidated statement of cash flows
- p. 71** Simplified Group structure
- p. 72** GRI & Grenelle II equivalence table - Non-Financial Performance Statement

## Key figures for 2018

### NET SALES FOR 2018

Net sales increase by +0.2% over 2017. Favorable organic growth of +2.1% mainly reflects selling price adjustments in the Group's main markets and international development. The positive +2% for scope of consolidation reflects the consolidation of B.M.K. at the end of December 2017, of Bake Plus at the end of March 2018 and of Palace Industries in mid-May 2018. The negative foreign exchange impact of -3.8% reflects the general loss in value of world currencies against the euro and more particularly, of the South American currencies severely impacted by the hyperinflation of Argentina. Net sales outside France amount to 70% compared with 71% in 2017.

Net sales for 2018  
In millions of euro



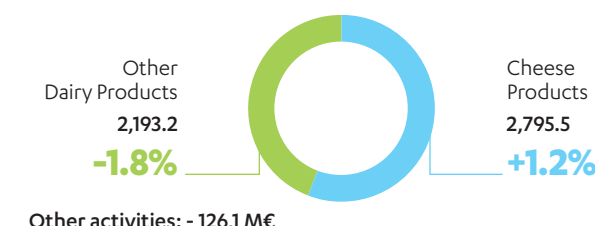
### NET SALES FOR 2018

#### AND 2018-2017 CHANGE

##### By activity

Cheese Products account for 57.5% of consolidated net sales. Their organic growth amounts to +0.5%. The foreign exchange impact is negative at -1.9% and the scope of consolidation impact is positive at +2.8%. Other Dairy Products account for 45.1% of consolidated net sales. Their organic growth amounts to +3.8%. The foreign exchange impact is negative at -6.3% and the scope of consolidation impact is positive at +0.9%.

Net sales for 2018 and 2018-2017 change  
By activity and in millions of euro



### CURRENT OPERATING PROFIT

Current operating profit has risen by 2.9% reflecting positive scope of consolidation of 9.2% and a negative foreign exchange impact of 5.1%.

##### Current operating profit

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

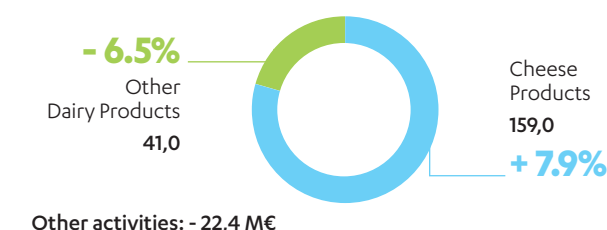


### CURRENT OPERATING PROFIT

#### FOR 2018 AND 2018-2017 CHANGE

Current operating profit for Cheese Products has risen by 7.9%. The rate of current operating margin has risen from 5.3% to 5.7% thanks to the development of our international activities. Current operating profit for Other Dairy Products has receded by 6.5% essentially reflecting the difficulties experienced by milk powder. The rate of current operating margin has fallen slightly from 2% to 1.9%.

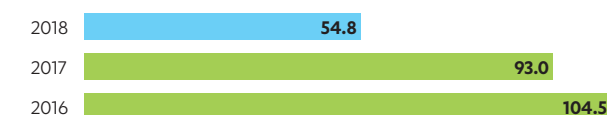
Current operating profit for 2018 and 2018-2017 change  
By activity and in millions of euro



### GROUP SHARE OF NET INCOME

The Group's share of net income has fallen by 41%. Non-recurring expenses have risen by €42.3 million as a result essentially of the performance improvement plans undertaken in France and in Central Europe. Financial expense has risen by €2.3 million including the unfavorable €2.8 million impact of the implementation of IFRS 9, Financial Instruments. The loss of €14.6 million on monetary position reflects the application for 2018 of IAS 29, Financial Reporting in Hyperinflationary Economies, in the case of Argentina. The contribution of equity-accounted associates has fallen by €2.5 million and corporate taxes on income have fallen by €17.8 million.

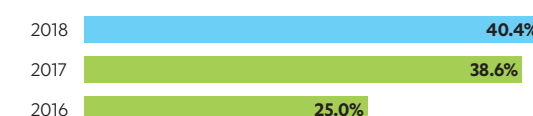
Group share of net income  
In millions of euro



### NET DEBT

Investment in tangible and intangible fixed assets has amounted to €195.9 million or +11%, in line with the Group's international development. Acquisitions of companies and additional equity interests amount to €34.8 million in 2018 compared with €157 million in 2017. Net debt as of December 31, 2018 amounts to €563.6 million, €32 million more than in 2017 mainly reflecting the Group's acquisitions. Shareholders' equity has risen by €17.9 million over 2017.

Net debt compared to equity  
As a percentage





## TRENDS & VISION

Food has become a societal issue. With “consum’actors” in the quest of Better Food and trust, food is evolving towards a **new model that is more responsible and more respectful of local cultures**. Sustainable development and the digital revolution are transforming the agrifood

chain and food retailing. SAVENCIA Fromage & Dairy has the ambition of **reinventing quality food** meeting consumers’ new expectations: good, natural, healthy, practical and sustainable. By reinforcing its competitiveness and innovation, and its CSR

commitment towards its various stakeholders, the Group constantly adapts to changes in its markets worldwide and in its customers whether in retail or in BtoB professionals.

## RESOURCES

### Human resources

- 19,888 employees
- in 29 countries
- 60% of men  
40% of women
- Subsidiaries in close touch with their local environment

### Environmental and societal resources

- 16.4 million m3 of water
- 2,087 GWh of energy
- 12,000 dairy farms supplying 4.2 billion liters of milk


### Financial resources

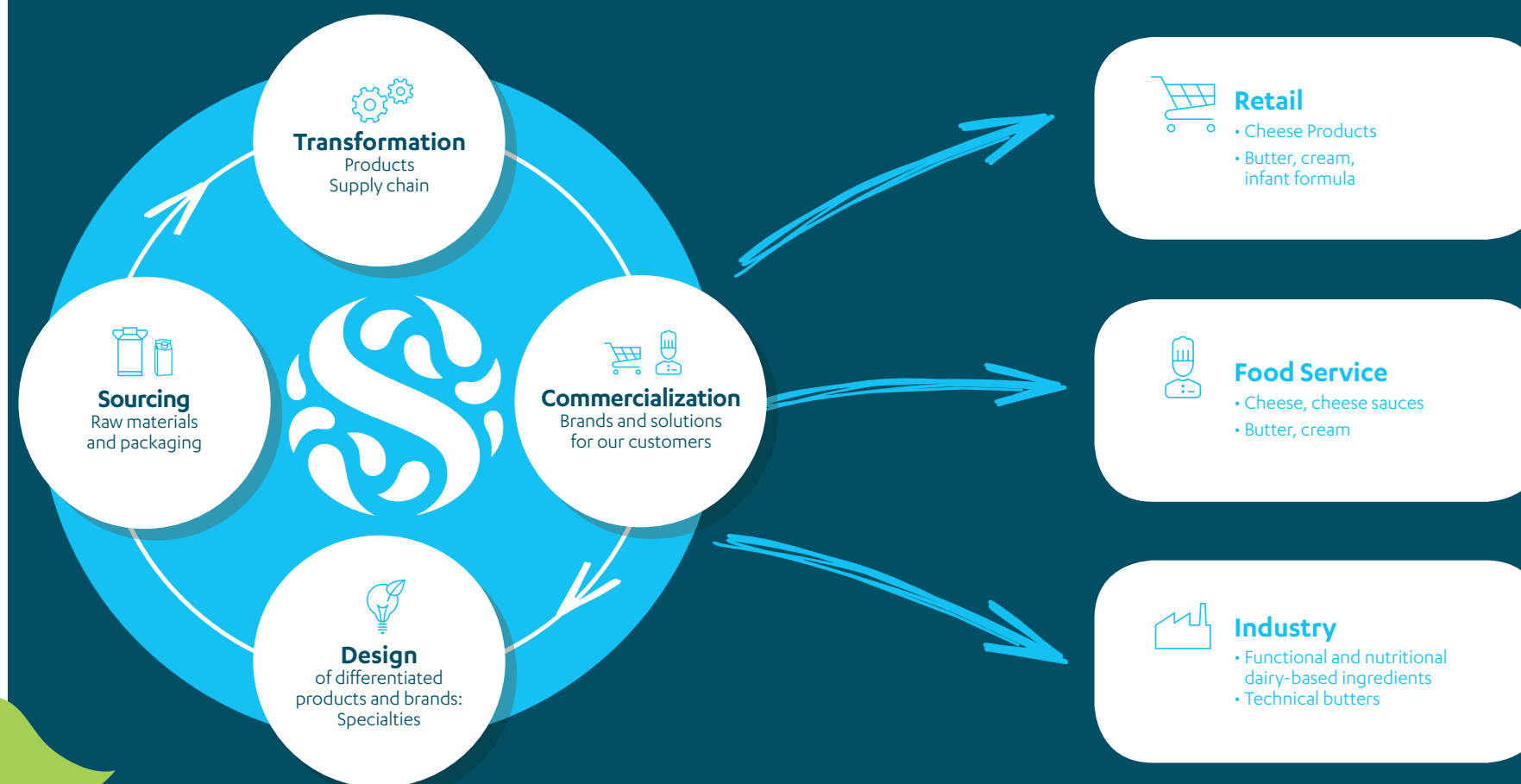
- The stability of a majority family shareholding
- Equity: €1,396.3 million
- Capital expenditures: €195.9 million

## VALUE CREATION

**An international, independent family food group with a long-term perspective.** With its strong values and its mission: **LEADING THE WAY TO BETTER FOOD**, the Group deploys a strategy of creating **innovative and high-quality products and brands**. SAVENCIA Fromage & Dairy manufactures and sells differentiated cheeses and other dairy products, under specialty brands, for retail and food service, as well as dairy-based ingredients for industry. The Group relies on subsidiaries in close contact with their local markets as well as by the pooling of global expertises.

SAVENCIA Fromage & Dairy, a major player in milk processing

4<sup>th</sup>  cheese group globally  
2<sup>nd</sup>  cheese group in France



## SHARED VALUES

### For people

- Top Employer Europe 2018, 2019
- Payroll costs: €868 million
- 73.3% of employees received training in 2018
- 242 apprenticeship contracts in 2018

### For the environment

- Trend in greenhouse gas impact of milk collection: -191,000 equivalent tons of CO<sub>2</sub> between 2010 and 2018
- Energy consumption: -4.4% per manufactured ton between 2015 and 2018

### For society at large and local communities

- A new formula for evolution of the price for milk jointly developed with the farming community in 2018
- SAVENCIA has led retail revenue growth in France between 2014 and 2018 (source: distributor panel)
- Solidarity initiatives: 51% of subsidiaries have made gifts of food
- Purchases from suppliers and service-providers: €3,597.1 million
- Dividends distributed in 2018: €22 million
- Taxes: €67.4 million
- Non-financial assessment: SAVENCIA Fromage & Dairy is included in the 2018 Gaïa Index



Presentation of main issues

SELECTION OF MAIN ISSUES

Approach

The selection of the main issues with which Groupe SAVENCIA is confronted has been made on the basis of:

REGULATORY ISSUES:

- The topics included in the European directive dated 22 October 2014 on the disclosure of non-financial and diversity information, as transposed into French law and modifying articles L. 225-102-1 and R. 225-104 to R225-105-2 of the French code of commercial law;
- Decree n°2017-1265 dated 9 August 2017: list of topics.

