



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AS OF JUNE 30, 2019**

SUMMARY

Activity report as of June 30, 2019

Condensed interim consolidated financial statements as of June 30, 2019

Statutory auditors' review report on the interim financial information

Attestation by the financial director

ACTIVITY REPORT AS OF JUNE 30, 2019

ACTIVITY OF THE COMPANY AND OF ITS SUBSIDIARIES AND ASSOCIATES

At the end of June 2019, the Group had the benefit of a dairy environment more favorable to its operations. SAUVENCIA FROMAGE & DAIRY's consolidated net sales rose by +3.4%. The positive trend in current operating profit, which rose by €22.9 million to €95.1 million, bore witness to the Group's capacity for resistance founded in the strength of its major brands, its international development and the pursuit of its efforts for competitiveness. The positive trend, during the first half of 2019, in world prices for industrial products also enabled our Ingredients businesses to derive greater value from their production.

THE ECONOMIC ENVIRONMENT

World milk production is currently sluggish and has suffered the effects of an unfavorable climatic and economic environment. The price of milk has increased. The world price for powdered skim milk, which reached a historic low at the end of the 1st quarter of 2018, improved at the end of the year and continued its increase during the first half of 2019 helped by the fall in production of the world's leading milk exporters and by the disappearance of Europe's intervention stocks. The price for cube butter, which hit a historic high in June 2018, began to fall in the 2nd half of 2018 and continued to fall during the 1st half of 2019. The consumption of butter and exports of high-fat milk powders plunged as the market preference switched to vegetable fats. European butter inventories climbed back to a higher than average level.

The European market for milk products remained impacted by keen competition between distributors. Our international markets pursued their development albeit South America, and Argentina in particular, remained faced with excessively unstable and inflationary economies resulting in lower consumption.

Within that context, SAUVENCIA Fromage & Dairy pursued its development beyond the frontiers of France, continuing to rely on the strength of its brands and the quality of its products.

ACCOUNTING STANDARDS

SAUVENCIA FROMAGE & DAIRY's condensed consolidated interim financial statements have been prepared on the basis of the IFRSs in force and adopted by the European Union. The Group has applied the new texts which became mandatory with effect from January 1, 2019 including IFRS 16, the new standard on accounting for leases, IFRIC 23 on *Uncertainty over Income Tax Treatments* and the amendments to IFRS 9, IAS 28 and IAS 19 as well as the 2015-2017 cycles of annual improvements to IFRSs.

IFRS 16, Leases has replaced the eponymous IAS 17. It has notably introduced a unique balance sheet accounting model for leases under which the lessee recognizes a "right of use" asset and a lease liability reflecting the discounted value of the future lease payments. The Group has opted for use of the simplified retrospective method of application as of the date of first-time application, so its comparative information for 2018 has not been restated. The Group has also chosen to apply the transitional measures of simplification provided for (*cf. the introductory notes to the condensed consolidated interim financial statements*). The accounting impacts of the new standard are described in note 10 to the condensed consolidated interim financial statements.

SCOPE OF CONSOLIDATION

There has been no material change to the Group's scope of consolidation during the 1st half of 2019. In 2018, the Group acquired an 80% interest in BAKE PLUS Co, Ltd (South Korea) on March 21, 2018 and a 70% interest in PALACE INDUSTRIES Inc. (USA) on May 16, 2018.

ACTIVITY & RESULTS

As of June 30, 2019 SAVENCIA FROMAGE & DAIRY's consolidated net sales amounted to €2,428 million compared with €2,347 million the year before, an **increase of +3.5%** reflecting organic growth (1) of +4.7%, an unfavorable foreign exchange impact (2) of -1.7% mainly reflecting the loss in value of the Argentinian peso partly offset by the rise in value of the US dollar against the euro, and a positive scope of consolidation impact of +0.5% thanks to the consolidation of BAKE PLUS at the end of March 2018 and of PALACE INDUSTRIES Inc. on May 16, 2018.

Net sales for Cheese Products rose by +2.9% like-for-like, attaining €1,381 million essentially as a result of improved volume mix impacts for Europe compared with the 1st half of 2018. The price impact was reduced given strong distributor pressure on pricing. International cheese product sales had the benefit of positive foreign exchange movements and of positive growth (with favorable volume mix) in particular in Asia and North America. South America remained penalized by inflation.

Net sales for Other Dairy Products rose by 7.5% like-for-like, attaining €1,114 million. The fall in France for butter and cream was attributable to price reductions in line with the fall in world butter prices. Ingredients fared better with the rise in world prices for powdered skim milk and whey. Our international businesses pursued their development.

Current operating profit rose by 35.7% from €72.2 million for the 1st half of 2018 to €95.1 million in 2019, despite a -3.6% negative foreign exchange impact and a scope of consolidation impact limited to +0.7%. Current operating margin amounted to 3.9% compared with 3.1% as of June 30, 2018. The change in current operating profit was positive for both the Group's operating segments.

Current operating profit for Cheese Products amounted to €64.7 million, compared with €63 million for the 1st half of 2018, with a stable current operating margin of 4.7%. Distributor pressure on prices and other conditions of sale remained strong. Cost control, improved volume mix and international growth nevertheless enabled the overall trend to remain positive.

Current operating profit for Other Dairy Products amounted to €38.6 million, compared with €20 million for the 1st half of 2018, whilst current operating margin also improved significantly from 1.9% to 3.5%. This operating segment is always sensitive to changes in world prices for industrial products, in particular for ingredients, which gained in value during the 1st half of 2019 thanks to increased world prices for skim milk and whey.

Unallocated items had a total impact on current operating profit of -€8.2 million compared with -€10.7 million for the 1st half of 2018.

Non-recurring items had a negative impact of **-€37.6 million** compared with **-€13.2 million** for the 1st half of 2018. They included €12.9 million of net restructuring costs and €25.4 million of net impairment of assets, of which €19.7 million in respect of the proposed closure of the St Saviol site in France, as well as net miscellaneous gains of +€0.7 million.

Consolidated operating profit amounted to **€57.5 million**, down by -2.6% in comparison with the **€59 million** achieved as of June 30, 2018.

Net financial expense amounted to **-€11.7 million**, compared with **-€9.3 million** for the 1st half of 2018, essentially reflecting the -€1.5 million impact of the first-time application, in 2018, of IFRS 16 and the consequential recognition of the financing component of lease obligations.

The **+€0.7 million gain on net monetary position** reflects the implications of IAS 29, *Financial Reporting in Hyperinflationary Economies*, for the Group's operations in Argentina. The standard was applied by the Group in December 2018 but was not yet applicable as of June 30, 2018.

The **Group share of results of associates** amounted to **-€0.8 million** as of June 30, 2019 compared with **+€0.7 million** as of June 30, 2018.

Consolidated profit before tax amounted to **€45.7 million** compared with **€50.4 million** as of June 30, 2018, a fall of -9.3%.

Consolidated income tax expense amounted to **-€19.2 million** compared with **-€15.2 million** for the 1st half of 2018, with an effective tax rate of 42% compared with 30.2% for the 1st half of 2018. Excluding Argentina, the effective tax rate would have amounted to 38.9% in June 2019, a rise attributable to the recognition of non-deductible impairment losses during the 1st half of 2019.

Consolidated net income from continuing operations amounted to **€26.5 million**, compared with **€35.2 million** for the 1st half of 2018, for the range of reasons explained above.

There was no income or expense for discontinued operations.

Non-controlling interests recorded a loss of **-€0.6 million** compared with a profit of **+€3.6 million** as of June 30, 2018.

Consolidated net income for the semester attributable to equity holders of the parent company amounted to **€27.1 million**, a fall of €4.5 million compared with the 1st half of 2018. Consolidated net margin amounted to 1.1% as of June 30, 2019 compared with 1.3% as of June 30, 2018.

