Fromageries Bel

French corporation *(société anonyme)* with a share capital of €10,308,502.50
Head Offices: 2 allée de Longchamp - 92 150 Suresnes
SIREN 542 088 067 - RCS Nanterre

First-Half 2018 Financial Report

Should there be any difference between the French and the English version of this Bel Group First-half 2018 Financial Report, only the text in French language shall be deemed authentic and considered as expressing the exact information published by Fromageries Bel.

The Bel Group

The Bel Group is a world leader in branded cheese and a major global 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 GogosqueeZ brands. More than 12,000 employees in some 30 subsidiaries around the world contribute to the Group's success. Bel products are prepared at more than 32 production sites and distributed in over 130 countries.
www.groupe-bel.com

First-Half 2018 Business Report

1. Review of operations and earnings

Key figures

(in millions of euros)	**First-half 2018**	**First-half 2017***
Sales	1,626	1,666
Operating income	88	133
Consolidated net profit - Group share	53	85

** 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.

	Second quarter			**First half**		
(in millions of euros)	**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.

2. Financial situation

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.

3. 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.

4. Main related-party relationships

Main related-party relationships are disclosed in note 8 of the summary consolidated financial statements for the half-year.

5. Significant subsequent events

No significant subsequent event is to be reported.

This report may contain forward-looking statements. Such trend and/or target information should in no way be regarded as earnings forecast data or performance indicators of any kind. This information is by nature subject to risks and uncertainties that may be beyond the Company's control. A detailed description of these risks and uncertainties is provided in the Company's Registration Document, available at (www.groupe-bel.com). More comprehensive information about the Bel Group can be found in the "Regulatory Information" section of the www.groupe-bel.com website.

Summary interim consolidated financial statements

Consolidated income statement at June 30, 2018, vs. prior year period

(in thousand euros)	Notes	**First-half 2018**	**First-half* 2017**	**2017**
Sales	4.1	**1 626 449**	**1 665 726**	**3 346 414**
Cost of goods and services sold		(1 188 082)	(1 153 809)	(2 326 663)
Gross margin		**438 367**	**511 917**	**1 019 751**
Sales and marketing expense		(216 530)	(233 289)	(550 414)
Research and development expense		(11 169)	(11 456)	(23 288)
Administrative and general overhead expense		(131 250)	(131 963)	(221 150)
Other operating income and expense		338	338	798
Recurring operating income		**79 756**	**135 547**	**225 697**
Other non-recurring income and expense	4.2	8 567	(3 479)	(10 636)
Operating income	4.1	**88 323**	**132 068**	**215 061**
Income from cash and cash equivalents	4.3	385	1 846	2 289
Cost of gross financial indebtedness	4.3	(14 143)	(12 788)	(26 561)
Cost of net financial indebtedness		**(13 758)**	**(10 942)**	**(24 272)**
Other financial income and expense	4.3	2 404	(1 449)	(12 499)
Pre-tax profit		**76 969**	**119 677**	**178 290**
Income tax expense	4.4	(20 782)	(36 171)	8 008
Net profit of the consolidated group		**56 187**	**83 506**	**186 298**
Non-controlling interests		(3 330)	325	(6 328)
Consolidated net profit - Group share		**52 857**	**83 831**	**179 970**
Earnings per share	4.5	7,79	12,35	26,50
Diluted earnings per share	4.5	7,79	12,35	26,50

The notes to the financial statements form an integral part of the consolidated financial statements.

**Restated to take into account the final allocation in 2017 of the MOM group's acquisition price. In addition, some expenses, mainly logistics costs, were reclassified from the lines " Sales and marketing expenses" and "Administrative and general overhead expenses" to "Costs of goods and services sold".*

Consolidated comprehensive income statement

(in thousands of euros)	**First half 2017**	**First half* 2017**	**2017**
Net profit for the period	**56 187**	**83 506**	**186 298**
Other items of comprehensive income			
Non-reclassifiable items			
Actuarial gains and losses arising on retirement obligations	-	-	2 951
Income tax impact	-	-	(927)
Gains and losses on financial assets	7 814		
Income tax impact	(1 956)		
Reclassifiable items			
Financial assets available for sale			
Unrealized gains (losses)		4 906	(9 797)
Tax impact		(1 683)	3 379
Impact from tax limitation		269	6 163
Translation differences	11 132	(34 314)	(80 109)
Cash flow hedging			
Amounts recognized in equity	(10 156)	10 101	13 014
Income tax impact	3 756	(3 398)	(4 583)
Balance at June 30, 2017	**10 590**	**(24 119)**	**(69 909)**
Total comprehensive income for the period	**66 777**	**59 387**	**116 389**
Group share	*61 510*	*61 345*	*117 150*
Non- controlling interests	*5 267*	*(1 958)*	*(761)*

The notes to the financial statements form an integral part of the consolidated financial statements.