ADDITIONAL ELEMENTS SUCH AS:

- The Group’s business plan, business relationships and products;
- Materiality analysis performed in the framework of the Group’s Corporate Social Responsibility (CSR) workgroup.

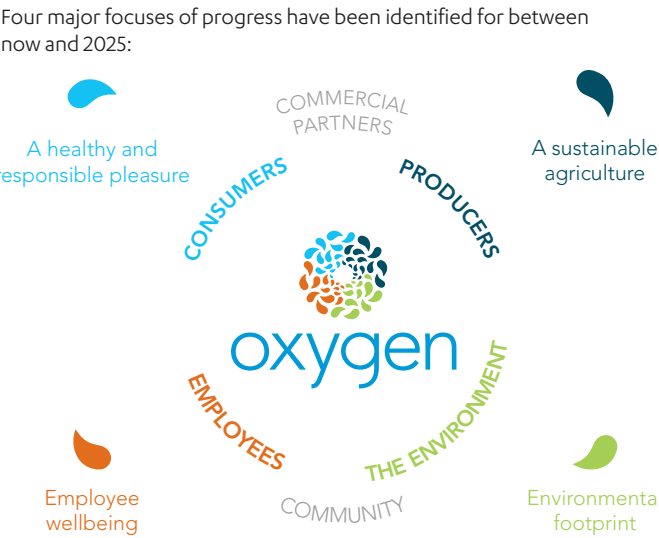
The multidisciplinary workgroup included all the key enterprise functions. Its participants were supported by an outside advisor specializing in CSR. An analysis and initial diagnosis of the current situation were prepared and a list of CSR issues was prepared.

185 stakeholders worldwide were consulted: employees, milk producers, customers, consumers, suppliers, top management, investors and society at large.

Based on that work, materiality analysis was performed in 2017 and selection was made of the issues identified as of priority both for the Group and for its stakeholders as a whole.

- Groupe SAVENCIA’s Corporate Social Responsibility (CSR) approach.

Our OXYGEN plan, the name of Groupe SAVENCIA’s CSR approach, ambitions to combine social and economic performance, to act in concert with our partners and of innovating for a sustainable world.



Methodology

Our analysis revealed 15 issues for which we verified the Group’s regulatory compliance taking into account the following points:

- Specific regulatory areas such as: Social – Societal – the Environment – Human Rights – Fighting Corruption and Tax Evasion;
- Other subjects such as: Consequences for Climate Change – the Circular Economy and Food Waste - Precariousness – Healthy and Sustainable Food – Animal Wellbeing – Collective Bargaining Agreements and Initiatives Favoring Diversity – Handicaps.

For each major focus identified, a commitment and quantitative or qualitative objectives were defined.

To ensure the overall consistency of our CSR approach, the 15 issues were related to the 4 major focuses and were associated with performance indicators relevant to our operating segments.

This year, SAVENCIA Fromage & Dairy is making voluntary publication of a Non-Financial Performance Statement in the framework of the application of the European directive. For this first year of transition from the previous reporting format, data in the Grenelle II format are available in a specific document which may be consulted on our savencia-fromagedairy.com website.

Our main issues:

ISSUES	RISKS
<b>A HEALTHY AND RESPONSIBLE PLEASURE</b> <ul style="list-style-type: none"><li>• Improve the nutritional quality and conception of our products</li><li>• Promote responsible consumption</li></ul>	<ul style="list-style-type: none"><li>• Product risk</li><li>• Reputational risk</li></ul>
<b>A SUSTAINABLE AGRICULTURE</b> <ul style="list-style-type: none"><li>• Co-develop more sustainable sourcing with our suppliers of agricultural raw materials</li><li>• Promote responsible purchasing</li></ul>	<ul style="list-style-type: none"><li>• Raw material price volatility</li><li>• Climate risk</li></ul>
<b>ENVIRONMENTAL FOOTPRINT</b> <ul style="list-style-type: none"><li>• Reduce our greenhouse gas emissions</li><li>• Control our water resources</li><li>• Optimize our waste management</li></ul>	<ul style="list-style-type: none"><li>• Climate risk</li><li>• Environmental risk</li></ul>
<b>EMPLOYEE WELLBEING</b> <ul style="list-style-type: none"><li>• Ensure our employees’ safety</li><li>• Improve quality of life at work</li><li>• Develop competencies</li><li>• Commit to diversity and inclusion</li><li>• Encourage solidary commitment</li></ul>	<ul style="list-style-type: none"><li>• Human safety risk</li><li>• Regulatory risk</li><li>• Risk of lack of competencies and attractiveness</li></ul>
<b>SOCIETY AT LARGE</b> <ul style="list-style-type: none"><li>• Respect for human rights</li><li>• Combating corruption</li><li>• Combating tax evasion</li></ul>	<ul style="list-style-type: none"><li>• Regulatory risk</li><li>• Reputational risk</li><li>• Financial risks</li></ul>

A healthy and responsible pleasure

1. IMPROVE THE NUTRITIONAL QUALITY  
AND CONCEPTION OF OUR PRODUCTS

Improve the nutritional quality  
of our products

ISSUES AND POLICY

SAVENCIA Fromage & Dairy manufactures natural products using carefully selected quality raw materials.

In harmony with our vocation of “Leading the way to better food”, the Group is determined to contribute to public health objectives on the basis of its conviction that food and diet are a key factor in people’s health and wellbeing. Our teams design and put together concrete and targeted plans for progress with the aim of continuously improving products’ nutritional quality and conception and promoting responsible consumption. With this purpose, our actions focus on two major levers, namely our product offering and consumer habits, aiming to contribute positively to the evolution of dietary practices.

Between now and 2025, we will have extended per portion nutritional labeling to all our branded retail products together with, whenever possible, added visual per portion marks (on the product and/or its pack) designed to encourage thoughtful consumption. That commitment goes beyond the regulatory requirements of certain countries. The objective is to provide consumers with useful information for developing balanced and diversified diets.

The Group undertakes to implement clear nutritional information in the form of per portion nutritional labeling for 100% of our branded retail products.

ACTIONS IN PLACE AND RESULTS

- With the actions undertaken since, in 2017, En Cas de Caprice won the Nudging for Good award for health and welfare excellence, the Caprice des Dieux brand has taken a stance on the concept of the appropriate portion. In addition to the per portion nutritional labeling for most (and soon all) of its packs, the Caprice des Dieux 300g product now includes visual portion marks at the bottom of the pack with the aiming to provide a simple and fun aid to reasoned consumption.

KEY PERFORMANCE INDICATORS

- In 2018, about 35% of our retail products include per portion nutritional labeling.



Responsible design  
and redesign of our products

ISSUES AND POLICY

The Group has undertaken an approach of responsible design and redesign of its products, aiming to improve its products’ nutritional profile (notably by reducing the salt and fat content of its cheese specialties), of developing additive-free recipes and of improving the eco-design of its packaging.

A charter for responsible design is in the process of preparation and will be made available to all Group subsidiaries. It will offer guidelines enabling them to develop product and packaging progress plans internationally.

ACTIONS IN PLACE AND RESULTS

- In 2018, several brands have optimized their products’ nutritional profile as follows:
  - Tolle Rolle, produced by Milkana Germany and also sold in France under the P’tit Louis Escargolo brand, is a 100% natural and additive-free cheese whose salt content has been reduced by 13% and which now meets the requirements of the World Health Organization’s marketing guide to products destined for children;
  - New additive-free recipes have been developed for St Morêt Léger and for Elle & Vire’s light cream from Condé-sur-Vire;
  - The nutritional profile of the products sold under the Polenguinho brand, the market leader for processed cheese in Brazil, has been improved with the reduction of saturated fatty acids (-13% for standard Polenguinho, -14% for Polenguinho Light) and of salt (-19% for standard Polenguinho, -29% for Polenguinho Light);
  - The Santa Rosa brand in Chile has undertaken to reduce salt content by 12% for its Queso de Cabra range and by 39% for Crémambert.
- Several subsidiaries have engaged in packaging eco-design initiatives as follows:
  - Reduction of package weight or use of more easily recyclable materials: the Fol Epi tray includes 30% of recycled plastic and Chaumes LS has chosen a vegetable-based tray and a recyclable lid.

2. PROMOTE RESPONSIBLE CONSUMPTION

ISSUES AND POLICY

Supporting consumers and our employees in adopting more reasoned habits of consumption is a Group objective.

The Group has adopted the Nudge methodology since 2016. It is a behavioral approach to creating the conditions apt to encourage persons, without coercion, to adopt behavior beneficial for themselves, for society at large and/or for the planet.

The Group also develops initiatives designed to limit food waste, e.g. by developing formats (individual portions, re-closable packs etc.) adapted to consumers’ needs or by gifting to food banks.

A healthy diet and nutrition e-learning training module will also be deployed between now and 2025 and made available to all Group subsidiaries.

ACTIONS IN PLACE AND RESULTS

- Preparation of balanced recipes, meeting the latest criteria for sound and sustainable food. They will be diffused via our quiveutdufromage.com digital platform with the aim of providing readymade solutions to as many people as possible. Content will include infantile nutrition, the concept of the portion, food diversity and the natural nutritional benefits associated with cheese. The specifications for these recipes have been developed with dietary specialists and meet the requirements for a varied diet based on the use of appropriate food portions and of culinary ingredients not subjected to excessive processing. The website offers balanced recipes designed to help appreciate cheese, as an alternative source of protein to meat, at the heart of a meal and consumed in association with recommended food such as vegetables.
- In the framework of the election of “France’s favorite marketplace”, St Morêt distributes anti-waste recipes designed to pep up fruit and vegetables past their best.
- In 2018, 68.8% of the gifts made by our production facilities were gifts of products.
- Training in nutrition: starting in 2019, more than 4,500 employees will be able to use this training module via the Group’s digital platform. It has been designed with the help of recognized experts with the aim of providing the knowledge required to develop a balanced diet in association with appropriate physical exercise.

KEY PERFORMANCE INDICATORS

The Key Performance Indicator is in the process of development.

A sustainable agriculture

1. CO-DEVELOP MORE SUSTAINABLE SOURCING

WITH OUR SUPPLIERS OF AGRICULTURAL RAW MATERIALS

ISSUES AND POLICY

SAVENCIA Fromage & Dairy wishes to co-develop, with its suppliers of agricultural raw materials, sourcing more sustainable and creative of value.

The Group focuses on strong and recognized brands which require irreproachable raw material from suppliers. It engages in long-term partnerships with its suppliers. To meet our consumers’ new societal expectations, our subsidiaries are attentive to promoting the development of quality farm practices respecting animal wellbeing and the environment and recognizing the value of the work performed by farmers.