Net cash from operations amounted to **+€16.5 million** compared with **+€9.5 million** as of June 30, 2018, including €11.8 million reflecting the first-time application of IFRS 16 (with the cancellation of lease charges and the recognition of the financing component of the Group's lease obligations). The balance of the change mainly reflects the increase in the Group's working capital requirement from €101 million as of June 30, 2018 to €109.9 million as of June 30, 2019 in line with the trend in the dairy economy and in the Group's level of activity.

At **€638.6 million, consolidated net debt** (excluding the impact of IFRS 16) amounted to 45.2% of equity, compared with 40.4% as of December 31, 2018, in line with the Group's capital expenditure (including acquisitions) and the trend in its working capital requirement.

OUTLOOK

The Group's performance in the 2nd half of the year will remain dependent on market demand and on the potentially negative repercussions of Brexit for the European dairy economy. International commercial tensions and Argentina's hyperinflation may also influence household consumption and currency volatility. Within this uncertain environment, Savencia Fromage & Dairy remains confident in the motivation of its teams and the strength of its brands and will succeed in its integration of Fromageries Papillon acquired during the summer and pursue the implementation of its plans for competitiveness announced in 2018 and 2019.

TRANSACTIONS WITH RELATED PARTIES

The Group's transactions with related parties are described in Note 20 to the condensed consolidated interim financial statements.

(1) Organic growth measures the change in an aggregate after abstracting any impacts of scope of consolidation and foreign exchange rates.

(2) The foreign exchange impact results from calculating aggregates for the current fiscal year on the basis of the prevailing foreign exchange rates of the previous fiscal year.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2019

1. Condensed consolidated income statement

<i>In thousands of euro</i>	Notes	6 months	
		2019	2018
NET SALES	2	2 427 692	2 347 060
Purchases adjusted for changes in inventory		-1 565 129	-1 520 174
Personnel costs		-456 583	-443 386
Depreciation and amortization ^(*)		-81 040	-64 587
Other current operating expense		-229 846	-246 699
CURRENT OPERATING PROFIT		95 094	72 214
Other operating expense	3	-42 200	-13 547
Other operating income	3	4 597	360
TOTAL OPERATING PROFIT		57 491	59 027
Financial expense ^(*)	4	-17 156	-16 802
Financial income	4	5 495	7 480
Gain or loss on net monetary position	5	656	-
Group share of results of associates	6	-766	661
PROFIT BEFORE TAX		45 720	50 366
Income tax expense	7	-19 199	-15 191
Net income from continuing operations		26 521	35 175
NET INCOME		26 521	35 175
Net income attributable to equity holders of the parent company		27 110	31 576
Non-controlling interests	16	-589	3 599
EARNINGS PER SHARE	8		
Attributable to equity holders of the parent company:			
• basic		1.96	2.27
• diluted		1.94	2.22
For continuing operations:			
• basic		1.96	2.27
• diluted		1.94	2.22

(*) Reflecting the impact of the first-time application of IFRS 16 (cf. note 10).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of euro</i>	Notes	6 months	
		2019	2018
NET INCOME		26 521	35 175
Other comprehensive income:			
Foreign exchange differences ⁽¹⁾		15 620	-16 346
Change in fair value of cash flow hedges, net of taxes ⁽²⁾		-2 949	-3 974
Currency basis spread (hedging) ⁽³⁾		739	700
Hyperinflation ⁽⁴⁾		6 316	-
Other changes		-	191
Share of associates and joint ventures in recyclable components		167	-45
Total recyclable components of other comprehensive income		19 893	-19 474
Actuarial gains and losses relating to employment benefit plans		-9 392	2 933
Other changes		-	-
Share of associates and joint ventures in non-recyclable components		-162	56
Total non-recyclable components of other comprehensive income		-9 554	2 989
Total other comprehensive income net of tax	14	10 339	-16 485
TOTAL COMPREHENSIVE INCOME NET OF TAXE		36 860	18 690
Group share		37 594	15 018
Non-controlling interests	16	-734	3 672

(1) Mainly relating to the following foreign currencies: RUB, USD and ARS.

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

(3) Exclusion of the currency basis spread for hedging instruments under IFRS 9 (cf. note 14).

(4) Hyperinflation adjustment for Argentina.

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

2. Consolidated statement of financial position

ASSETS

<i>In thousands of euro</i>	Notes	June 30, 2019	December 31, 2018
Intangible assets	9	530 696	532 536
Property, plant and equipment	9	1 012 329	1 013 593
Leasehold rights of use	10	65 414	8 993
Other financial assets		29 435	29 954
Investments in associates	6	131 957	132 729
Non-current derivative financial instruments		21 444	11 462
Deferred tax assets		47 715	43 080
TOTAL NON-CURRENT ASSETS		1 838 990	1 772 347
Inventories and work in progress	11	607 292	517 480
Trade and other receivables		845 165	828 892
Tax receivable		51 235	50 167
Current derivative financial instruments	19	5 961	5 819
Other current financial assets	12	22 356	12 157
Cash and cash equivalents	13	550 188	471 936
TOTAL CURRENT ASSETS		2 082 197	1 886 451
TOTAL ASSETS		3 921 187	3 658 798

EQUITY AND LIABILITIES

<i>In thousands of euro</i>	Notes	June 30, 2019	December 31, 2018
Paid-in capital		80 326	89 288
Reserves	15	-89 932	-94 115
Retained earnings		1 317 736	1 296 678
GROUP SHARE OF EQUITY		1 308 130	1 291 851
Non-controlling interests	16	101 865	104 468
TOTAL EQUITY		1 409 995	1 396 319
Provisions	17	138 514	130 913
Non-current financial borrowings	18	335 054	335 026
Non-current lease liabilities	10	44 390	7 876
Other non-current liabilities		38 892	40 189
Non-current derivative financial instruments	19	23 072	11 492
Deferred tax liabilities		46 854	49 884
TOTAL NON-CURRENT LIABILITIES		626 776	575 380
Trade and other payables		956 022	954 156
Tax payable		13 944	18 983
Current derivative financial instruments		2 243	2 869
Bank borrowings	18	891 269	710 091
Current lease liabilities	10	20 938	1 000
TOTAL CURRENT LIABILITIES		1 884 416	1 687 099
TOTAL LIABILITIES		2 511 192	2 262 479
TOTAL EQUITY AND LIABILITIES		3 921 187	3 658 798

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

3. Consolidated statement of cash flows

<i>In thousands of euro</i>	Notes	6 months	
		2019	2018
Net income from continuing operations		26 521	35 175
Income tax expense	7	19 199	15 191
Depreciation and amortization		81 040	64 587
Gains and losses on disposal of assets		-842	533
Group share of results of associates	6	766	-661
Net financial expense		7 809	5 971
Other non-cash income and expense		29 527	18 200
Gross operating margin		164 020	138 996
Interest paid ⁽¹⁾		-12 497	-10 706
Interest received		4 248	4 781
Income tax paid		-29 346	-22 577
Change in working capital		-109 900	-101 013
Net cash flow from operating activities for continuing operations		16 525	9 481
NET CASH FLOW FROM OPERATING ACTIVITIES		16 525	9 481
Acquisition of subsidiaries, operating units and non-controlling interests		-3	-31 770
Purchase of tangible and intangible non-current assets	2	-72 456	-76 708
Proceeds from disposal of assets		2 632	1 423
Acquisition/disposal of financial assets and changes in other current financial assets		-12 736	-20 063
Dividends received (including dividends received from associates)	6	11	1 260
Net cash flow from investment associated with continuing operations		-82 552	-125 858
Net cash flow from investment associated with operations discontinued or in process of sale		-	-
NET CASH USED IN INVESTING ACTIVITIES		-82 552	-125 858
Net cash flow from financing activities			
Purchase and sale of treasury shares		-8 962	934
Proceeds of borrowings	18	175 926	94 005
Repayment of borrowings ⁽²⁾	18	-23 584	-11 940
Dividends paid		-15 431	-22 004
Net cash flow from financing activities for continuing operations		127 949	60 995
Net cash flow from financing activities for operations discontinued or in process of sale		-	-
NET CASH FLOW FOR FINANCING ACTIVITIES		127 949	60 995
Impact of foreign exchange differences		1 450	3 276
Net change in cash and cash equivalents		63 372	-52 106
Reclassification of cash and cash equivalents for operations discontinued or in process of sale		-	-7
OPENING CASH AND CASH EQUIVALENTS	13	318 762	322 860
CLOSING CASH AND CASH EQUIVALENTS	13	382 134	270 748

(1) Including, in 2019, €1.5 million for interest on leasehold obligations.