**Restated to take into account the final allocation in 2017 of the MOM group's acquisition price. In addition, some expenses, mainly logistics costs, were reclassified from the lines " Sales and marketing expenses" and "Administrative and general overhead expenses" to "Costs of goods and services sold".*

Consolidated balance sheet at June 30, 2018, vs. December 31, 2017

ASSETS (in thousands of euros)	Notes	June 30, 2018	December 31, 2017
NON-CURRENT ASSETS			
Goodwill	5.2	794 440	792 140
Other intangible assets	5.2	645 821	641 495
Property, plant and equipment	5.2	934 018	903 264
Property, plant and equipment - right of use	5.2	91 953	
Assets available for sale		188 712	181 149
Other financial assets		4 667	4 377
Loans and advances		13 883	12 393
Trade and other receivables		1 607	2 192
Deferred tax assets		17 978	10 448
TOTAL		2 693 079	2 547 458
CURRENT ASSETS			
Inventories and work-in-progress		373 184	351 667
Trade and other receivables		496 324	501 898
Other financial assets		4 020	17 046
Loans and advances		2 128	1 872
Current tax assets		40 434	52 440
Cash and cash equivalents	5.4	429 934	470 209
TOTAL		1 346 024	1 395 132
TOTAL ASSETS		4 039 103	3 942 590

EQUITY AND LIABILITIES (in thousand of euros)		June 30, 2018	December 31, 2017
Share capital		10 308	10 308
Additional paid-in capital		21 967	21 967
Reserves		1 631 845	1 617 403
Treasury shares		(23 200)	(21 012)
EQUITY GROUP SHARE		**1 640 920**	**1 628 666**
NON-CONTROLLING INTERESTS		**90 796**	**85 423**
EQUITY		**1 731 716**	**1 714 089**
NON-CURRENT LIABILITIES			
Provisions	5.3	17 859	18 352
Employee benefits	5.3	81 940	80 107
Deferred tax libilities		262 926	255 268
Liabilities related to assets held under finance lease -over one year	5.4	85 461	477
Long-term borrowings and financial liabilities	5.4	860 859	912 724
Other liabilities		50 364	46 677
TOTAL		1 359 409	1 313 605
CURRENT LIABILITIES			
Provisions	5.3	6 852	6 856
Employee benefits	5.3	4 353	5 743
Liabilities related to assets held under finance lease - less than one yea	5.4	7 184	551
Short-term borrowings and financial liabilities	5.4	188 951	186 906
Other financial liabilities		563	2 145
Trade and other payables		691 622	679 645
Income tax liabilities		36 399	31 059
Current bank facilities and other borrowings	5.4	12 054	1 991
TOTAL		947 978	914 896
TOTAL EQUITY AND LIABILITIES		4 039 103	3 942 590

The notes to the financial statements form an integral part of the consolidated financial statements.