Our commitments relate to one of our main strategic raw materials, milk, with:

- The extension of our Charter for Best Farming Practices to all our milk collection worldwide by 2025;
- The deployment of our Sustainable Milk Production diagnosis with 50% of our milk producers by 2025;
- The co-development of milk produced by herds fed with a GMO-free diet and by organic agriculture.

ACTIONS IN PLACE AND RESULTS

SAVENCIA Fromage & Dairy purchases 4.2 billion liters of milk worldwide from 12,000 farms. France represents 75% of that volume and all the milk we process in France is of French origin. Our milk is processed locally, with 97% of our total milk collection from within 70km of our dairies and 70% from within 30km.

We develop lasting relationships with our milk suppliers all of whom are members of producer organizations or cooperatives. In 2018 and in the spirit of France’s EGalim law, a new formula for the evolution of the price of milk has been co-designed with our suppliers. It is based on market indicators reflecting SAVENCIA Fromage & Dairy’s product mix, the principle of inversion of the basis of price construction for the French market and milk production costs.

In terms of quality, animal well-being and milk production, we require all our French farmers to comply with our Charter of Best Farming Practices which will progressively be extended to all our milk collection worldwide. In 2018, 73% of our global volumes already complied with the charter.

SAVENCIA Fromage & Dairy is also engaged in risk prevention. In France and since 2012, the Group has deployed a transport security protocol at all its dairy farms, the purpose of which is to analyze the risks associated with the maneuvers of our milk collection tankers. By improving traffic flows and milk tank access, milk security collection is thus enhanced.

To better respond to its customers’ question about as to the prevailing conditions for milk production, the Group offers producers its Responsible Dairy Sourcing diagnosis including 10 indicators measuring farming practices in economic, social and environmental terms as well as in terms of breeding conditions: farm profitability, sustainable management of resources, carbon footprint, animal wellbeing, the herd’s food autonomy, biodiversity, soil fertility, the producer’s quality of life, access to the open air and health of the herd.

After performing this diagnosis, the farmer may choose a focus for progress for which the Group provides help in particular with the offer of training in appropriate subjects such as cows’ health and nutrition, soil fertilization or protein autonomy. In 2018, 550 days of training were dispensed to our milk suppliers in France.

To help farmers in evolving their practices, our Milk Collection Technicians are in daily contact with them.

In addition to technical support, financial measures are implemented to facilitate the installation of young farmers, encourage conversion to organic agriculture or develop goat milk production.

KEY PERFORMANCE INDICATORS

	2017	2018	2025 objective
Extend worldwide use of our Charter for Best Farming Practices (% milk volume collected)	75.2%	73.0%	100%
Deploy our diagnosis of sustainable milk production (% milk volume collected)	14.8%	16.4%	50.0%

To stimulate value creation, 24% of milk collected is sourced from differential origin, such as goat or ewe, organic agriculture, GMO-free herds of cows or DPO (Designation of Protected Origin) farms.



2. PROMOTE RESPONSIBLE PURCHASING

ISSUES AND POLICY

SAVENCIA develops long-term partnerships with its main suppliers and fosters shared progress with the aim of promoting responsible purchasing.

The Group selects its suppliers on the basis of criteria of quality, security, service and competitiveness and of their capacity to accompany the Group long-term.

Since 2010, a Charter for Sustainable & Solidary Purchasing has been submitted to our major suppliers for their signature. The charter has been developed on a basis consistent with the Group's Ethical Charter and with the Charter for Best Purchasing Practices prepared under the supervision of France's Ministry for the Economy, Finance, Industry, Competition and National Mediation of which the Group has been a signatory since January 10, 2012.

The Group undertakes to develop responsible purchasing with all its suppliers other than for dairy raw materials via its Group Charter for Responsible Purchasing deployed in successive waves and subject to monitoring of its level of coverage. CSR risks are assessed using the assessment process developed by EcoVadis.

Ultimately, 80% of the Group's third-party purchases (other than for dairy raw materials) will be covered in the framework of established commercial relationships.

ACTIONS IN PLACE AND RESULTS

- The Charter covering Groupe SAVENCIA's commitments against corruption and influence peddling in its relationships with commercial partners was communicated to its French partners, and to Sales Departments worldwide, respectively on November 17, 2017 and April 16, 2018 with an explanatory note in French and in English.

- With effect from January 1, 2018 the newly denominated Charter for Responsible Purchasing was reinforced for the aforementioned commitments against corruption and influence peddling in the Group's relationships with commercial partners as well as for new content of the Group's internal code of conduct.

- The CSR risk assessment process developed by EcoVadis and engaged within the Group since 2010 includes the four following areas of assessment:
  - The environment,
  - Social issues,
  - Ethics & corruption,
  - Supplier relationships and supply chain.

- In 2018, the Group Purchasing Department engaged in two EcoVadis assessment campaigns focused on the results of the risk mapping by EcoVadis and on a worldwide basis.

KEY PERFORMANCE INDICATORS

Indicators for the level of coverage of the Group's Charter for Responsible Purchasing and EcoVadis assessments have been defined but the process of consolidation of the required data has yet to be finalized.

As of December 31, 2018, the CSR risk assessment via EcoVadis had been performed for 466 suppliers for Groupe Savencia as a whole.

The average score obtained amounted to 49.6/100 as compared to an average of 42.2/100 for the complete EcoVadis Food & Beverage panel.

Savencia commits to reducing the environmental impact of its activities by achieving, by 2025, a 25% reduction:

- In the energy consumption and greenhouse gas emissions associated with its production and transport activities, by reducing its consumption of fossil fuels by 25% and by increasing the share of renewable energies;
- In its use of water sourced from the natural environment;

as well as a reduction in the carbon footprint of its milk collection activities of 300,000 tons of CO<sub>2</sub> equivalent by 2025 (in comparison with 2010).

ACTIONS IN PLACE AND RESULTS

Reduction of energy consumption

- Centrally, dedicated teams monitor and support our sites in accordance with the global policy implemented via our Oxygen plan. Specific bodies are responsible for the transversal management of projects and results:
  - "CSR – energies and materials" meetings are organized between industrial management and enterprise correspondents; they enable monitoring of actions and results, as well as any appropriate adjustment of current or forthcoming projects;
  - "G'ENVI" meetings are organized with the Group's environmental correspondents, for particular topics, in order to help those concerned share their best practices. Every other such meeting is organized at a manufacturing site in order to stay closely attuned to sites' preoccupations and to the solutions deployed. Third parties are regularly invited on the basis of the subjects at issue. Regulatory watch is also covered as a means of keeping everyone informed of current or future developments and adjusting the Group's action plans as necessary.
- Academy SAVENCIA is a three-year training program for managers, worldwide, which includes:
  - An initial theoretical module enriched with developments on the major CSR issues related to production: nutrition, sustainable development, energy, waste, the environment, the treatment of effluents etc.;
  - A second module, focusing on methods and best practices, which has been totally renewed and updated. Its sessions now take place at several sites in Europe and outside of Europe;
  - A third module, focusing on the major technologies of SAVENCIA Fromage & Dairy, based on the knowledge and know-how continuously collected by the Group's dedicated experts.

In 2018, the program was deployed in several countries.

- Significant capital expenditure has been undertaken at a French manufacturing site for the purpose of replacing 3 heavy fuel oil boilers by 3 new gas boilers, thereby significantly reducing fuel consumption, green-house gas emissions and other atmospheric pollution, as well as noise.

Development of renewable energies

- Use of wood-fired boilers in France and in South America.
  - Increase of the share of photovoltaic energy to 4.1% of the electricity consumed in 2018 at one of our international sites following the installation of solar panels at the end of 2017.
- Methanization of organic waste: our Fro' subsidiary recycles 100% of its organic waste using its milk producers' methanization equipment and the Azé cheese plant has organized a local partnership for methanization of its organic waste.

Reduction of greenhouse gases generated by transport

Implementation in 2018 of the following initiatives to reduce the greenhouse gas emissions associated with the Group's own fleet of delivery vehicles:

- Deployment of a navigation aid enabling remote extraction of technical vehicle parameters in order to improve drivers' eco-driving and reduce fuel consumption. For a precise analysis of the data, an "eco-driving trainer of reference" has been appointed. Drivers are trained in eco-driving using the data collected. Since the deployment

of the software and the appointment of the trainer, a fall in average vehicle consumption has been observed;

- Optimization of delivery rounds by use of simulation/optimization software: in 2018, reduction of 4% of mileage in comparison with 2017;
- In France, our supply chain platform has engaged a voluntary program for reduction of the CO<sub>2</sub> emissions associated with its road transport activities and has signed the "CO<sub>2</sub>, carriers commit" charter to that effect. The modernization of our fleet of vehicles continues with the acquisition of new vehicles meeting the Euro 6 anti-pollution standard, thereby in particular reducing the emission of particles and of nitrogen oxides and also ensuring greater comfort for drivers;

Results for the supply chain platform of Messageries Laitières	2017	2018
Average own fleet consumption (l/100km)	36.3	35.5
Own fleet CO <sub>2</sub> emissions (CO <sub>2</sub> equivalent tons)	3,242	3,217

- The new supply chain platform built near Honfleur is certified High Environmental Quality (HQE). Measures have also been taken to encourage less polluting travel: parking lots reserved for electric vehicles, bicycle sheds and other parking for cyclists.

Reduction of the carbon footprint of our milk collection

Reduction of the carbon footprint of our milk collection from the Group's suppliers in France is calculated on the basis of two factors of reduction:

- The so-called "natural" reduction applicable to all French dairy farms;
- The reduction associated with the action plans engaged in the framework of the Group's Responsible Milk Sourcing program.

In 2018, the various actions undertaken enabled the saving of 191,000 tons of CO<sub>2</sub> equivalent compared to 2010.

	2017	2018	Obj. 2025
Reduce the carbon footprint of our milk collection (cumulative tons of CO <sub>2</sub> equivalent vs 2010 in France)	-164,000	-191,000	-300,000

KEY PERFORMANCE INDICATORS

As a % of change since 2015

	2016	2017	2018
Reduction of energy consumption (GWh/ton manufactured)	-1.1%	-3.1%	-4.4%
Reduction of greenhouse gases scopes 1 & 2 (CO <sub>2</sub> equivalent tons/ton manufactured)	1.8%	-0.5%	-1.0%
Reduction of fuel consumption (liters)	0.3%	-5.3%	-8.0%



2. CONTROL OUR WATER RESOURCES

ISSUES AND POLICY

Water plays an important role in our processes, in particular to ensure the perfect hygiene and safety of our products through the cleaning operations. It can also be used for heating or cooling and also for our fire prevention and firefighting equipment.

Within the face of climate change, hydric stress is expected to be accentuated in particular in certain countries. Particular attention must be paid to such phenomena in order to identify and prevent any risk and reinforce, if necessary, our actions aimed at limiting as much as possible the sourcing of water from the natural environment.

The objective is to reduce the sourcing of water from the natural environment by 25% by 2025.