(2) Including, in 2019, €11.8 million for the settlement of lease liabilities.

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

4. Consolidated statement of changes in equity

Equity attributable to shareholders of the parent company					
	Paid-in capital	Reserves	Retained earnings	Non-controlling interests	Total consolidated equity
<i>In thousands of euro</i>	(note 15)	(note 15)		(note 16)	
EQUITY AT 01/01/2018	88 166	-63 805	1 250 408	103 655	1 378 424
Dividends distributed			-19 494	-2 510	-22 004
Total comprehensive income at 06/30/2018		-16 738	31 756	3 672	18 690
Stock purchase option plans:					
• Value of services provided	-				-
• Sale of treasury shares	947				947
Purchase of treasury shares	-			-13	-13
Change in share capital			-	-	-
Changes in consolidation scope:					
• Purchase of non-controlling interests			-	-	-
• Put options granted to non-controlling interests			-14 961	-882	-15 843
• Impact of business combinations			-	2 169	2 169
• Change in percentages of interest			4	-5	-1
EQUITY AT 06/30/2018	89 113	-80 543	1 247 713	106 086	1 362 369
EQUITY AT 12/31/2018	89 288	-94 115	1 296 678	104 468	1 396 319
Dividends distributed			-13 784	-1 647	-15 431
Total comprehensive income at 06/30/2019		4 183	33 411	-734	36 860
Stock purchase option plans:					
• Value of services provided	-				-
• Sale of treasury shares	-				-
Purchase of treasury shares	-8 962				-8 962
Change in share capital					
Changes in consolidation scope:					
• Purchase of non-controlling interests			-	-	-
• Put options granted to non-controlling interests			1 431	-219	1 212
• Impact of business combinations			-	-	-
• Change in percentages of interest			-	-3	-3
Other items					
EQUITY AT 06/30/2019	80 326	-89 932	1 317 736	101 865	1 409 995

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

5. Notes to the condensed interim consolidated financial statements

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

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

Declaration of compliance

The condensed interim consolidated financial statements, expressed in thousands of euro unless otherwise stated, have been prepared in accordance with IAS 34, *Interim Financial Reporting*. They comprise the company and its subsidiaries (hereafter the "Group") and the Group's share of associates. They do not include all the information required for a complete set of annual financial statements and must be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018 which are available on request from the company's registered office or by consulting www.savencia.com. They were released for publication by the Board of Directors on September 5, 2019.

Principal accounting policies

The accounting policies applied by the Group in its condensed interim consolidated financial statements are identical to those used in its consolidated financial statements for the year ended December 31, 2018 except for changes due to the evolution of International Financial Reporting Standards (IFRSs) as adopted by the European Union.

New standards applicable from January 1, 2018

The Group has applied the new texts which became mandatory with effect from January 1, 2019 including IFRS 16, the new standard on accounting for leases, IFRIC 23 on *Uncertainty over Income Tax Treatments* and the amendments to IFRS 9, IAS 28 and IAS 19 as well as the 2015-2017 cycles of annual improvements to IFRSs.

IFRS 16, Leases

Principles:

IFRS 16 has notably introduced a unique balance sheet accounting model for leases under which the lessee recognizes a "right of use" asset and a lease liability reflecting the discounted value of the future lease payments.

A contract or part of a contract is or contains a lease if it grants the right to use an identified asset for a certain period and in exchange for consideration. The Group recognizes a "right of use" asset and a lease liability at the date of inception of the lease. The right of use asset is initially measured at cost and subsequently, at cost less the applicable cumulative amortization and any impairment loss, the amount of which may be adjusted depending on certain elements of revaluation of the lease liability. The lease liability is initially measured at the present value of future lease payments as yet unpaid at the date of inception of the lease, discounted using the lease's implicit interest rate or, if that rate cannot readily be established, the Group's marginal cost of borrowing which is generally the case for the Group. The lease liability is subsequently adjusted for the applicable interest charges and lease payments made. It may be revalued in the event of any change in future lease payments following a change of index or rate, a new estimate in respect of a guaranteed residual value or, if applicable, any reassessment of the exercise of a purchase option or option for prolongation, or of the non-exercise of a termination option thereby becoming reasonably certain. In the consolidated income statement, depreciation is charged above current operating profit and interest as part of net financial expense. Leases of short duration (at most a year), or for assets of insignificant value (at most 5,000 USD), are not accounted for as just described: the applicable lease payments are charged directly to profit or loss.

Transitional measures:

In respect of property, plant and equipment under lease to the Group, under IAS 17 each lease was classified as a finance or operating lease subject as such to distinct accounting treatments. Under IFRS 16, *Leases*, with effect from January 1, 2019 all leases are subject to a single accounting treatment with recognition of a right of use asset and of a lease liability as described above. The applicable lease periods are defined for each lease and equate with the Group's firm lease commitment taking into account any optional periods which are reasonably certain to be exercised.

The Group has opted for application of the simplified retrospective method at the date of first-time application, with no restatement of the comparatives for 2018. The cumulative impact of the change for the Group's lease obligations as of January 1, 2019 amounts to €61.7 million (*cf. note 10*). The Group has also chosen to apply the other measures of simplification provided for by IFRS 16:

- Leases of short duration (at most a year), or for assets of insignificant value (at most 5,000 USD), are not accounted for as just described: the applicable lease payments are charged directly to profit or loss;
- The classification under IAS 17 of leases entered into prior to 2019 is maintained; the new classification of IFRS 16 only applies to leases signed on or after January 1, 2019;
- The discount rates applied at the date of transition are based on the Group's marginal borrowing rate adjusted for the risks and specific economic environments applicable to each country/subsidiary. They also reflect the residual durations of leases as of the date of transition.

Leases classified prior to 2019 as finance leases are recognized in the consolidated statement of financial position in 2019 on the basis of their asset carrying amounts immediately prior to the transition, with recognition of a lease liability of equal amount by adjustment of consolidated equity.

Leases classified prior to 2019 as operating leases are recognized in the consolidated statement of financial position in 2019 on the basis of the associated lease liabilities determined by discounting the applicable future lease payments using a marginal cost of borrowing reflecting leases' residual durations. The associated right of use asset equals the amount of the overall lease liability adjusted by the amount of any lease payments paid in advance or accrued immediately prior to the transition.

IFRIC 23, *Uncertainty over Income Tax Treatments*

The interpretation provides guidance as to the recognition of taxes on income in the event of uncertainty over the application of IAS 12, "Income Taxes". It does not apply to taxes or other contributions outside the scope of IAS 12, nor does it deal with issues of interest and/or penalties associated with uncertain tax treatments. It deals specifically with the following points:

- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- The effect of changes in facts and circumstances;
- Whether tax treatments should be considered collectively.

In the latter respect, an entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

The Group uses judgement in determining any tax uncertainties; as it operates within a complex multinational environment, it has assessed the potential impact of the interpretation for its consolidated financial statements. The tax analysis performed has confirmed that it is probable that the tax treatments it has applied will be accepted by the competent tax authorities. The interpretation has thus had no impact on the Group's consolidated financial statements.

Use of estimates and judgment

The preparation of condensed interim consolidated financial statements requires, as for the preparation of annual financial statements, the exercise of judgment and the performance of a certain number of estimates. The estimated amounts are identical to those described in the Group's consolidated financial statements for the year ended December 31, 2018 with the exception of the significant judgments associated with the application of IFRS 16, *Leases*.