Statement of changes in equity

(in thousand of euros)	Number of shares outstanding	Share capital	Additional paid-in capital	Translation differences	Treasury shares	Consolidated net income	Consolidated reserves	Equity-Group share	Non-controlling interests	Total consolidated equity
Balance at December 31, 2015	**6,785,423**	**10,308**	**21,967**	**(14,309)**	**(21,152)**	**184,453**	**1,294,126**	**1,475,393**	**26,563**	**1,501,956**
Appropriation of prior year net income						(184,453)	184,453			
Dividends paid							(61,069)	(61,069)	(3)	(61,072)
Profit (loss) for the period						111,158		111,158	4,162	115,320
Other items of comprehensive income				(20,455)			(8,186)	(28,641)	(254)	(28,895)
Other changes in value directly recognized in equity							367	367	103	470
Purchase of treasury shares	(1,620)				(807)			(807)		(807)
Treasury shares distributed										
Balance at June 30, 2016	**6,783,803**	**10,308**	**21,967**	**(34,764)**	**(21,959)**	**111,158**	**1,409,691**	**1,496,401**	**30,571**	**1,526,972**
Appropriation of prior year net income										
Dividends paid									(4,105)	(4,105)
Profit (loss) for the period						101,980		101,980	144	102,124
Changes in the scope of consolidation									64,115	64,115
Other items of comprehensive income				(27,991)			6,121	(21,870)	631	(21,239)
Other changes in value directly recognized in equity							(316)	(316)	(1,050)	(1,366)
Purchase of treasury shares	(165)				(81)			(81)		(81)
Treasury shares distributed	5,049				929			929		929
Balance at December 31, 2016	**6,788,687**	**10,308**	**21,967**	**(62,755)**	**(21,111)**	**213,138**	**1,415,496**	**1,577,043**	**90,306**	**1,667,349**
Appropriation of prior year net income						(213,138)	213,138			
Dividends paid							(66,188)	(66,188)	(4,103)	(70,291)
Profit (loss) for the period						84,576		84,576	(325)	84,251
Changes in the scope of consolidation							137	137		137
Other items of comprehensive income				(32,681)			10,195	(22,486)	(1,633)	(24,119)
Other changes in value directly recognized in equity							515	515	(23)	492
Purchase of treasury shares	(713)				(384)			(384)		(384)
Treasury shares distributed										
Balance at June 30, 2017	**6,787,974**	**10,308**	**21,967**	**(95,436)**	**(21,495)**	**84,576**	**1,573,293**	**1,573,213**	**84,222**	**1,657,435**

The notes to the financial statements form an integral part of the consolidated financial statements

Consolidated cash flow statement

(in thousands of euros) **Cash flow from(used in) operating activities**	Notes	**First half 2018**	**First half 2017**	**2017**
Pre-tax profit		***76,969***	***119,677***	***178,290***
Adjustments for:				
Depreciation and write-downs		53,341	53,341	94,191
Depreciation on right of use		6,911		
Capital gains (losses) on disposals		442	592	6,371
Reclassification of financial income		8,780	8,013	36,771
Reclassification of financial income right of use expense		1,996		
Other non-cash items in the income statement		974	2,910	6,987
Cash flow		149,413	184,533	322,610
(Increase) decrease in inventories, current receivables and payables		13,806	(51,491)	31,302
(Increase) decrease in non-current receivables and payables		773	(1,613)	(2,339)
Income taxes paid		(4,203)	(43,374)	(70,693)
Net cash flow generated by operating activities	(1)	***159,789***	***88,055***	***280,880***
Cash flow from (used in) investing activities				
Acquisition of activities		(320)	(258)	(259)
Disposal of activities		40	0	0
Acquisitions of tangible and intangible assets		(87,631)	(76,804)	(152,406)
Disposals of tangible and intangible assets		319	141	17,698
Investment grants received		649	12	76
Acquisitions of financial assets		(3,882)	(3,513)	(7,417)
Disposals of financial assets		1,238	3,018	9,498
Dividends received		2,173	2,928	3,017
Net cash flow from (used in) investing activities	(2)	***(87,414)***	***(74,476)***	***(129,793)***
Cash flow from (used in) financing activities				
Dividends paid		(47,522)	(69,744)	(70,290)
Interests paid		(11,762)	(10,941)	(24,239)
Change in debt resulting from finance lease contracts		(8,038)	(210)	(444)
Increase (decrease) in current accounts with entities outside the scope of consolidation		13,528	18,780	16,209
(Purchase)/ disposal of treasury shares		(2,188)	(384)	(833)
Borrowings and financial liabilities issued		23,594	524,843	518,628
Repayments of borrowings and financial liabilities		(87,414)	(424,632)	(422,241)
Net cash flow from (used in) financing activities	(3)	***(119,802)***	***37,712***	***16,790***
Net increase (decrease) in cash and cash equivalents	(1)+(2)+(3)	***(47,427)***	***51,291***	***167,877***
Net cash and cash equivalents at the beginning of the period		468,218	304,861	304,861
Effect of foreign exchange rate fluctuations		(2,911)	6,566	(4,520)
Net cash and cash equivalents at the end of the period	**5.4**	**417,880**	**362,718**	**468,218**
At the closing date, net cash and cash equivalents comprised the following:				
Marketable securities and money market instruments	5.5	103,406	82,926	160,455
Cash on hand and balances with banks	5.5	326,528	281,815	309,754
Current used bank facilities including overdrafts and accrued interest	5.5	(12,054)	(2,023)	(1,991)
Total		**417,880**	**362,718**	**468,218**