ACTIONS IN PLACE AND RESULTS

- Optimization and renovation of existing cleaning facilities and in some cases their complete renewal at certain sites in particular in France, the Czech Republic, the USA and China.
- Personnel training and awareness-raising in order to implement or extend best practices for manual cleaning.
- Recuperation of part of the water contained in milk or whey, by evaporation or inverse osmosis, which is then treated before use for external cleaning thus of reducing overall water consumption.
- In France, dairy industry collaboration in order to identify the most effective practices and technologies for water use in the context of dairy and cheese-making operations.

KEY PERFORMANCE INDICATORS

As a % of change since 2015

	2016	2017	2018
Reduction of water consumption (m³/ton manufactured)	-0.02%	-0.2%	+2.0%

In 2018, we reinforced our hygiene and food safety procedures at our industrial sites and thereby increased water consumption.

3. OPTIMIZE OUR WASTE MANAGEMENT

ISSUES AND POLICY

Processing generates waste inherent to the manufacturing and packaging processes, mainly non-dangerous industrial waste most of which (cardboard, paper, steel or aluminum) can be reused or recycled.

The Group's commitment is to reinforce its sorting and recycling of industrial waste by contributing to so-called circular solutions.

ACTIONS IN PLACE AND RESULTS

- Optimization of on-site sorting and storage. In France, optimization and rationalization have been engaged in with national service-providers in order to improve the treatment of our waste flows and find better local outlets for reuse and recycling. For example, in 2018 one of our French subsidiaries has started giving used big bags to its local waste collection site for reuse.

- Reduction at source of the weight of packaging and use of more easily recyclable materials.

KEY PERFORMANCE INDICATORS

As a % of change since 2015

	2016	2017	2018
Industrial waste (tons/ton manufactured)	+8.8%	-2.8%	+4.0%

In 2018, 71.6% of waste is sent to reuse or recycling.

Employee wellbeing

1. ENSURE OUR EMPLOYEES' SAFETY

ISSUES AND POLICY



Groupe SAVENCIA brings together enterprises of human scale united by a strong business culture guiding our behavior and action. The wellbeing, preservation of the physical integrity and health of the women and men who work in and for the Group are the preoccupation of all and at every level of the organization.

In this way the Group engaged an initiative, almost 10 years ago, on the theme of "SAFETY is OUR business". The program is supported by the charter for Health and Safety at Work cosigned by the Group's CEO and deputy CEO and its objective is to aim for zero workplace accidents.

As each individual's behavior is key to improving day-to-day safety at our locations, the Group aims to foster exemplary behavior in all situations and in all environments involving industrial, logistic or administrative work.

The Group is attached to preventing risks for the safety of both its permanent and temporary employees. The health and safety of its temporary employees are monitored and attended to on the same basis as for permanent employees. Workplace accidents for temporary employees resulting in time off are thus included in the Group's accident frequency rate (TFi<sup>(1)</sup>) with those of permanent employees.

At Group level, health and safety are jointly supervised by our HR and Operations departments. At subsidiary level, such oversight is assumed by a local body headed by top management and generally supported by an OH&S correspondent designated for each site.

ACTIONS IN PLACE AND RESULTS

- A Global Safety Guide including the essential best practices to be deployed has been diffused. Its implementation is regularly checked by internal audit.
- A Governance Committee meets several times per year and enables the definition of priorities, strategy and new resources required in line with the achieved results.
- The network of OH&S correspondents ensures proper program application at each site and meets regularly to share the results of initiatives implemented and continue to evolve the tools and best practices.
- Training in occupational health and safety is provided at subsidiaries. In 2018, it represented 45.8% of the total training provided within the Group.
- The Behavioral Safety Visits engaged Group-wide mobilize top management, line managers and operatives to discuss safety as close as possible to workstations in order to identify and correct any risky behavior.
- Action is taken to reduce arduousness at work and prevent musculoskeletal disorders and other occupational illness: movement and posture training, the intervention of ergonomics experts, warm-up exercises on assuming workstations, the modification of workflows or machines and processing line design or redesign.

- Safety performance is consolidated and reported each month, accompanied by key messages for encouragement or warning in respect of particular risks.

- A Global Week for Health and Safety at Work is organized each year as an opportunity to share safety rules and best practices at the level of all the Group's sites and subsidiaries worldwide. In 2018, for the 6<sup>th</sup> edition, a safety challenge gathered 239 teams registered in 22 countries.

- In 2018, the Group's accident frequency rate (TFi<sup>(1)</sup>) amounted to 11.80 reflecting a total of 419 workplace accidents resulting in time off for permanent and temporary employees.

KEY PERFORMANCE INDICATORS

	2016	2017	2018
% of subsidiaries free of any accident resulting in time off	43.4%	36.1%	39.8%

To prevent risks for the safety of temporary employees, specific training in health and safety is undertaken in on recruitment, in partnership with the temporary employment agencies.

Safety protocols are also applied to suppliers and subcontractors working on site. A specific safety drive was engaged in 2018 for the most accident-prone locations.

2. IMPROVE QUALITY OF LIFE AT WORK

ISSUES AND POLICY

The Group attaches great importance to the quality of life at work and to interpersonal relationships as a source of personal fulfilment and of lasting performance.

To that end, the Group undertakes to promote and maintain social dialogue, internal communication and attentiveness to employees' concerns. It develops solutions for improving working conditions and quality of life and regularly measures their effectiveness with a view to continuous improvement.

Social dialogue is placed as close as possible to the field so as to adapt to each business and to the specifics of each entity in accordance with the Group's principle of subsidiarity.

In that framework, the Group undertakes to perform opinion surveys and plans for progress at 100% of its subsidiaries in order to improve the quality of life in the workplace.

(1) Number of workplace accidents for permanent and temporary employees resulting in time off x 1,000,000/number of hours worked by permanent and temporary employees.



ACTIONS IN PLACE AND RESULTS

- Social dialogue is encouraged via employee representation. Employee representative bodies exist at all levels: locally at subsidiary level, the Group Committee at Group level in France, the European Works Committee at the European level. In the case of France, joint committees oversee the applicable contractual arrangements for benefits, healthcare and savings plans.
- In 2018, a pooled profit-sharing agreement for part of the Group’s French entities was signed with all the representative trade unions.
- Internal communication within the Group is encouraged at subsidiaries by in-house magazines, general and specialized intranet databases, posters, travelling exhibitions etc.
  - An internal Group magazine, available in four languages, is distributed to all employees in a paper version or in a digital version with enriched content.
  - In 2018, the launch of a Workplace corporate social network in the framework of the Savencia Connect project has enabled the use within the Group of a new, more open and instant information sharing which has stimulated dialogue between employees, functions and subsidiaries at all levels.
- Great Place To Work (GPTW) surveys are periodically performed at Group subsidiaries since 2009 to measure the social climate and give each employee the possibility of anonymous by express of his or her feelings.

KEY PERFORMANCE INDICATORS

Internal opinion surveys are performed about every three years with the last campaign mainly performed in 2016. In 2019, a GPTW survey is planned at 100% of the Group’s subsidiaries.

	2014-2016	2015-2017	2016-2018
% of subsidiaries having performed an internal opinion survey during the last three years*	43%	47%	46%

\* The percentages calculated for SAVENCIA as a whole cover the last three years.

3. DEVELOP SKILLS

ISSUES AND POLICY

The Group has always strived to implement a responsible and sustainable strategy based in particular on the development and promotion of its employees and on a humanistic and entrepreneurial culture.

It favors the professional and social fulfilment of the men and women who work in the Group. Driven by its culture, it facilitates their development within a professional environment propitious to their fulfilment.

Employee training and career management play a leading role in enabling each employee to enrich his or her skills in order to achieve personal development, contribute to collective success and maintain their employability.

The training policy for the Group’s employees focuses on performance management, accompanying change and preserving know-how with the objective of providing each employee the opportunity of progressing in professional and behavioral terms, consistent with the Group’s values.

To encourage its employees’ development, the Group’s career management policy encourages internal mobility and has it systematically in mind at every level. In the case of executives, line managers and supervisors, the aim is visibility for their career, to identify attractive opportunities in line with their expectations and to succeed in developing their skills.

For many years, a policy of dual vocational training has been favored for the integration, within the regulatory context, of apprentices or other trainees. The Group believes that such an approach is particularly adapted to accompanying in the first steps in the company future young graduates and to offering them subsequent lasting employment within SAVENCIA. The Group intends to double the number of apprentices by 2025.

ACTIONS IN PLACE AND RESULTS

- Development of our employer brand via Top Employer certification (in five European countries), the online posting of job and internship offers via LinkedIn/Jobteaser and participation in school forums. The Group’s products are shared with the culinary associations of the main schools targeted.
- Diversification of recruitment sources and digital development: online solutions, job interviews using deferred video techniques.
- Systematic annual employee assessment at all subsidiaries, individual career monitoring and forward planning of jobs and skills via annual career reviews by all subsidiaries.
- The annual employee training plan prepared annually by each subsidiary is based on both the Group’s Delta Competencies internal training and on external training.
- Savencia Digital Learning, launched in February 2018 in support of the Group’s Compliance program, centralizes all the Group’s digital training contents and is thus the sole e-learning platform in use within the Group. In 2018, all Group managers were given access to the platform.
- The Group had 242 ongoing apprenticeship contracts\* in 2018.

	2016	2017	2018
% of employees receiving training**	64.0%	75.3%	74.8%

\*\*Number of employees trained compared with total headcount at December 31.

The number of apprenticeship contracts increased by 5.2% between 2015 and 2018.

On average, in 2018, employees had been with the Group for 13.8 years.

\* Apprenticeship and similar contracts.

4. COMMITTED TO DIVERSITY  
AND INCLUSION

ISSUES AND POLICY

SAVENCIA promotes equal opportunity for all with particular attention to respect and non-discrimination. The Group’s Ethical Charter recalls that “respect for people” and “equal opportunity” are cornerstones of our corporate culture. In that state of mind, agreements are signed and initiatives taken to facilitate the insertion of young people, the employment and continued employment of handicapped persons and gender equality.

The Group strive to promote gender equality in terms of qualification, training, remuneration and career development. In the framework of its Oxygen plan, SAVENCIA has committed to achieving gender parity in managerial positions by 2025.

In order to change how employees view of handicaps, maintain jobs for handicapped persons and promote their recruitment, the Group has committed to its Action Handicap policy with four focuses on employment and continued employment of handicapped persons:

- Awareness-raising to combat stereotypes,
- Continued employment,
- Recruitment of handicapped persons,
- Development of partnerships with the sheltered/adapted sector.

ACTIONS IN PLACE AND RESULTS

- The hiring agencies with which the Group works must respect a best practice guide and in particular offer mixed lists of candidates.
- The organization of work and services facilitating the mix of professional and personal life.
- Development of partnerships with sheltered workshops.
- Insertion of handicapped persons: recruitment processes, support and training, individualized welcoming and integration, adapting workstations and working hours. Certain subsidiaries have signed agreements helping employees obtain formal recognition of their quality of disabled worker.
- In France, appropriate measures are taken to ensure and reinforce non-discrimination on the basis of age. They include tutoring, lifelong training, improvement of working conditions and prevention of arduous work in particular in the latter years of employment.
- The Group’s continuing measures for the support and integration of young people include mentors, integration processes such as the Graduate Program, etc.