During the six months ended June 30, 2019, the Group has in particular revised its estimates relating to impairment of intangible assets and property, plant and equipment (*cf. note 3*) and to deferred tax assets in respect of tax losses.

Management of financial risk

The objectives and policies pursued by the Group in managing its exposure to financial risks are unchanged compared to the information furnished in its consolidated financial statements for the year ended December 31, 2018.

Brexit potential repercussions

Group activities in England are not material. However, a Brexit without any agreement may have potential negative repercussions for the European dairy economy.

NOTE 1. CHANGES IN CONSOLIDATION SCOPE

There has been no significant change in the Group's scope of consolidation during the first half of 2019.

During the first half of 2018, the main changes were the following:

- A complementary 22% subscription to the share capital of Ferrari on February 22, 2018, raising the Group's interest to 49% and generating goodwill of €2.8 million.
- A complementary 7.5% subscription to the share capital of La Compagnie Fromagère de Tunisie on April 18, 2018, raising the Group's interest to 50% and generating goodwill of €1.5 million.

The additional equity participation in these companies has conferred joint control; the two entities therefore remain consolidated by the equity method.

- The acquisition of 70% of Palace Industries Inc. (USA) by our subsidiary ACMA on May 16, 2018. The company manufactures cheese specialties. Goodwill of USD 3.8 million has been recognized. A call and put option on the remaining 30% minority interest, valued at €2.9 million, is recorded on the balance sheet and will be exercisable from the beginning of the third year following the main acquisition.

These changes were applicable to the Cheese Products operating segment.

- Acquisition of 80% of Bake Plus Co, Ltd (South Korea) on March 21, 2018, essentially a distributor. Goodwill of €10.1 million has been recognized. A call and put option on the remaining 20% minority interest for €10.2 million is recorded on the balance sheet and will be exercisable from the beginning of the fifth year following the main acquisition.

These changes were applicable to the Other Dairy Products operating segment.

NOTE 2. SEGMENT REPORTING

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

Two operating segments are distinguished:

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

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

Only the following key performance indicators: net sales, current operating profit and current operating profit margin are reviewed by sector. Other indicators, in particular for cash flows and net debt, are analyzed at the level of the Group.

Items in the summarized income statement allocated by operating segment reconcile to the Group's position as follows:

In thousands of euro	6 months							
	Cheese Products		Other Dairy Products		Other items		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales by segment	1 381 320	1 342 325	1 113 882	1 067 078	38 877	37 641	2 534 079	2 447 044
Inter-segment revenue	-56 468	-50 046	-20 894	-21 797	-29 025	-28 141	-106 387	-99 984
Third party net sales	1 324 852	1 292 279	1 092 988	1 045 281	9 852	9 500	2 427 692	2 347 060
Depreciation and amortization	-49 317	-38 738	-26 997	-21 809	-4 726	-4 040	-81 040	-64 587
Current operating profit/(loss)	64 693	63 392	38 594	19 506	-8 193	-10 684	95 094	72 214
Current operating profit margin⁽¹⁾	4,7%	4,7%	3,5%	1,8%			3,9%	3,1%
Restructuring costs	-6 704	-11 111	-1 213	-236	-4 969	-2 056	-12 886	-13 403
Impairment of assets ⁽²⁾	-15 565	21	-9 797	192	-	-	-25 362	213
Segment profit/(loss)	42 424	52 302	27 584	19 462	-13 162	-12 740	56 846	59 024

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

(2) Cf. note 3.

Items in the balance sheet allocated by operating segment reconcile to the Group's position as follows:

In thousands of euro	Cheese Products		Other Dairy Products		Other items		Total	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
	Total assets of which:	2 413 240	2 342 491	1 375 787	1 268 619	132 160	47 688	3 921 187
Investments in associates	131 166	131 908	791	821	-	-	131 957	132 729

Investment flows allocated by operating segment reconcile to the Group's position as follows:

In thousands of euro	6 months							
	Cheese Products		Other Dairy Products		Other items		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Investment in tangible and intangible non-current assets	48 766	54 226	20 386	19 406	3 304	3 076	72 456	76 708

Reconciliation of segment profit to consolidated net income for the year:

In thousands of euro	6 months	
	2019	2018
Segment profit	56 846	59 024
Other operating expense	-2 386	-
Other operating income	3 031	3
Operating profit	57 491	59 027
Financial expense	-17 156	-16 802
Financial income	5 495	7 480
Gain or loss on net monetary position	656	-
Group share of results of associates	-766	661
Profit before tax	45 720	50 366
Taxes on income	-19 199	-15 191
Net income for the year	26 521	35 175

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

<i>In thousands of euro</i>	France	Rest of Europe	Rest of the world	TOTAL
Net sales				
June 30, 2019	693 191	966 737	767 764	2 427 692
June 30, 2018	710 531	926 584	709 945	2 347 060
Investment in tangible and intangible non-current assets				
June 30, 2019	37 581	17 748	17 127	72 456
June 30, 2018	37 251	20 150	19 307	76 708
Total assets				
June 30, 2019	3 288 431	379 093	253 663	3 921 187
December 31, 2018	3 040 960	419 645	198 193	3 658 798

NOTE 3. OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense for the 1st half of 2019 includes €12.9 million of net restructuring costs, €25.4 million of net impairment of assets (including €19.7 million for the proposed closure of the St Saviol site in France announced in the 1st half of 2019) and €0.7 million of other income.

In accordance with the provisions of IAS 36, the Group performs impairment testing of its unamortized intangible assets at least once a year, at the end of the year. At each intermediate reporting date, in accordance with the standard, the Group identifies any indications of impairment (based on external elements such as changes in discount rates, market growth and market shares, and internal elements such as performance against forecast for each cash-generating unit (CGU)) and carries out additional tests if necessary. The applicable long-range plans and discount rates were updated as of June 30, 2019 for all sensitive CGUs. In addition, criteria for the weighted average cost of capital calculation were refined and a further growth is applied on the terminal value.

As of June 30, 2019 the tests resulted in the recognition of €2.6 million of impairment of tangible assets in South America. Moreover, operational problems occurred in the infant powder activity resulted in the recognition of €9.8 million of impairment of the goodwill associated with Sodilac.

<i>In thousands of euro</i>	6 months	
	2019	2018
Restructuring	-12 886	-13 403
Impairment of assets	-25 362	213
Litigation and compensation	-640	-
Losses and gains on disposal of fixed assets	741	2
Other items	544	1
	-37 603	-13 187

NOTE 4. NET FINANCIAL EXPENSE

<i>In thousands of euro</i>	6 months	
	2019	2018
Interest expense ⁽¹⁾	-6 240	-5 622
Bank commissions	-2 310	-2 362
Net interest on lease obligations	-1 497	-62
Other net financial expense	-5 060	-6 600
Net foreign exchange losses	-2 049	-2 156
FINANCIAL EXPENSE	-17 156	-16 802
Financial income ⁽²⁾	5 065	6 399
Result of interest rate hedging income ⁽³⁾	430	1 081
FINANCIAL INCOME	5 495	7 480
NET FINANCIAL EXPENSE	-11 661	-9 322
<i>Of which: net interest expense⁽¹⁾⁺⁽²⁾⁺⁽³⁾</i>	-745	1 796

Net financial expense as of June 30, 2019 has been affected by the first-time application of IFRS 16 resulting in a financial charge of €1.5 million.

NOTE 5. GAIN OR LOSS ON NET MONETARY POSITION

Hyperinflation

Argentina has been generally considered as a hyperinflationary economy since July 1, 2018, whence a requirement for the financial statements of the applicable subsidiaries prepared in their reporting currency to be restated at historical cost (by application of inflation indices) so as to allow them to reflect the unit of measurement in force at the reporting date. The subsidiaries' non-monetary assets and liabilities are thus adjusted for inflation since January 1, 2018 as if Argentina had always been subject to hyperinflation, thereby reflecting their "real value" at the reporting date. The subsidiaries' statements of comprehensive income are equally adjusted for the inflation of the period. Monetary items do not require adjustment since they already reflect purchasing power as of the reporting date. For consolidated reporting purposes, the local financial statements are then converted into euro at the rate prevailing at the reporting date such that all financial statement items are expressed on the basis of the applicable closing rate.

