Press release

Suresnes — July 27, 2018 at 6:00 pm

Fromageries Bel

Half-Year 2018 Results

- **Half year net sales recorded a 2.3% organic growth, and a decline of 2.4% on negative foreign exchange impact**
- **Operating income affected by sustained rise in raw material prices that could not be passed on to selling prices, particularly in Europe**

Meeting July 26, 2018, the Board of Directors approved the interim consolidated financial statements as of June 30, 2018 and the auditor's limited review report was issued.

Key figures

Amounts are expressed in millions of euros and rounded off to the nearest million. Ratios and variances are calculated based on underlying amounts, not rounded off amounts.

(in millions of euros)	**First-half 2018**	**First-half 2017***	*% change*
Sales	1,626	1,666	*-2.4%*
Operating income	88	132	*-33.1%*
Consolidated net profit - Group share	53	84	*-36.9%*

** The H1 2017 results have been restated to take into account the final allocation in 2017 of the MOM group's acquisition price.*

In the first half of 2018, Bel reported a decline in consolidated sales of 2.4%, primarily stemming from highly unfavorable foreign exchange fluctuations, which negatively impacted sales to the tune of €78 million, or minus 4.7%. With no changes in the scope of consolidation in the period, organic sales growth came to 2.3%, or €39 million, in the first half of 2018.

After buoyant volume growth and organic sales growth of 4.8% in the first quarter of the year, cheese volumes slowed in most markets in the second quarter. Other business activities, i.e. non-cheese dairy and fruit products, reported stronger volumes in the second quarter, particularly in the United States.

Second-quarter and first-half 2018 sales performances are presented by geographical region in the following table.

(in millions of euros)	**Second quarter**			**First half**		
	2018 3 months	**2017 3 months**	**% change**	**2018 6 months**	**2017 6 months**	**% change**
Europe	456	467	-2.6%	902	908	- 0.7%
Middle East & Greater Africa	176	187	-5.7%	369	386	- 4.3%
Americas, Asia-Pacific	181	190	-4.3%	355	372	- 4.4%
Group Total	**813**	**844**	**-3.6%**	**1,626**	**1,666**	**- 2.4%**

In the first half of 2018, sales in European markets dipped 0.3%, on a comparable exchange rate basis versus H1 2017. Although volumes remained steady in these markets, net selling price increases were not enough to offset the rise in raw material prices. Operating income in Europe's markets came to €49.6 million, down 40.0% against H1 2017.

Middle East & Greater Africa markets continued to grow in H1 2018, with product ranges more in line with consumer purchasing power. The region's sales grew 5.7% organically in the period. Overall, however, the region's published sales and performance were negatively impacted by unfavorable foreign exchange fluctuations for most currencies, and lower operating income fell 53.9%, versus H1 2017.

In Americas, Asia-Pacific, strong momentum in volumes sold was reported in most markets, with the region's organic sales up 5.2% versus H1 2017. H1 2018 operating income for Americas, Asia Pacific came to €23.1 million, an increase of 50.3% over the year-earlier period.

All told, Bel's H1 2018 consolidated operating income fell 33.1%, versus 30 June 2017. Operating margin was primarily affected by raw material price hikes that could not be fully passed on to selling prices, particularly in Europe, and negative foreign exchange impacts, particularly the U.S. dollar in some markets of the Middle East & Greater Africa region.

After taking into account net financial result and income tax expense, consolidated net profit, Group share, totaled €53 million, versus €84 million at June 30, 2017.

The Group's balance sheet remained strong at June 30, 2018, with net financial debt before application of IFRS 16* amounting to €632 million, versus €631 million at December 31, 2017, and equity totaling €1,732 million, compared with €1,714 million at December 31, 2017.

Outlook for 2018

In a tough global business environment, and given the world's highly volatile currency markets, operations management remains tricky.

We expect raw material prices to remain high until at least the end of 2018. In addition, as part of its commitment to make the dairy industry more sustainable, the Group reiterates that the agreement it signed in France with the Bel West Producers Association (Association des Producteurs de lait Bel Ouest - APBO) raised the average benchmark purchase price for milk to €350 per 1,000 liters of milk in 2018.

At the same time, alliances forged among large retail food chains in Europe negatively impacted Bel's ability to raise its selling prices, which dragged down margins.

Enhancing the product portfolio through innovation remains a priority to keep offering product ranges in sync with consumer expectations. Bel remains confident about its growth prospects in the healthy snack segment, thanks to the strength of brands. The Group will continue to further enhance industrial productivity and to carefully manage its resources to ensure that its new direction is fully funded.

Changes to Fromageries Bel governing bodies

The Board of Directors meeting July 26, 2018 duly noted:

- The nomination of Mr. Bruno Schoch as Unibel's permanent representative to the Board of Directors, with Mr. Schoch appointed to the position of Management Board Chairman of Unibel, the lead holding company of the Bel Group, and Mr. Schoch terminating his responsibilities as Deputy General Manager;

- The resignation of Mr. James Lightburn from his mandate as a member of the Board of Directors and his responsibilities on the Audit Committee and the Appointments and Compensation Committee, and the appointment of his replacement in the person of Mr. Florian Sauvin, a family shareholder and member of the Unibel Management Board who, until now, served as Unibel's permanent representative;

- The appointment by the Corporate Works Council of Mr. Philippe Perche as the Board of Directors member representing employees for a period of four years following the June 21, 2018 expiry of the mandate of predecessor Mr. Antonio Maria.

** The Group elected to adopt IFRS 16 - Leases early, as of January 1, 2018, leading to the recognition of right-of-use lease liabilities on the balance sheet.*

<u>Bel's financial performance indicators</u>

The Group uses non-IFRS financial performance indicators internally and for its external communication. These non-IFRS indicators are defined below:

***Organic growth** corresponds to reported sales growth, excluding impacts from foreign exchange fluctuations and changes in the scope of consolidation, i.e. on a constant structure and exchange rate basis. The **organic growth rate** is calculated by applying the exchange rate for the prior year period to the current year period.*

***Operating margin** corresponds to operating income.*

***Net financial debt** is described in note 5.5 to the consolidated financial statements. It consists of long- and short-term borrowings, long- and short-term liabilities related to assets held under finance lease and current used banking facilities, less cash and cash equivalents.*

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Bel Group

The Bel Group is a world leader in branded cheese and a major player in the healthy snacks segment.

Its portfolio of differentiated and internationally recognized brands, including such products as The Laughing Cow®, Kiri®, Mini Babybel®, Leerdammer®, and Boursin®, as well as some 20 local brands, enabled the Group to generate sales of €3.3 billion in 2017. The acquisition of the MOM Group complements a portfolio of strong brands with the integration of the Pom'Potes and GoGo squeeZ brands.

12,700 employees in some 30 subsidiaries around the world contribute to the Group's success. Bel products are prepared at 32 production sites and distributed in over 130 countries.

<u>www.groupe-bel.com</u>