KEY PERFORMANCE INDICATORS

	2015	2016	2017	2018
% of women managers	38.7%	39.6%	39.8%	40.9%
% of employees recognized as disabled	2.8%	2.8%	2.7%	3.0%

5. ENCOURAGE SOLIDARY

ISSUES AND POLICY

The Group encourages subsidiaries and their employees to support local initiatives. The Group’s subsidiaries, often established in rural areas, play an active role for employment and economic and social development within their territory.

Numerous actions are undertaken, in collaboration with local and regional authorities, in particular in the areas of:

- Employment: partnership with national employment agencies, integration of apprentices and other trainees, communication of job offers to schools;
- Training: cooperation with schools and universities, allocation of training taxes, sponsoring, intervention of employees in schools;
- The insertion of populations in need: reading out to sheltered workshops and disabled workers’ associations.

The Group undertakes that each of its subsidiaries will perform at least one act of solidarity in line with our mission of “Leading the way to better food”.

ACTIONS IN PLACE AND RESULTS

- Since 2011, the Arrondi sur salaire program enables volunteer employees to gift the cents of their monthly compensation. Groupe SAVENCIA matches the amount of their gift. The sums collected are distributed to four partner associations.
- In 2018, the Group renewed its sponsorship agreement with *Planète Urgence* which allows volunteer employees to engage for two weeks in a humanitarian mission, in the framework of solidarity leave, in order to contribute their skills to a local NGO in Africa, in Asia or in South America. This year, four employees under-took missions in Africa or South America.
- Locally, subsidiaries work together with cultural or solidary associations such as *Restos du Cœur* or other food banks. They give money or make gifts in kind of their products or those collected by employees. One-off operations are mounted to help the victims of natural catastrophes.
- At Group level, our *Bien Nourrir l’Homme* endowment fund supports employees playing active roles in associations and finances projects designed to enable all, and in particular children, all year round access to healthy, balanced and sustainable food (e.g. via school canteens, solidary grocery stores, market gardening, animal husbandry, dietary education etc.).
- In 2018, 20% of the Group’s subsidiaries made employees available for acts of solidarity\*.

\* Individual or collective solidary initiative undertaken in France or elsewhere in the world.



KEY PERFORMANCE INDICATORS

	2016	2017	2018
% of subsidiaries acting as partners/organizers for solidary actions/events	22%	22%	22%

An additional indicator reflecting the number of subsidiaries performing at least one act of solidarity reflecting our mission of “Leading the way to better food” is being deployed.

In 2018, 68.8% of gifts by manufacturing sites were gifts of products.

Society at large

1. RESPECT FOR HUMAN RIGHTS

ISSUES AND POLICY

The Group is attentive to compliance with human rights and fundamental liberties and to respecting the conventions of the International Labor Organization (ILO) in particular for the following two themes:

- Compliance with local legislations and culture with regard to age:
  - No child labor;
  - No age discrimination.
- Individual employee development and collective cohesion:
  - Progressive worldwide extension of the annual individual review;
  - Promotion of social dialogue via employee representation.

Via its commitment since 2003 to the UN’s Global Compact, Savencia Fromage & Dairy undertakes to respect social requirements and fundamental human rights in all the countries in which the Group is present.

ACTIONS IN PLACE AND RESULTS

- The Group’s Ethical Charter – The Group and its Culture – is given to each employee. It recalls the Compact’s 10 fundamental principles with regard to human rights, to working conditions and to the environment, thereby reinforcing the Group’s commitment.
- The Group’s plan for attention to human rights and fundamental liberties confirms them with all players in the value chain.
- Additional information is provided under “The Duty of vigilance”.

2. FIGHTING CORRUPTION

ISSUES AND POLICY

Fighting all forms of fraud and corruption is a priority of the Group’s enterprise culture.

Our action principles and rules of conduct are included in the ethical charter, The Group and its Culture, given to each new employee joining the Group.

The Group’s ethical charter and internal control help prevent and detect all forms of corruption. The most vulnerable countries are particularly under scrutiny.

Honesty and loyalty are part of the Group’s 4 fundamental values, and trust and mutual interest are at the foundation of the relationships the Group wishes to develop with its partners. Suppliers are therefore selected in particular on the basis of those principles via open and competitive bidding.

The Group’s entities undertake:

- To comply with international anti-terrorism and anti-money laundering requirements and to fight fraud and corruption;
- To comply with the principles of loyal competition, within the applicable legal framework;
- To promote their products and services in an honest and loyal manner.

In the framework of France’s so-called Sapin II law of December 2016, the Group has established a detailed mapping of its exposure to external solicitation for the purposes of corruption. The mapping is designed to identify, assess and rank its exposures to corruption, with a view to ensuring effective and appropriate compliance, but also to inform management and provide it with the necessary visibility for implementing prevention and detection measures proportionate to the issues.

The Group’s Risk Management & Compliance Department monitors those measures and assesses their effectiveness on the basis of identified indicators.

In 2019 a Committee for Ethics and Group Culture will be in charge of the governance of the Group’s “Vigilance Plan”.

ACTIONS IN PLACE AND RESULTS

- A Purchasing Code of Conduct sets out the rules for buyers in their dealings with suppliers in the four major areas of ethics and integrity, communication and collaboration, performance and progress and sustainable and responsible purchasing.
- A whistleblowing procedure has been translated into 19 languages and deployed at all Group subsidiaries (complemented by on-site poster campaigns).
- An anti-corruption code of conduct has been translated into 19 languages and deployed at all Group subsidiaries.
- In 2018, the Group’s e-learning compliance training module has been deployed with the aim of:
  - Raising employees’ awareness of their responsibility as to compliance;
  - Reducing the risks of non-compliant behavior;
  - Supporting our corporate culture and values;
  - Protecting the Group’s reputation.

93.4% of the Group’s executives and line managers have been trained on ethics and fraud.

3. FIGHTING TAX EVASION

ISSUES AND POLICY

The Group’s activities and international deployment expose it to risks of tax evasion, to fight which the Group has developed an overall approach involving in particular their review through internal audits.

ACTIONS IN PLACE AND RESULTS

- All the Group’s tax, legal and treasury functions have received appropriate guidance and make sure that legal, tax or financial structure is developed within the Group for the purpose of tax evasion.

KEY PERFORMANCE INDICATORS

The Group’s effective tax rate is 33.16%, significantly higher than its theoretical average rate, taking into account the tax legislation of the countries in which SAVENCIA is present.

Perspectives

The launch of the Group’s Oxygen plan in 2018 represents a new step in the Group’s commitment to Corporate Social Responsibility, initiated several years ago.

The CSR results for 2018 demonstrate the performance achieved for major challenges such as carbon footprint, quality of life at work or nutritional information.

All the Group’s subsidiaries and their employees are mobilized to succeed in translating our Oxygen commitments into reality by implementing lasting initiatives for progress with 4 major focuses:

- Healthy and responsible pleasure,
- Sustainable agriculture,
- Environmental footprint,
- Our employees’ wellbeing.

Capitalizing on its strong values, SAVENCIA Fromage & Dairy intends to pursue an active and long-term policy of social, societal and environmental responsibility, and to confirm its position as a partner of trust for its customers, suppliers and present and future employees.

Appendix:  
The bases of reporting

Organization of reporting

The collection of Corporate Social Responsibility (CSR) indicators is monitored by the Group’s functional departments for their respective areas. They are supported by their networks of local experts who contribute the raw data. Group Finance is the main interlocutor for the Group’s external auditors.

Scope

For social indicators, the performance data covers 95.8% of employees on a comparison basis and 100% for yearend 2018. For environmental indicators, the data is presented on a comparable basis for 2015-2018 equating with subsidiaries present in both 2015 and 2018 and covering 94.8% of production sites present in 2018.

Reporting procedures and guides

Two guides to environmental and social reporting define the Group’s environmental and social performance indicators. A methodological note presents the selection process for the issues selected by the Group. The documents serve as references for external verification of the data as provided for by the implementing decree for article L225-102-1 of the French code of commercial law.

Reporting tools

Data for all subsidiaries is received and consolidated via the Group’s consolidation system.

An annual questionnaire, providing for collection of all the data required, is distributed and completed by all Group subsidiaries (including all manufacturing, supply chain and sales locations) within the CSR scope of consolidation.

Consolidation and internal control

At Group the level, the persons in charge of CSR reporting consolidate the data collected in order to prepare the Group indicators presented in this section.

They also ensure internal control over the data by verifying their coherency and consistency. For that purpose, tests of coherency are performed and significant variations are identified and explained, with the data’s contributors.

External verification

Since 2002 and on a voluntary basis, the CSR reporting process is subject to audit by the Group’s statutory auditors.

Since 2013, the whole range of the Group’s social, environmental and societal data is reviewed by one of the Group’s statutory auditors designated as the independent third party mentioned by France’s so-called Grenelle II law.



Corporate governance

THE BOARD OF DIRECTORS

The Board of Directors is made up of fourteen members. They are appointed for a one-year renewable term. Eight 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. It examines the accounts and ensures the respect of the appropriate rules in relation with the Statutory Auditors. It ensures the implementation and compliance with internal control rules and examines the Group’s significant risks and commitments. 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,  
Christian Mouillon, 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 the Board of Directors and executive directors and the 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, Clare Chatfield and Béatrice Giraud.

COMPOSITION OF THE BOARD OF DIRECTORS

ALEX BONGRAIN

Chairman

ARMAND BONGRAIN

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

PASCAL BRETON

Director

AGNÈS BUREAU-MIRAT

Independent director

CLARE CHATFIELD

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

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

MALIQUA HAIMEUR

Independent director

MARTINE LIAUTAUD

Independent director  
Member of the Audit and Risks Committee

CHRISTIAN MOUILLON

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-MICHEL STRASSER

Director  
Chairman of the Audit and Risks Committee

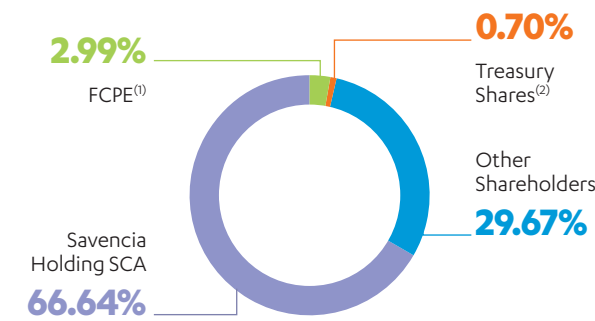
SOCIÉTÉ SAVENCIA HOLDING

Represented by Xavier Cruse

Stock market activity in 2018

- Euronext Paris – Eurolist Compartment B
- ISIN code FR0000120107
- Par value: €1
- Number of shares: 14,032,930
- Market capitalization at 12.31.2017: €1,132.74 million
- Euronext closing market price on 12.31.2018: €55.80
- Market capitalization at 12.31.2018: €783.04 million

COMPOSITION OF THE SHARE CAPITAL IN 2018



(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

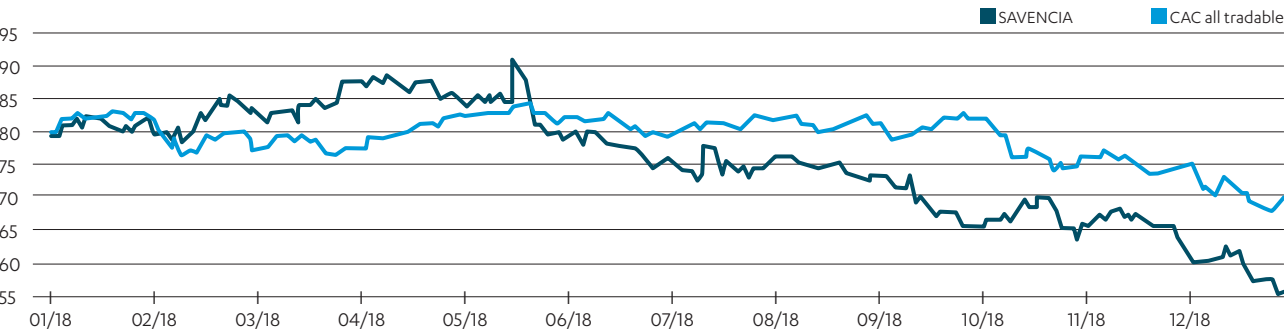
In euros	2018	2017	2016	2015	2014
Equity	99.50	98.23	97.04	90.57	86.92
Net income	3.94	6.69	7.48	4.07	2.79
Net dividend <sup>(1)</sup>	1	1.4	1.6	1	0.8
Global yield <sup>(2)</sup>	1.79%	1.73%	2.39%	1.67%	1.54%

(1) Proposed at the AGM held on April 18, 2019  
(2) Based on the share price at December 31.