As of June 30, 2018 IAS 29 was not yet applicable so no income statement adjustment is required.

Price inflation in Argentina

	2011 ^(*)	2017	2018	2019.06
Index	457.7	1 656.62	2 459.85	2 993.41
Change vs 2011		262%	437%	554%
Change vs N-1			48%	22%

(*) Date of the Group's takeover of Milkaut.

The impacts of the hyperinflationary indexing adjustments to Milkaut's principal financial statements are summarized below:

INCOME STATEMENT

	6 months	
	2019	
<i>In millions of euro</i>		
Net sales		5.9
CURRENT OPERATING LOSS		-4.1
Gain on net monetary position		0.7
PROFIT BEFORE TAX		-3.4
Income tax expense		-0.4
Net income from continuing operations		-3.8
NET INCOME		-3.8

STATEMENT OF FINANCIAL POSITION

In millions of euro

ASSETS	6 months	
	June 30, 2019	December 31, 2018
Intangible assets	-	-
Property, plant and equipment	11.7	9.0
Deferred tax assets	-	-
TOTAL NON-CURRENT ASSETS	11.7	9.0
Inventories and work in progress	0.7	0.9
TOTAL CURRENT ASSETS	0.7	0.9
TOTAL ASSETS	12.4	9.9
EQUITY AND LIABILITIES		
	June 30, 2019	December 31, 2018
Other reserves	12.5	7.0
Accumulated losses	-3.8	-
GROUP SHARE OF EQUITY	8.7	7.0
TOTAL EQUITY	8.7	7.0
Deferred tax liabilities	3.7	2.9
TOTAL NON-CURRENT LIABILITIES	3.7	2.9
TOTAL LIABILITIES	3.7	2.9
TOTAL EQUITY AND LIABILITIES	12.4	9.9

NOTE 6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's main joint ventures are Compagnie des Fromages & RicheMonts (CF&R) in France and its subsidiary Sodiaal GmbH in Germany, both subject to 50% interests. The partnership with Sodiaal was created at the beginning of 2008 in order to benefit from brand synergies and from the complementarity of the two groups' manufacturing resources, commercial positions and know-how. The Group also has interests in other joint ventures and associates which are not individually material.

<i>In thousands of euro</i>	6 months	
	2019	2018
Group share in pre-tax results	-826	618
Group share of income tax	60	43
Net Group share	-766	661

At June 30, 2019 the change in investments in joint ventures and associates may be explained as follows:

<i>In thousands of euro</i>	June 30, 2019	December 31, 2018
At January 1, 2019	132 729	121 277
Change in consolidation scope ⁽¹⁾	-	10 071
Result for the period	-766	2 882
Dividends distributed	-10	-1 260
Other items	-162	117
Impact of foreign exchange differences	166	-358
CLOSING BALANCE	131 957	132 729

(1) During the 1st half of 2018, the Group increased its participation in Ferrari (by 22%, to 49%) and La Compagnie Fromagère de Tunisie (by 7.5%, to 50%). The applicable shareholder agreements provide for joint control so the investments continue to be accounted for using the equity method.

Compagnie des Fromages et RicheMonts		
<i>In thousands of euro</i>	June 30, 2019	December 31, 2018
Current assets	154 998	193 412
Non-current assets	191 192	170 861
ASSETS	346 190	364 273
Equity	205 341	206 724
Current liabilities	92 703	120 920
Non-current liabilities	48 146	36 629
EQUITY AND LIABILITIES	346 190	364 273
Cash and cash equivalents	2 582	981
Current financial liabilities	7 933	2 249
Non-current financial liabilities	10 785	2 798

Compagnie des Fromages et RicheMonts		
<i>In thousands of euro</i>	6 months	
	2019	2018
Net sales	245 233	248 746
Net Income	-1 059	237
Other adjustments	-32	10
Other comprehensive income	-324	111
Overall result for the year	-1 415	358

Compagnie des Fromages et RicheMonts		
<i>In thousands of euro</i>	June 30, 2019	December 31, 2018
Dividends received from the joint venture or associate	-	-1 261

Reconciliation of these amounts to the equity method carrying amounts:

	Compagnie des Fromages et RicheMonts	
<i>In thousands of euro</i>	June 30, 2019	December 31, 2018
Equity	205 341	206 724
Percentage of interest	50%	50%
Share of equity	102 671	103 362
Other adjustments	4 590	4 606
Value of the Group's interest	107 261	107 968
Net income of associates	-1 091	4 171
Percentage of interest	50%	50%
Group share of net income and adjustments	-546	2 086
Group share of other comprehensive income	-162	118

NOTE 7. TAXES ON INCOME

Taxes on income may be broken down as follows:

	6 months	
<i>In thousands of euro</i>	2019	2018
Current tax	-23 376	-22 022
Deferred tax	4 177	6 831
	-19 199	-15 191

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

	6 months	
<i>In thousands of euro</i>	2019	2018
Profit before tax	45 720	50 366
Theoretical tax based on national tax rates	10 109	12 039
Tax impact of:		
• Restatement of tax for associates	225	-183
• Non-taxable profits and non-deductible expenses	2 825	614
• Current and deferred tax resulting from the analysis of France's CVAE as a tax on income	3 644	3 158
• Tax credits	-335	-315
• Use of tax losses not previously recognized and impairment of net deferred tax assets ⁽¹⁾	664	-943
• Tax rate changes affecting deferred tax ⁽²⁾	535	1 355
• Other items ⁽³⁾	1 532	-534
Income tax charge	19 199	15 191
Weighted average tax rate	41.99%	30.16%

(1) Deferred tax assets recognized in respect of tax losses carried forward to the extent that their recovery appears probable. In 2019, the Group's forecast taxable profits for the three coming years have required the recognition of €0.7 million of impairment losses compared with a net reversal of €0.9 million in 2018.

(2) Taking into account the effect on deferred taxes of tax rate changes planned in France and Belgium. As of June 30, 2019 the planned delay in reducing the income tax rate has not been applied either to current or deferred tax since it has not yet been voted on. The rate applied amounts to 32.02%.

(3) Including the impact in 2019 of hyperinflation in Argentina, without which the effective tax rate would have amounted to 38.9% in 2019.

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

NOTE 8. DIVIDEND PER SHARE

	6 months	
<i>In thousands of euro</i>	2019	2018
Dividends paid by the Group	13 784	19 494
Dividends per share (euro per share)	1.0	1.4

NOTE 9. INTANGIBLE AND TANGIBLE FIXED ASSETS

<i>In thousands of euro</i>	Intangible assets	Property, plant and equipment	Total
Carrying amount at 01/01/2019	532 536	1 013 593	1 546 129
Net investments of acquisitions	2 364	70 395	72 759
Disposals	-	-1 634	-1 634
Depreciation and amortization	-4 178	-62 458	-66 636
Impairment (cf. note 3)	-10 065	-16 268	-26 333
Reversal of impairments	8	971	979
Change in consolidation scope	-	-	-
Reclassifications	49	-49	-
Impact of hyperinflation	-	3 663	3 663
Foreign exchange differences	9 982	4 116	14 098
Impact of activities in process of sale	-	-	-
Carrying amount at 06/30/2019	530 696	1 012 329	1 543 025

NOTE 10. ACCOUNTING FOR LEASES UNDER IFRS 16

Impacts of first-time application

In the framework of the transition to IFRS 16, the Group has recognized right of use assets and lease liabilities and adjusted for the difference against retained earnings. More than half the applicable assets comprise real estate; the other leases apply to technical equipment and vehicles. The transition impacts excluding deferred tax are as follows:

ASSETS

<i>In thousands of euro</i>	First-time application of IFRS 16
Right of use assets	62 669
TOTAL ASSETS	62 669

EQUITY AND LIABILITIES

<i>In thousands of euro</i>	First-time application of IFRS 16
Retained earnings	25
Lease obligations	61 720
Trade and other creditors	924
EQUITY AND LIABILITIES	62 669

The lease liability for leases previously classified as operating leases has been calculated by discounting future lease payments based on a weighted average marginal cost of borrowing amounting to 3% as of January 1, 2019.

