**02/08/19 V5**

SAVENCIA
FROMAGE & DAIRY

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

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## 1. Condensed consolidated income statement

| *In thousands of euro* | Notes | 6 months 2019 | 6 months 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

| *In thousands of euro* | Notes | 6 months 2019 | 6 months 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

| *In thousands of euro* | 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

| *In thousands of euro* | 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

| *In thousands of euro* | Notes | 6 months 2019 | 6 months 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 |
| *In thousands of euro* | (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:

| | 6 months | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cheese Products | | Other Dairy Products | | Other items | | Total | |
| *In thousands of euro* | **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:

| | Cheese Products | | Other Dairy Products | | Other items | | Total | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of euro* | **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 | 3 658 798 |
| 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:

| | 6 months | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cheese Products | | Other Dairy Products | | Other items | | Total | |
| *In thousands of euro* | **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:

| | 6 months | |
|---|---|---|
| *In thousands of euro* | **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:

| *In thousands of euro* | 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.

| | **6 months** | |
|---|---|---|
| *In thousands of euro* | **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

| | **6 months** | |
|---|---|---|
| *In thousands of euro* | **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** |
| *Of which: net interest expense(1)+(2)+(3)* | -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

| *In millions of euro* | 6 months 2019 |
|---|---|
| **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 | 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.

| *In thousands of euro* | 6 months 2019 | 6 months 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:

| *In thousands of euro* | 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 | |
|---|---|---|
| *In thousands of euro* | 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 6 months | |
|---|---|---|
| *In thousands of euro* | 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 | |
|---|---|---|
| *In thousands of euro* | 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 | |
|---|---|---|
| *In thousands of euro* | **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 | |
|---|---|---|
| *In thousands of euro* | **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 | |
|---|---|---|
| *In thousands of euro* | **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 | |
|---|---|---|
| *In thousands of euro* | **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

| *In thousands of euro* | 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**

| *In thousands of euro* | First-time application of IFRS 16 |
|---|---|
| Right of use assets | 62 669 |
| **TOTAL ASSETS** | **62 669** |

**EQUITY AND LIABILITIES**

| *In thousands of euro* | 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**

| *In thousands of euro* | |
|---|---|
| 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.

| *In thousands of euro* | 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**

| *In thousands of euro* | June 30, 2019 |
|---|---|
| Right of use assets | 65 414 |
| **TOTAL ASSETS** | **65 414** |

**EQUITY AND LIABILITIES**

| *In thousands of euro* | 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**

| *In thousands of euro* | 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**

| *In thousands of euro* | 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** |
| *Of which:* | |
| *Current* | *20 938* |
| *Non-current* | *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**

| *In thousands of euro* | 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

| *In thousands of euro* | 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:

| *In thousands of euro* | 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

| | 6 months | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| *In thousands of euro* | 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

| *In thousands of euro* | 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:

| | Compagnie Laitière Européenne 6 months | | Other entities 6 months | | TOTAL 6 months | |
|---|---|---|---|---|---|---|
| *In thousands of euro* | 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**

| *In thousands of euro* | 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**

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

## NOTE 17. PROVISIONS

| *In thousands of euro* | 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

| *In thousands of euro* | 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 :

| *In thousands of euro* | 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:

| *In thousands of euro* | 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

| In thousands of euro | 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 counterparts.

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

### LIABILITIES

| In thousands of euro | 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

| *In thousands of euro* | 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

| *In thousands of euro* | 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.