STOCK MARKET DATA PER SHARE

In euros	2018	2017	2016	2015	2014
Highest adjusted price	90.80	88.88	68.8	64.8	65
Lowest adjusted price	55.4	67.43	54.35	49.5	51.3
Price at December 31	55.8	80.72	66.9	59.7	51.9
Market capitalization at December 31 (in millions of euro)	783.04	1,132.74	938.80	838.19	728.73

ADJUSTED SHARE PRICE IN 2018



SHAREHOLDERS’ AGENDA

Annual general meeting	April 18, 2019
Dividend payment	May 15, 2019

FINANCIAL INFORMATION

Annual net sales for 2018	February 2019
Annual results for 2018	March 2019
1 <sup>st</sup> quarter net sales	April 2019
Half-yearly results	September 2019
3 <sup>rd</sup> quarter net sales	October 2019
Annual results	March 2020



Management report

In 2018, the Group has been confronted with an unstable and globally unfavorable dairy environment, with a very poor first semester followed by some improvement in the second. World milk production was down, notably in Europe during the second half of the year as a result of the summer drought, thus maintaining a stable milk price The world price for skim milk powder reached an all-time low at the end of the 1st quarter of 2018 before rising again at the end of the year following the sale of European inventories. Nevertheless, its average price for 2018 was 14% lower than in 2017. The world price for butter was high throughout the year, albeit consumption was less than anticipated in the second semester, given the level of private inventories accumulated and the slowdown in world growth, and thereby depleted the price yearend.

The European dairy products market remained affected by strong competition between retailers. In some countries, consumption suffered as a result of retail price increases reflecting increased production costs. Beyond Europe, the Group’s net sales continued to increase but South America was confronted with excessively unstable and inflationary economies resulting in a decrease in consumption.

Within that environment, SAVENCIA Fromage & Dairy demonstrated its resilience by pursuing its development outside France, supported by both the strength of its brands and the quality of its products.

SCOPE OF CONSOLIDATION AND ACCOUNTING STANDARDS

During 2018, the Group subscribed to share capital increases enabling it to increase its interest in Ferrari, in Italy, from 27% to 49% and in La Compagnie Fromagère, in Tunisia, to 50%. The Group has thus achieved joint control of those companies which, as such, it continues to consolidate using the equity method.

The Group also acquired 80% of Bake Plus Co. Ltd. in South Korea on March 21, 2018 and 70% of Palace Industries Inc. in the USA on May 16, 2018. Both acquisitions include purchase and sale options for the residual interests exercisable from the start of the fifth year after the main acquisition for Bake Plus and the third year for Palace Industries. The acquisition at the end of December 2017 of 96% of Belebееvski Molochny Kombinat (B.M.K.) and its Agro 2000 subsidiary have impacted the Group’s consolidated income statement and statement of cash flows in 2018.

During 2017, the Group had divested its equity investment in Financière Louis and exercised its purchase option for 28% of Delaco (Romania) now a 100% subsidiary. It had also see above acquired, on December 22, 96% of B.M.K. A purchase and sale option for the remaining 4% may be exercised from the start of the fourth year after the main acquisition.

The Group’s consolidated financial statements have been prepared on the basis of IFRSs as adopted by the European Union. The Group has applied the amendments to standards and interpretations applicable with effect from January 1, 2018 and in particular, IFRS 9 on financial instruments and IFRS 15 on revenue recognition.

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement. It has notably introduced:

- A new classification of financial instruments based on their management model and contractual characteristics;
- A new financial asset impairment model, based on expected credit losses, replacing the model based on losses incurred; and
- New principles for hedge accounting.

IFRS 15, Revenue from Contracts with Customers, has replaced IAS 11 on construction contracts, IAS 18 on sales of goods and services and all applicable interpretations including IFRIC 13, Customer Loyalty Programs. It provides for a unique revenue recognition model for which it has introduced new concepts and principles with particular regard to the identification of performance obligations or the allocation of the transaction price for transactions involving multiple components. The nature of the Group’s revenue is such that it has not been greatly affected by the new standard.

By reason of its presence in Argentina, the Group has had occasion to apply IAS 29, Financial Reporting in Hyperinflationary Economies, applicable from the start of the year in which the country is judged subject to hyperinflation. Given the Group’s December 31 year-end, the provisions of IAS 29 thus took effect with effect from January 1, 2018 as if Argentina had always been subject to hyperinflation.

ACTIVITY AND RESULTS

The geographical dispersion of the Group’s markets, and the diversity of its businesses, enable SAVENCIA Fromage & Dairy (the trade name of SAVENCIA SA) to better absorb the adverse market conditions liable to impact both levels of consumption and the various cost components. In particular, consumer demand does not evolve in the same way in mature markets and in developing zones. It may also vary in response to type of retail product and intensity of sales initiatives. Changes in world prices for industrial products do not normally affect our Cheese Products and Other Dairy Products businesses at the same time, with the same amplitude and in the same direction. The repercussion of possible cost increases is helped by the strength of the Group’s brands and the often innovative nature of our consumer offerings.

Other elements of risk are covered in the “Internal control, risk management and duty of vigilance” section of the present document (page 65). SAVENCIA Fromage & Dairy’s consolidated net sales for 2018 amounted to €4,862.6 million compared with €4,852.8 million for 2017, an increase of 0.2%.

Like-for-like for scope<sup>(1)</sup> and foreign exchange<sup>(2)</sup>, the increase amounted to 2.1%. The overall trend was penalized by a very unfavorable foreign exchange impact of -3.8% reflecting the loss in value of most world currencies against the euro and in particular, of the South American currencies greatly affected by the hyperinflation of Argentina. The positive 2% scope impact was attributable to the consolidation of B.M.K. at the end of December 2017, of Bake Plus at the end of March 2018 and of Palace Industries in mid-May 2018. Organic growth was mainly attributable to selling price adjustment in the Group’s main markets and to the development of the Group’s international businesses.

The proportion of net sales achieved outside France moved from 71% in 2017 to 70% in 2018.

Current operating profit rose by 2.9% over 2017, reaching €177.6 million and including a positive scope impact of 9.2% and a negative foreign exchange impact of 5.1%, unfavorable in most countries and particularly so in Argentina suffering from hyperinflation.

Like-for-like, current operating profit fell by -0.7% reflecting:

- Increased raw material and other production costs;
- Partial de-listings which particularly impacted volumes in Northern and Central Europe;
- A dairy environment particularly unfavorable to the development of our Ingredients businesses given in particular the historically low level of world prices for milk powder.

Those impacts were nevertheless partially offset by:

- The development of the Group’s International businesses;
- Volume-mix improvement for certain activities;
- The pursuit of the Group’s rationalization initiatives.

Current operating margin improved slightly to 3.7% compared with 3.6% in 2017.

Cheese Products

Cheese Product net sales rose by 1.2% over 2017, to €2,795.5 million or 57.5% of total consolidated net sales compared with 56.9% in 2017.

The change breaks down as to:

- Organic growth<sup>(3)</sup> of +0.5%;
- An unfavorable foreign exchange impact of -1.9% mainly reflecting the weakening of the Brazilian real, the US dollar and the Chinese yuan; and
- A scope impact of 2.8% following the integration of B.M.K. and Palace Industries.

Sales growth has been sustained by selling price adjustments reflecting the strong variation in raw material prices. Volumes improved in North America and Asia-Pacific but receded in most European markets as a result of increased selling prices, which negatively impacted sales volumes, and of a reduction in promotional activities.

In France, net sales increased as a result of the partial repercussion of raw material costs on selling prices with branded product volumes staying globally stable. Elsewhere in Europe, net sales receded despite positive pricing adjustments in most markets. Volumes were adversely impacted by partial de-listings. Internationally, net sales were penalized by the globally unfavorable foreign exchange impact. Organic growth continued in North America and Asia but South America was penalized by the strong inflation of the zone.

Current operating profit amounted to €159 million, up €11.7 million or +7.9% compared with 2017. The operating margin rate increased from 5.3% to 5.7% reflecting the development of our international businesses.

Other Dairy Products

Other Dairy Product net sales fell by -1.8% over 2017, to €2,193.2 million or 45.1% of total consolidated net sales compared with 46% in 2017.

The change breaks down as to:

- Organic growth of +3.8% mainly reflecting the price impact of Argentina’s hyperinflation. Otherwise, the increase in butter prices globally offset the depleted prices for our milk powder businesses;
- An unfavorable foreign exchange impact of -6.3% mainly reflecting the weakening of the Argentinian peso, and to a lesser extent of the US dollar and Chinese yuan against the euro; and
- A scope impact of 0.9% following the integration of Bake Plus.

Current operating profit amounted to €41 million compared with €43.8 million in 2017, a fall of -6.5%. The operating margin rate decreased slightly from 2% to 1.9%. Butter and cream performed well in 2018 but the Ingredients business was greatly penalized by the historically very unfavorable trend in milk powder prices.

Unallocated items

Unallocated items depleted current operating profit by -€22.3 million compared with -€18.4 million in 2017. They mainly comprised holding company costs.

Non-recurring items amounted to -€61.8 million compared with -€19.5 million in 2017. They mainly related to charges and provisions for the Group’s performance improvement plans engaged in France and in Central Europe (-€46.3 million), to other provisions for contingencies and future costs and to the recognition of impairment losses for certain assets. Total operating profit amounted to €115.9 million, a fall of 24.4% over 2017.

Net financial expense amounted to -€18.4 million, compared with -€16.1 million in 2017, reflecting the -€2.8 million impact of the application of IFRS 9 compared with 2017. Like-for-like, the change amounted to +€0.5 million essentially reflecting the impact of lower short-term interest rates within the Eurozone.