RECONCILIATION

<i>In thousands of euro</i>	
Total operating lease commitment as of December 31, 2018	75 523
Impact of leases exempted from the application of IFRS 16	-945
Adjustment to the evaluation of the operating lease commitment	-6 575
Lease obligations before discounting	68 003
Impact of discounting	-6 283
Lease obligations after discounting	61 720
Finance leases previously recognized	8 876
Lease obligations as of January 1, 2019 after the first-time application of IFRS 16	70 596

Impacts on the consolidated financial statements for the period

The main impacts as of June 30, 2019 excluding deferred tax are as follows:

Consolidated income statement:

The Group has recognized depreciation and interest charges in lieu of the lease charges for operating leases previously recognized. For the six months ended June 30, 2019 the Group thus recognized €13.5 million of depreciation and €1.5 million of interest expense and cancelled €13.3 million of lease charges.

<i>In thousands of euro</i>	June 30, 2019
Depreciation	-13 461
Other operating income and expense	13 291
IMPACT ON CURRENT OPERATING PROFIT	-170
IMPACT ON OPERATING PROFIT	-170
Interest expense	-1 497
IMPACT ON PROFIT BEFORE TAX	-1 667
IMPACT ON NET INCOME	-1 667

Consolidated statement of financial position:

ASSETS

<i>In thousands of euro</i>	June 30, 2019
Right of use assets	65 414
TOTAL ASSETS	65 414

EQUITY AND LIABILITIES

<i>In thousands of euro</i>	June 30, 2019
Retained earnings	-1 707
EQUITY	-1 707
Non-current lease obligations	44 390
TOTAL NON-CURRENT LIABILITIES	44 390
Trade and other creditors	1 793
Current lease obligations	20 938
TOTAL CURRENT LIABILITIES	22 731
EQUITY AND LIABILITIES	65 414

Detailed impacts:

RIGHT OF USE ASSETS

<i>In thousands of euro</i>	Land	Buildings, fixtures & fittings	Plant, equipment & tooling	Other items	TOTAL
Cost	5 048	2 495	2 596	6 027	16 166
Accumulated depreciation	-	-2 288	-2 009	-2 876	-7 173
Accumulated impairment	-	-	-	-	-
OPENING CARRYING AMOUNT	5 048	207	587	3 151	8 993
1st application of IFRS 16 at 01/01/2019	663	33 365	13 736	14 905	62 669
Changes in scope of consolidation	-	-	-	-	-
Conversion differences	58	-140	1	14	-67
New assets	-	1 394	2 612	3 466	7 472
Assets disposed of	-	-14	-14	-178	-206
Impairment	-	-	-	-	-
Reversal of impairment	-	-	-	-	-
Depreciation	-147	-5 807	-2 924	-4 583	-13 461
Reclassification	-	-	-	17	17
Hyperinflation	-	-	-	-3	-3
Cost	5 758	36 901	17 323	21 068	81 050
Accumulated depreciation	-136	-7 896	-3325	-4279	-15636
Accumulated impairment	-	-	-	-	-
CARRYING AMOUNT AT 06/30/2019	5 622	29 005	13 998	16 789	65 414

LEASE OBLIGATIONS

<i>In thousands of euro</i>		At 06/30/2019
Opening balance		8 876
1st application of IFRS 16		61 720
Increase		6 526
Repayment		-11 794
Conversion differences		-
Changes in scope of consolidation		-
Reclassification		-
Closing balance		65 328
<i>Of which:</i>		
	<i>Current</i>	20 938
	<i>Non-current</i>	44 390

	At 06/30/2019
Maturing in less than 1 year	20 938
Maturing in 2-5 years	31 572
Maturing in more than 5 years	12 818

Other information:

LEASE CHARGES OUTSIDE THE SCOPE OF IFRS 16

<i>In thousands of euro</i>	At 06/30/2019
Small value leases (< or = €5,000)	-1 914
Short-term leases (< or = 12 months)	-2 333
Variable lease payments	-1 071
Irrecoverable VAT	-253
Other items ^(*)	-2 728
	-8 298

(*) Leases excluded for other reasons

Any service component of leases is excluded from lease charges and accounted for separately.

NOTE 11. INVENTORIES AND WORK IN PROGRESS

The change in inventories compared to December 31, 2018 essentially reflects a seasonal increase in volumes.

NOTE 12. OTHER CURRENT FINANCIAL ASSETS

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

NOTE 13. CASH AND CASH EQUIVALENTS

<i>In thousands of euro</i>	June 30, 2019	December 31, 2018
Cash	186 022	240 072
Cash equivalents	364 166	231 864
CASH AND CASH EQUIVALENTS	550 188	471 936

Cash equivalents essentially comprise mainly shares in mutual funds and term deposits. Cash and cash equivalents as presented in the statement of cash flows may be reconciled as follows with the consolidated statements of financial position:

<i>In thousands of euro</i>	June 30, 2019	December 31, 2018
Cash and cash equivalents	550 188	471 936
Bank overdrafts and financial current accounts	-168 054	-153 175
NET CASH AND CASH EQUIVALENTS	382 134	318 761

Note 14. BREAKDOWN BY NATURE OF OTHER COMPREHENSIVE INCOME

<i>In thousands of euro</i>	6 months					
	2019			2018		
	Pre-tax amount	Tax effect	Net of tax amount	Pre-tax amount	Tax effect	Net of tax amount
Foreign exchange differences	15 620	-	15 620	-16 346	-	-16 346
Change in fair value of cash flow hedges	-3 977	1 028	-2 949	-5 714	1 740	-3 974
Cost of hedging	1 127	-388	739	1 067	-367	700
Hyperinflation	6 316	-	6 316	-	-	-
Other movements	-	-	-	607	-416	191
Share of associates and joint ventures in recyclable components	167	-	167	-45	-	-45
Total recyclable components of other comprehensive income	19 253	640	19 893	-20 431	957	-19 474
Actuarial gains and losses on post-employment benefit plans	-13 093	3 701	-9 392	4 181	-1 248	2 933
Share of associates and joint ventures in not-recyclable components	-222	60	-162	86	-30	56
Total non-recyclable components of other comprehensive income	-13 315	3 761	-9 554	4 267	-1 278	2 989
OTHER COMPREHENSIVE INCOME	5 938	4 401	10 339	-16 164	-321	-16 485

NOTE 15. EVOLUTION OF OTHER RESERVES

<i>In thousands of euro</i>	Hedging reserves	Available-for-sale financial asset fair value reserves	Actuarial gains and losses	Foreign exchange differences	Total
BALANCE AT 01/01/2018	-7 963	2 742	-20 474	-38 110	-63 805
• Changes in fair value for the period	-4 647	-	-	-	-4 647
• Tax on losses in fair value	1 373	-	-	-	1 373
Actuarial gains and losses - gross	-	-	4 113	-	4 113
Actuarial gains and losses - tax effect	-	-	-1 229	-	-1 229
• Group	-	-	-	-16 351	-16 351
• Associates	-	-	48	-45	3
BALANCE AT 06/30/2018	-11 237	2 742	-17 542	-54 506	-80 543
BALANCE AT 12/31/2018	-10 803	2 742	-16 739	-69 315	-94 115
• Changes in fair value for the period	-2 850	-	-	-	-2 850
• Tax on losses in fair value	640	-	-	-	640
Actuarial gains and losses - gross	-	-	-12 859	-	-12 859
Actuarial gains and losses - tax effect	-	-	3 646	-	3 646
• Group	-	-	-	15 579	15 579
• Associates	-	-	-140	167	27
BALANCE AT 06/30/2019	-13 013	2 742	-26 092	-53 569	-89 932

NOTE 16. NON-CONTROLLING INTERESTS IN THE GROUP'S OPERATIONS AND CASH FLOWS

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

<i>In thousands of euro</i>	Compagnie Laitière Européenne 6 months		Other entities 6 months		TOTAL 6 months	
	2019	2018	2019	2018	2019	2018
	% voting rights	13.14%	13.14%	-	-	-
% economic interest	14.14%	14.13%	-	-	-	-
Share of net income	-1 962	662	1 373	2 937	-589	3 599
Share of other comprehensive income	-179	1	34	72	-145	73
Share of total comprehensive income	-2 141	663	1 407	3 009	-734	3 672
Cumulative non-controlling interests	69 523	74 347	32 342	31 739	101 865	106 086
Dividends paid to non-controlling interests	994	1 134	653	1 376	1 647	2 510

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

BALANCE SHEET**Compagnie Laitière Européenne**

<i>In thousands of euro</i>	June 30, 2019	December 31, 2018
Current assets	687 124	627 842
Non current assets	570 301	566 636
ASSETS	1 257 425	1 194 478
Equity	429 043	431 697
Current liabilities	586 964	530 624
Non current liabilities	241 418	232 157
LIABILITIES	1 257 425	1 194 478

INCOME STATEMENT

<i>In thousands of euro</i>	6 months	
	2019	2018
Net sales	890 586	865 961
Net Income	-656	-555
Overall result for the year	-1 660	-630

NOTE 17. PROVISIONS

<i>In thousands of euro</i>	Pensions, other retirement benefits and long-service benefits	Restructuring	Other risks and charges	Total
At January 1, 2018	93 270	5 463	8 262	106 995
Foreign exchange differences	-1	-28	-639	-668
Provisions	2 224	26 562	12 056	40 842
Uses	-4 563	-2 085	-3 850	-10 498
Changes in scope of consolidation	63	-	-	63
Changes in actuarial gains and losses	-5 437	-	-	-5 437
Other variations	-384	-	-	-384
December 31, 2018	85 172	29 912	15 829	130 913
Foreign exchange differences	28	51	-90	-11
Provisions ⁽¹⁾	664	6 151	2 101	8 916
Uses ⁽²⁾	-	-4 555	-9 842	-14 397
Changes in actuarial gains and losses ⁽³⁾	13 093	-	-	13 093
June 30, 2019	98 957	31 559	7 998	138 514

(1) The provisions for restructuring relate to the closure plan for the St Saviol site in France.

The other provisions for risks and charges include €0.5 million of litigation and €1.6 million of other contingencies and costs.

(2) Reversal of restructuring provisions amounted to €4.6 million including €4.3 million of actual use and €0.3 million of provisions no longer required.

Reversal of provisions for other risks and charges amounted to €9.8 million including €9.48 million of actual use and €0.4 million of provisions no longer required.

(3) Essentially reflecting changes in discount rates.

Provisions for contingencies and disputes are destined to cover known risks and litigation. Provisions for disputes are not recognized until such time as the Group, in agreement with its legal advisors, deems that it will be faced with an unfavorable settlement.

At June 30, 2019 the principal contingencies and disputes accounted for related to restructuring for €31.6 million (December 2018: €29.9 million), to disputes relating to matters of employment or social security for €3.6 million (December 2018: €3.5 million), to commercial disputes for €0.6 million (December 2018: €1.4 million), to tax disputes for €1.4 million (December 2018: €1.4 million) and miscellaneous other contingencies for €2.5 million (December 2018: €10 million).

NOTE 18. BORROWINGS AND OTHER FINANCIAL LIABILITIES EXCLUDING LEASES

<i>In thousands of euro</i>	June 30, 2019	Non- current	Current	December 31, 2018(*)	Non- current	Current
Borrowings from financial and similar institutions	762 312	38 525	723 787	594 358	38 431	555 927
Deferred liabilities for profit-sharing payments	11 423	8 884	2 539	12 897	9 608	3 289
Bond issues	297 499	287 645	9 854	296 793	286 987	9 806
Current bank facilities	155 089	-	155 089	141 069	-	141 069
TOTAL	1 226 323	335 054	891 269	1 045 117	335 026	710 091

Gross borrowings are determined as follows :

<i>In thousands of euro</i>	June 30, 2019	December 31, 2018(*)
OPENING BORROWINGS	1 045 117	911 734
New borrowings	175 926	230 146
Repayment of borrowings	-11 790	-215 259
Change in bank facilities and financial current accounts	14 343	115 491
Foreign exchange differences ⁽¹⁾	2 727	2 917
Change in consolidation scope ⁽²⁾	-	88
CLOSING BORROWINGS	1 226 323	1 045 117

(1) In 2018, impact of Argentina for €5 million.

(2) In 2018, consolidation of Palace and in 2017, of B.M.K.

(*)Following the implementation of IFRS 16, lease obligations are presented as a distinct line item.

Borrowings and other financial liabilities have increased by €181.2 million since December 31, 2018 as a result of capital expenditure. Adjusted for marketable securities recognized as other current financial assets, net debt increased by €92.8 million and amounted to €653.8 million at June 30, 2019.

Some of the Group's facilities are subject to clauses requiring compliance with a financial ratio expressed in terms of maximum indebtedness as a multiple of current EBITDA. EBITDA corresponds to current operating profit before charges and reversals in respect of depreciation, amortization, impairment and provisions, but excluding IFRS 16 lease obligations.

This ratio imposed continues to be met by the Group.

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

<i>In thousands of euro</i>	June 30, 2019	December 31, 2018
Non-current borrowings and debts from financial institutions	-335 054	-335 026
Current bank borrowings	-891 269	-710 091
BANK BORROWINGS	-1 226 323	-1 045 117
Other current financial assets	22 356	12 157
Cash and cash equivalents	550 188	471 936
NET BORROWINGS	-653 779	-561 024
Treasury shares	15 209	6 247
NET BORROWINGS	-638 570	-554 777

NOTE 19. CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

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

ASSETS

<i>In thousands of euro</i>	Derivatives through profit or loss ⁽¹⁾	Hedging derivatives ⁽²⁾	Financial assets at fair value through profit or loss ⁽²⁾	Loans and receivables valued at amortized cost	Carrying amount	Fair value
June 30, 2019						
Other current financial assets held at fair value through profit and loss	-	-	11 882	-	11 882	11 882
Non-current financial assets held for trading	-	-	-	-	-	-
Non-current financial loans and receivables	-	-	-	17 553	17 553	17 553
Other non-current financial assets	-	-	11 882	17 553	29 435	29 435
Interest rate derivatives	11 783	9 661	-	-	21 444	21 444
Non-current derivative financial instruments	11 783	9 661	-	-	21 444	21 444
Trade receivables	-	-	-	690 697	690 697	690 697
Current loans & receivables	-	-	-	1 735	1 735	1 735
Commodity hedging derivatives	-	223	-	-	223	223
Foreign exchange hedging derivatives	-	-	-	-	-	-
Other commodity hedging derivatives	388	-	-	-	388	388
Other foreign exchange hedging derivatives	2 808	-	-	-	2 808	2 808
Other interest rate derivatives	866	1 676	-	-	2 542	2 542
Current derivative financial instruments	4 062	1 899	-	-	5 961	5 961
Current financial assets held for trading	-	-	22 117	239	22 356	22 356
Financial current accounts	-	-	-	51 468	51 468	51 468
Cash	-	-	-	134 554	134 554	134 554
Cash equivalents	-	-	364 166	-	364 166	364 166
Available-for-sale financial assets	-	-	-	-	-	-
Cash and cash equivalents	-	-	364 166	186 022	550 188	550 188
TOTAL ASSETS	15 845	11 560	398 165	896 246	1 321 816	1 321 816