The loss on monetary position of -€14.6 million reflects the application for 2018 of IAS 29, Financial Reporting in Hyperinflationary Economies, to Argentina.

The Group’s share of results of associates, net of taxation, amounted to €2.9 million compared with €5.4 million in 2017.

Corporate taxes on income amounted to €28.4 million, down by €17.8 million over 2017 and reflecting an effective tax rate of 33.2% compared with 32.4% in 2017. Abstracting for the hyperinflationary impact of Argentina, the effective tax rate would have amounted to 25.4% in 2018, essentially reflecting the fall in the rates of corporate income tax in the USA and in Belgium.

(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 1<sup>st</sup> 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.  
(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.



RÉSULTATS

Net income for continuing operations amounted to €57.3 million compared with €96.5 million in 2017.

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 €54.8 million, compared with €93 million in 2017.

CAPITAL EXPENDITURE

SAVENCIA Fromage & Dairy’s investment in tangible and intangible fixed assets rose by 11% in 2018, to **€195.9 million** compared with **€176.4 million** in 2017. Its breakdown by business segment was as follows:

- 📌 Cheese Products: 69.6%;
- 📌 Other Dairy Products: 26.6%;
- 📌 Unallocated investment: 3.8%.

External development in 2018 comprised the acquisition of Bake Plus in South Korea and Palace Industries Inc. in the USA, as well as of minority interests in Ferrari (Italy) and Cie Fromagère de Tunisie (Tunisia). In 2017, the Group acquired B.M.K. in Russia and purchased an additional interest in Delaco (Rumania).

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 is classified by nature and charged to profit or loss as incurred.

EMPLOYEES

The **Group employed on average** (including temporary staff, and at fully consolidated entities) **19,888 employees** in 2018 compared with 19,485 in 2017, a rise of 2% but a fall of -1.7% like-for-like. The scope impact reflected the acquisitions of B.M.K., Bake Plus and Palace Industries Inc. The breakdown of employees by business segment was as follows:

- 📌 Cheese Products: 71.6%;
- 📌 Other Dairy Products: 24.7%;
- 📌 Unallocated investment: 3.7%.

FINANCIAL POSITION

The Group’s balance sheet continues to reflect a sound financial position. Equity rose by +€17.9 million, or +1.3%, compared with 2017, to €1,396.3 million. Net borrowings rose by €32 million to €563.6 million and represent 40.4% of equity compared to 38.6% as of December 31, 2017. The financial ratios imposed by the Group’s borrowing 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 mitigated through a policy of prudent hedging.

EVENTS AFTER THE YEAR-END

On January 24, 2019 and following the report of a suspected risk of contamination of rice protein-based infantile formulae sold under the Modilac brand, Sodilac, in agreement with France’s DGCCRF, decided to recall all rice protein-based infantile formulae and not just the 2 suspected batches. The full applicable cost estimated for 2018 has been provided for in the consolidated financial statements.

OUTLOOK

The uncertainties with regard to currency volatility and to the world dairy economy will continue to have impact in 2019. Within that environment SAVENCIA Fromage & Dairy, confident in its teams’ dynamism, will pursue its efforts of adaptation and competitiveness. The development of specialty products and the reinforcement of the Group’s international positions will remain the engines of its growth.

To that end permanent, constructive and transparent dialogue with all the Group’s partners – stockholders, employees, milk producers, distributors and industrial customers – will remain a key factor for meeting the challenges of tomorrow’s world. In that respect, for 2019 Savencia has negotiated, with certain of its major retail customers, an agreement designed to increase the price paid for milk to the Group’s producers.

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.

PHASES OF THE RISK MAPPING

- 📌 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.

MAIN RISKS IDENTIFIED AT THE GROUP LEVEL

**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.



RESULTS

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.

This mapping was completed in 2018 with a “raw materials” component aimed at assessing the main risks related to our supply chains.

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.

General data protection regulation

The Group continued to comply with the General Data Protection Regulation in 2018 by having developed the entire corpus of regulations at Corporate level. The implementation of the RGPD has started in some “test” subsidiaries and will end in the second quarter of 2019. At the end, the entire Group will comply with the General Data Protection Regulation.

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 2018.

The same Committee met on October 22, 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 October 24, 2018.



## RESULTS

### Consolidated income statement

In thousands of euro	12 months	
	2018	2017
<b>NET SALES</b>	4,862,625	4,852,816
Purchases adjusted for changes in inventory	-3,190,326	-3,199,354
Personnel costs	-868,167	-859,568
Depreciation and amortization	-132,743	-124,710
Other current operating expense	-493,748	-496,476
<b>CURRENT OPERATING PROFIT</b>	<b>177,641</b>	<b>172,708</b>
Other operating expense	-65,140	-23,731
Other operating income	3,368	4,276
<b>TOTAL OPERATING PROFIT</b>	<b>115,869</b>	<b>153,253</b>
Financial expense	-30,375	-29,363
Financial income	11,953	13,297
Gain or loss on net monetary position <sup>(1)</sup>	-14,599	-
Group share of results of associates	2,882	5,419
<b>PROFIT BEFORE TAX</b>	<b>85,730</b>	<b>142,606</b>
Income tax expense	-28,428	-46,147
<b>Net income from continuing operations</b>	<b>57,302</b>	<b>96,459</b>
<b>NET INCOME</b>	<b>57,302</b>	<b>96,459</b>
Net income attributable to equity holders of the parent company	54,826	92,988
Non-controlling interests	2,476	3,471
<b>EARNINGS PER SHARE</b>		
Attributable to equity holders of the parent company:		
• basic	3,94	6,69
• diluted	3,86	6,56
For continuing operations:		
• basic	3,94	6,69
• diluted	3,86	6,56

(1) Restatement of Argentina hyperinflationary economy.

### Consolidated statement of comprehensive income

In thousands of euro	12 months	
	2018	2017
<b>NET INCOME</b>	<b>57,302</b>	<b>96,459</b>
<b>Other comprehensive income:</b>		
Foreign exchange differences <sup>(1)</sup>	-30,869	-50,884
Change in fair value of financial assets	-	377
Change in fair value of cash-flow hedges, net of taxes <sup>(2)</sup>	-3,352	353
Currency basis spread <sup>(3)</sup>	512	-
Hyperinflation <sup>(4)</sup>	24,497	-
Other changes	-1,991	-1,867
Share of associates and joint-ventures in recyclable components	-358	-428
<b>Total recyclable components of other comprehensive income</b>	<b>-11,561</b>	<b>-52,449</b>
Actuarial gains and losses relating to employment benefit plans	3,792	-37
Other changes	-	-
Share of associates and joint-ventures in non-recyclable components	118	-63
<b>Total non-recyclable components of other comprehensive income</b>	<b>3,910</b>	<b>-100</b>
<b>Total other comprehensive income net of tax</b>	<b>-7,651</b>	<b>-52,549</b>
<b>TOTAL COMPREHENSIVE INCOME NET OF TAXE</b>	<b>49,651</b>	<b>43,910</b>
Group share	47,103	40,234
Non-controlling interests	2,548	3,676

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

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

(3) IFRS 9 excluded currency basis the hedging relationship spread.

(4) Impact of the reprocessing of hyperinflation in Argentina.

### Consolidated statement of balance sheet

#### ASSETS

In thousands of euro	December 31, 2018	December 31, 2017
Intangible assets	532,536	542,050
Property, plant and equipment	1,022,586	950,810
Other financial assets	29,954	29,774
Investments in associates	132,729	121,277
Non-current derivative financial instruments	11,462	2,727
Deferred tax assets	43,080	34,751
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,772,347</b>	<b>1,681,389</b>
Inventories and work in progress	517,480	494,107
Trade and other receivables	828,892	871,887
Tax receivable	50,167	46,894
Current derivative financial instruments	5,819	6,172
Other current financial assets	12,157	14,443
Cash and cash equivalents	471,936	362,116
<b>TOTAL CURRENT ASSETS</b>	<b>1,886,451</b>	<b>1,795,619</b>
Assets held for sale or relating to discontinued operations	-	674
<b>TOTAL ASSETS</b>	<b>3,658,798</b>	<b>3,477,682</b>

#### EQUITY AND LIABILITIES

In thousands of euro	December 31, 2018	December 31, 2017
Paid-in capital	89,288	88,166
Reserves	-94,115	-63,805
Retained earnings	1,296,678	1,250,408
<b>GROUP SHARE OF EQUITY</b>	<b>1,291,851</b>	<b>1,274,769</b>
Non-controlling interests	104,468	103,655
<b>TOTAL EQUITY</b>	<b>1,396,319</b>	<b>1,378,424</b>
Provisions	130,913	106,995
Non-current financial borrowings	342,902	278,629
Other non-current liabilities	40,189	23,908
Non-current derivative financial instruments	11,492	4,824
Deferred tax liabilities	49,884	48,075
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>575,380</b>	<b>462,431</b>
Trade and other payables	954,156	976,573
Tax payable	18,983	19,728
Current derivative financial instruments	2,869	3,589
Bank borrowings	711,091	636,899
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,687,099</b>	<b>1,636,789</b>
Liabilities held for sale or relating to discontinued operations	-	38
<b>TOTAL LIABILITIES</b>	<b>2,262,479</b>	<b>2,099,258</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,658,798</b>	<b>3,477,682</b>