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

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

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

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

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

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

LIABILITIES

<i>In thousands of euro</i>	Derivatives through profit or loss ⁽¹⁾	Hedging derivatives ⁽²⁾	Financial liabilities at fair value through profit or loss ⁽²⁾	Financial liabilities at amortized cost	Carrying amount	Fair value
June 30, 2019						
Bond issues	-	-	-	287 645	287 645	287 645
Other borrowings	-	-	-	91 799	91 799	91 799
Non-current financial borrowings and debts	-	-	-	379 444	379 444	379 444
Put options granted to minority shareholders	-	-	38 890	-	38 890	38 890
Other items	-	-	2	-	2	2
Other non-current liabilities	-	-	38 892	-	38 892	38 892
Interest rate derivatives	10 885	12 187	-	-	23 072	23 072
Non-current derivative financial instruments	10 885	12 187	-	-	23 072	23 072
Trade payables	-	-	-	617 136	617 136	617 136
Guarantees deposits received	-	-	-	1 318	1 318	1 318
Commodity derivatives	-	-	-	-	-	-
Other commodity derivatives	386	-	-	-	386	386
Foreign currency derivatives	1 857	-	-	-	1 857	1 857
Current derivative financial instruments	2 243	-	-	-	2 243	2 243
Current financial liabilities	-	-	-	744 153	744 153	744 153
Financial current accounts	-	-	-	12 965	12 965	12 965
Current bank facilities	-	-	-	155 089	155 089	155 089
Current borrowings	-	-	-	912 207	912 207	912 207
TOTAL LIABILITIES	13 128	12 187	38 892	1 910 105	1 974 312	1 974 312

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

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

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

ASSETS

<i>In thousands of euro</i>	Derivatives through profit or loss ⁽¹⁾	Hedging derivatives ⁽²⁾	Financial assets at fair value through profit or loss ⁽²⁾	Loans and receivables valued at amortized cost	Carrying amount	Fair value
December 31, 2018						
Other current financial assets held at fair value through profit and loss	-	-	11 795	-	11 795	11 795
Non-current financial assets held for trading	-	-	-	-	-	-
Non-current financial loans and receivables	-	-	-	18 159	18 159	18 159
Other non-current financial assets	-	-	11 795	18 159	29 954	29 954
Interest rate derivatives	6 135	5 327	-	-	11 462	11 462
Non-current derivative financial instruments	6 135	5 327	-	-	11 462	11 462
Trade receivables	-	-	-	700 704	700 704	700 704
Current loans & receivables	-	-	-	1 740	1 740	1 740
Commodity hedging derivatives	-	47	-	-	47	47
Foreign exchange hedging derivatives	-	-	-	-	-	-
Other commodity hedging derivatives	398	-	-	-	398	398
Other foreign exchange hedging derivatives	3 630	-	-	-	3 630	3 630
Other interest rate derivatives	-	1 744	-	-	1 744	1 744
Current derivative financial instruments	4 028	1 791	-	-	5 819	5 819
Current financial assets held for trading	-	-	12 156	1	12 157	12 157
Financial current accounts	-	-	-	38 480	38 480	38 480
Cash	-	-	-	201 592	201 592	201 592
Cash equivalents	-	-	231 864	-	231 864	231 864
Available-for-sale financial assets	-	-	-	-	-	-
Cash and cash equivalents	-	-	231 864	240 072	471 936	471 936
TOTAL ASSETS	10 163	7 118	255 815	960 676	1 233 772	1 233 772

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

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

LIABILITIES

<i>In thousands of euro</i>	Derivatives through profit or loss ⁽¹⁾	Hedging derivatives ⁽²⁾	Financial liabilities at fair value through profit or loss ⁽²⁾	Financial liabilities at amortized cost	Carrying amount	Fair value
December 31, 2018						
Bond issues	-	-	-	286 987	286 987	286 987
Other borrowings	-	-	-	55 915	55 915	55 915
Non-current financial borrowings and debts	-	-	-	342 902	342 902	342 902
Put options granted to minority shareholders	-	-	40 187	-	40 187	40 187
Other items	-	-	2	-	2	2
Other non-current liabilities	-	-	40 189	-	40 189	40 189
Interest rate derivatives	7 313	4 179	-	-	11 492	11 492
Non-current derivative financial instruments	7 313	4 179	-	-	11 492	11 492
Trade payables	-	-	-	617 358	617 358	617 358
Guarantees deposits received	-	-	-	801	801	801
Commodity derivatives	-	87	-	-	87	87
Other commodity derivatives	394	-	-	-	394	394
Foreign currency derivatives	2 388	-	-	-	2 388	2 388
Current derivative financial instruments	2 782	87	-	-	2 869	2 869
Current financial liabilities	-	-	-	557 917	557 917	557 917
Financial current accounts	-	-	-	12 105	12 105	12 105

Current bank facilities	-	-	-	141 069	141 069	141 069
Current borrowings	-	-	-	711 091	711 091	711 091
TOTAL LIABILITIES	10 095	4 266	40 189	1 672 152	1 726 702	1 726 702

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

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

NOTE 20. TRANSACTIONS WITH RELATED PARTIES

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

The Group is controlled by SAVENCIA Holding SCA (ex SOPARIND SCA), a company registered in France which directly or indirectly holds 66.64% of the parent company's share capital. The rest is held by a large number of shareholders and is dealt in on the Paris stock exchange. Some subsidiaries are not fully owned by SAVENCIA SA. For the most part, their minority shareholders are milk production or collection cooperatives which supply the Group and may also purchase from the Group. Those transactions constitute the Group's main related party transactions. Sales to related party cooperatives amounted to €38.4 million in the first half of 2019 (€38.4 million during the first half of 2018) and purchases to €412.5 million in 2019 (€387.1 million during the first half of 2018).

The Group also engages in treasury management on behalf of related parties. As such it received total remuneration of €0.3 million for such services performed during the first half of 2019 (€0.7 million during the first half of 2018).

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

The Group's other financial assets include a €1.9 million loan to La Compagnie des Fromages et RichesMonts.

Group sales to associates amounted to €107.2 million during the first half of 2019 (€105.6 million during the first half of 2018) and purchases from associates amounted to €99.4 million during the first half of 2019 (€95.4 million during the first half of 2018). The transactions essentially related to dairy materials.

NOTE 21. EVENTS AFTER THE REPORTING DATE

On July 26, 2019 the Group acquired SAS Fromageries Papillon in the furtherance of its strategy of developing its portfolio of branded cheeses of origin.

On July 1, 2019 the Group received an expression of interest from an industrial partner for the purchase of the St Saviol site whose closure was announced during the 1st half of 2019. The proposal is under review but would not have any major impact for the Group's consolidated financial statements.

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This is a free translation into English of the Statutory Auditors' review report on the interim financial information issued in French and is provided solely for the convenience of English -speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

**Statutory auditors' review report
on the interim financial information**

(Period from January 1st to June 30, 2019)

Savencia SA
42, rue Rieussec
78220 Viroflay

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Savencia SA, for the period from January 1st to June 30, 2019,
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Note “5. Notes to the condensed interim consolidated financial statements” related to standards and interpretations that the company has applied from January 1st, 2019, and in particular the change in accounting policy in accordance with IFRS 16 “Leases”.

2. Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris la Défense, September 05, 2019
French original signed by

The statutory auditors

PricewaterhouseCoopers Audit

KPMG AUDIT ID

Amélie Wattel

Jean-Charles Simon

ATTESTATION BY THE FINANCIAL DIRECTOR

I certify that to my knowledge, the condensed consolidated interim financial statements for the semester ended June 30, 2019 have been prepared in accordance with the applicable accounting standards and provide a true and fair view of the net assets, financial position and financial performance of the undertakings included in the consolidation taken as a whole. I equally certify that to my knowledge, the attached half-yearly activity report faithfully represents the significant events that have occurred during the first six months of the fiscal year and their impact for the consolidated financial statements, as well as the main transactions that have taken place with related parties, and provide a description of the principal risks and uncertainties associated with the remaining six months of the fiscal year.

Viroflay, September 5, 2019

Olivier de Sigalony
Financial Director