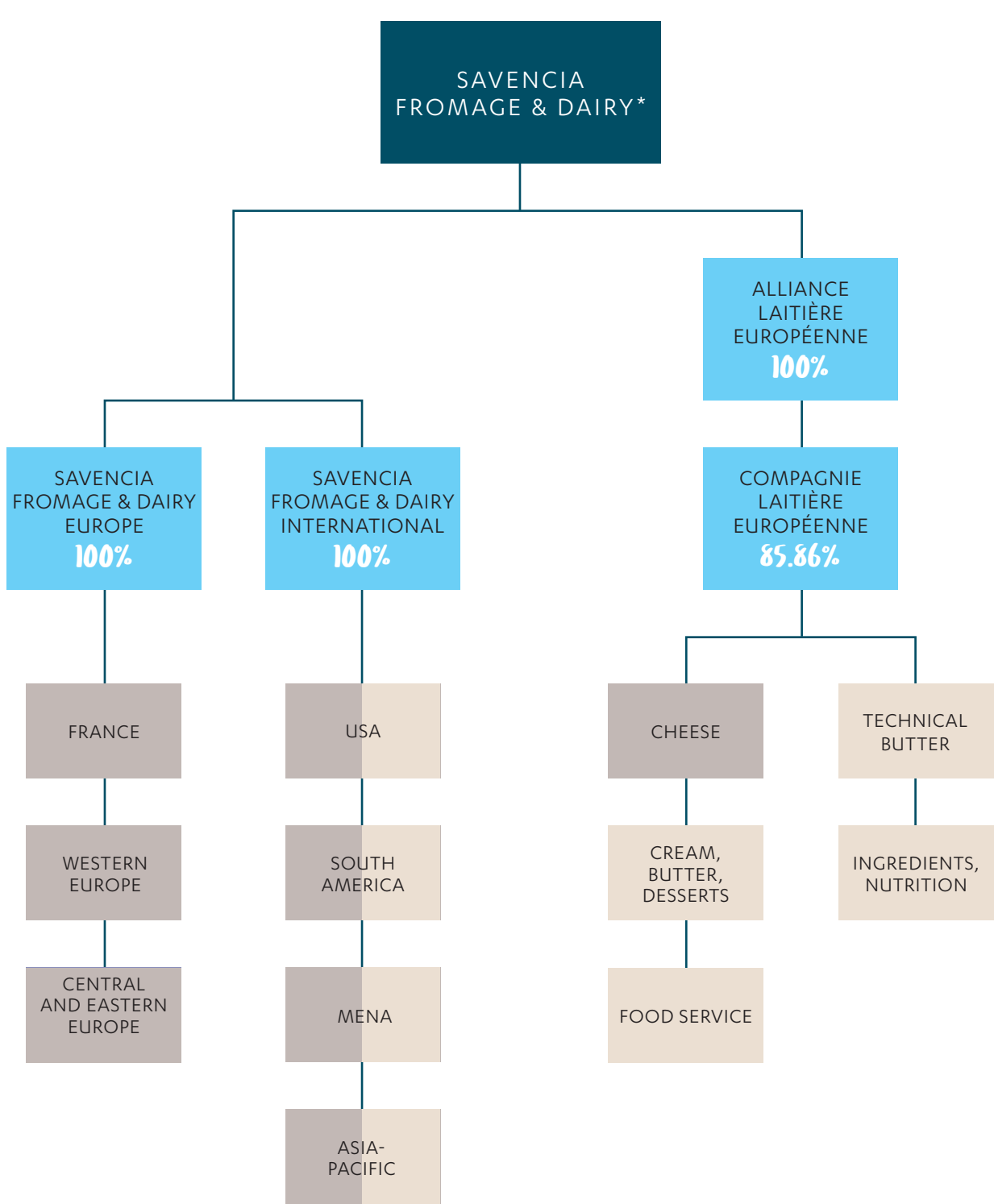


Consolidated statement of cash flows

In thousands of euro	12 months	
	2018	2017
Net income from continuing operations	57,302	96,459
Income tax expense	28,428	46,147
Depreciation and amortization	132,743	124,710
Gains and losses on disposal of assets	3,702	636
Group share of results of associates	-2,882	-5,419
Net financial expense	11,411	9,748
Other non-cash income and expense(*)	64,239	9,453
Gross operating margin	294,943	281,734
Interest paid	-20,350	-19,233
Interest received	8,973	9,373
Income tax paid	-42,705	-59,068
Change in working capital	-16,403	-61,384
Net cash-flow from operating activities for continuing operations	224,458	151,422
NET CASH FLOW FROM OPERATING ACTIVITIES	224,458	151,422
Acquisition of subsidiaries, operating units and non-controlling interests	-,34,778	-156,967
Disposal of businesses net of the cash transferred	-	433
Purchase of tangible and intangible non-current assets	-195,935	-176,381
Proceeds from disposal of assets	2,741	5,793
Acquisition/disposal of financial assets and changes in other current financial assets	1,106	-4,109
Dividends received (including dividends received from associates)	1,261	1,198
Net cash-flow from investment associated with continuing operations	-225,605	-330,033
Net cash-flow from investment associated with discontinued operations or in process of sale	-	-
NET CASH USED IN INVESTING ACTIVITIES	-225,605	-330,033
Net cash-flow from financing activities		
Purchase and sale of treasury shares	1,114	1,196
Share capital increase paid by non-controlling interests	-	3,483
Proceeds of borrowings	230,146	188,087
Repayment of borrowings	-215,259	-52,778
Dividends paid	-22,016	-27,695
Net cash-flow from financing activities for continuing operations	-6,015	112,293
Net cash-flow from financing activities for discontinued operations or in process of sale	-	-
NET CASH FLOW FOR FINANCING ACTIVITIES	-6,015	112,293
Impact of foreign exchange differences	3,070	-1,623
Net change in cash and cash equivalents	-4,092	-67,941
Reclassification of cash and cash equivalents for discontinued operations or in process of sale	-7	9
OPENING CASH AND CASH EQUIVALENT	322,860	390,792
CLOSING CASH DAND CASH EQUIVALENT	318,761	322,860

(\*) Including impact of the evolution of risks and charges provisions (+€26.6 million) and the restatement of Argentina hyperinflationary economy (+€14.6 million).

Simplified Group structure



■ CHEESE PRODUCTS  
■ OTHER DAIRY PRODUCTS  
\* SAVENCIA Fromage & Dairy is the trade name of SAVENCIA SA.



GRI & Grenelle II equivalence table -  
Non Financial Performance Statement

I. SOCIAL PERFORMANCE

GRI G4	GRENELLE II - Decree dated 04/24/2012 Data available on <a href="#">savencia-fromagedairy.com</a>		Non Financial Performance Statement	Page
	I.a)	EMPLOYMENT		
G4-9	I.a) 1.1	Total employees	Grenelle II data available on <a href="#">savencia-fromagedairy.com</a>	-
G4-10 LA1 LA12	I.a) 1.2	Split of employees by sex		
LA1 LA12	I.a) 1.3	Split of employees by age		
G4-10 LA1 LA12	I.a) 1.4	Split of employees by geographical zone		
EC6 LA1*	I.a) 2.1	Hires		
LA1*	I.a) 2.2	Terminations		
G4-51* G4-52* G4-53* G4-54* EC1 ECS	I.a) 3.1	Compensation	Grenelle II data available on <a href="#">savencia-fromagedairy.com</a>	-
G4-55*	I.a) 3.2	Evolution of compensation		
	I.b)	ORGANIZATION OF WORK		
-	I.b) 1	Organization of working hours		
G4-LA6	I.b) 2	Absence		
	I.c)	LABOR RELATIONS		
LA4	I.c) 1	Organization of labor relations and procedures for the information of, negociation with and consultation of personnel	SOCIAL/ Collective agreements and diversity actions	55 - 56
-	I.c) 2	Collective bargaining agreements		
	I.d)	HEALTH AND SAFETY		
LA5	I.d) 1	Conditions of health and safety at work	SOCIAL/ Collective agreements and diversity actions	55
LA8	I.d) 2	Agreements relating to health and safety at work signed with trade unions or employee representatives		
LA6 LA7	I.d) 3	Frequency and severity of industrial injuries		
LA6	I.d) 4	Work-related illness		
	I.e)	TRAINING		
LA10 LA11	I.e) 1	Training policies	SOCIAL	56
LA9 HR2	I.e) 2	Hours of training		
	I.f)	EQUALITY OF TREATMENT		
LA3 LA12 LA13	I.f) 1	Equality of women and men	SOCIAL/Collective agreements and diversity actions/Handicap	57
LA 12 *	I.f) 2	Employment and insertion of handicapped persons		
LA12 HR3	I.f) 3	Anti-discrimination policy		
	I.g)	PROMOTION AND COMPLIANCE WITH INTERNATIONAL LABOR ORGANIZATION REQUIREMENTS		
HR3 HR4 HR5 HR6	I.g) 1	Respect for freedom of association and the right to collective bargaining	SOCIAL/ Collective agreements and diversity actions	56 - 58
	I.g) 2	Elimination of employment discrimination		
	I.g) 3	Elimination of forced or obligatory work		
	I.g) 4	Effective abolition of work by children		

\* Indicators providing a partial response to the issue.

II. THE ENVIRONMENT

	II.a)	GENERAL POLICY		Page
G4-1	II.a) 1.1	Corporate organization in response to environmental issues	ENVIRONMENT	52
G4-EN32	II.a) 1.2	Environmental evaluation and certification		
G4-43* G4-37 G4-51 G4-55	II.a) 2	Environmental protection information and training of employees		
EN30 EN31	II.a) 3	Resources devoted to the prevention of environmental risks and pollution		
EC2	II.a) 4	Environmental provisions and guarantees		
	II.b)	POLLUTION		
EN 10 EN20 EN21 EN 22 EN24 EN 26	II.b) 1	Prevention, limitation or remediation of discharges to air, water and the land with environmental impact	Grenelle II data available on <a href="#">savencia-fromagedairy.com</a>	-
EN24	II.b) 3	Noise and other activity-specific forms of pollution		
	II.c)	CIRCULAR ECONOMY		
		Prevention and management of waste	ENVIRONMENT/ Circular economy and food waste	54
EN23 EN24 EN25 EN28	II.c) 1.1	Prevention, recycling and elimination of waste		
-	II.c) 1.2	Combating food waste		
		Sustainable use of resources	ENVIRONMENT/ Animal wellbeing	51 - 52 53 - 54
EN8 EN9	II.c) 2.1	Water consumption and water supply versus local constraints		
EN1 EN2	II.c) 2.2	Raw material consumption and improvement of use		
EN3 EN4 EN6 EN7 *	II.c) 2.3	Energy consumption and improvement of efficiency/use of renewable energies		
EN11	II.c) 2.4	Land use		
	II.d)	CLIMATE CHANGE		
EN15 EN16 EN17 EN18 EN19	II.d) 1	Significant greenhouse gas emissions engendered by the Company's activity and by use of the goods and services it produces	ENVIRONMENT/ Consequences on climate change	52 - 53
-	II.d) 2	Adapting to the consequences of climate change		
	II.e)	PROTECTING BIODIVERSITY		
EN11 EN12 EN13 EN14 EN26	II.e) 1	Preserving or developing biodiversity	Grenelle II data available on <a href="#">savencia-fromagedairy.com</a>	-

\* Indicators providing a partial response to the issue.

III. SUSTAINABLE DEVELOPMENT

	III.a)	TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITY		Page
EC6 EC7 EC8 EC9 SO1	III.a) 1	Employment and regional development	SOCIETAL	51 - 57
EC6 EC7 EC8 EC9 HR8 SO1 SO2	III.a) 2	Local residents		
	III.b)	RELATIONSHIPS WITH STAKEHOLDERS		
G4 26 G4-37	III.b) 1	Dialogue	SOCIETAL	57
EC 7	III.b) 2	Partnerships and corporate patronage		
	III.c)	SUBCONTRACTING AND SUPPLIERS		
LA14 LA15 EN33 HR5 HR9 HR11 HR6	III.c) 1	Purchasing policy	SOCIETAL/ Anti-Corruption	51 - 52
LA14 LA15 G4-12 EN32 EN33 HR5 HR6 HR9 HR10 HR11 SO9 SO10	III.c) 2	Importance of subcontracting and integration of social and environmental responsibility to supplier relationships		
	III.d)	LOYAL PRACTICES		
G4-56 - G4-58 SO3 SO4 SO5	III.d) 1	Anti-corruption	SOCIETAL/ Anti-Corruption	58
EN27 PR1 PR2 PR3 PR4 PR6 PR7 PR8 PR9	III.d) 2	Consumer health and safety	SOCIETAL/ Healthy and sustainable Food/Food waste	49 - 50
-			SOCIETAL/ Fight against tax evasion	59
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**SAVENCIA**  
FROMAGE & DAIRY

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