Table of contents for the notes to the summary interim consolidated financial statements

1. ACCOUNTING PRINCIPLES, RULES AND METHODS

Basis of preparation and accounting standards

In application of Regulation (EC) No. 297/2008 of March 11, 2008 amending Regulation (EC) No. 1606/2002 of July 19, 2002, Fromageries Bel's consolidated financial statements were prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union and published by the International Accounting Standards Board (IASB), at the date the financial statements were prepared.

The Group published summary interim consolidated financial statements approved by the Board of Directors on July 26, 2018.

The consolidated financial statements at June 30, 2018 were prepared in accordance with IAS 34 "Interim Financial Reporting" principles. Further, the same accounting methods and practices used to prepare the consolidated financial statements at December 31, 2017 (and noted in the registration document filed with the AMF under number D. 18.0217) were applied, with the exception of standards, amendments and interpretations issued and effective as of January 1, 2018 and the early application if IFRS 16.

Standards, amendments and interpretations required as of the financial year opening January 1, 2018

Excluding IFRS 15 and IFRS 9, there were no new standards whose adoption was required as of the financial year opening January 1, 2018.

IFRS 15

The impacts from the application of IFRS 15 “Revenue from contracts with customers”, starting January 1, 2018 have been identified and assessed. They have no impact on the Group’s consolidated financial statements and the accounting rules regarding revenue recognition are unchanged.

IFRS 9

The impacts from the application of IFRS 9 on financial instruments, starting January 1, 2018 mainly cover financial assets that are participating interests in non-consolidated companies and hedging instruments. The Group elected the retrospective simplified approach as a transition method, meaning an application from January 1, 2018 with no restatement on previous periods.

Financial assets

These assets are valued at fair value in the balance sheet and, until December 31, 2017 the variations in fair value were recognized through OCI (Other Comprehensive Income).

The portfolio of financial assets held by the Group was reviewed in detail in order to determine the appropriate accounting treatment to apply under IFRS 9, depending on the management model applied to each share.

Regarding shares not held for trading purposes, including shares of non- consolidated companies, the Group elected to recognize variations in value through OCI. Regarding these shares, as stated in the standard, only dividends received are recognized through Profit or Loss (P&L). Any gain or loss arising from the de-recognition of these shares cannot be recognize through P&L. The cumulative variations in fair value at opening on January 1, 2018 were reclassified to non-reclassifiable reserves for an amount of €184.4 million.

Regarding shares held for trading, the Group elected to recognize the variations of fair value through P&L. Unrealized gains or losses included in OCI as of December 31, 2017 will be transferred to P&L were they are de-recognized.

Hedging instruments

Since January 1, 2018 the Group recognizes in OCI the variation in time value of foreign exchange options and raw material options documented as cash flow hedge until the underlying element hedged is recognized in the balance sheet, which is the day when the cost for the option is transferred to the P&L.

Other amendments and interpretations issued and effective as of January 1, 2018 had no impact on the Group's consolidated financial statements.

Standards, amendments and interpretations not required but which may be early adopted as of the financial year opening January 1, 2018

The impacts from applying early IFRS 16 "Leasing contracts", starting from January 1, 2018 have been identified and assessed. The Group elected the retrospective simplified approach as a transition method, meaning an application from January 1, 2018 with no restatement on previous periods.
The main leasing contracts entered into by the Group as of June 30, 2018 cover the contracts for operational lease of offices, warehouses and fleet of vehicles. The debt for right of use arising from these contracts is assessed for an amount of 92.6 million euros as of June 30, 2018 and the related assets are worth 92.0 million euros. The impact on Operating Income of the Group as of June 30, 2018 is not material. The impact on financial income for this same period is worth -2.0 million euros.

Disclosures specific to the preparation of the interim financial statements

Seasonal nature of the business

The Group observes that seasonal variations in its business activities can impact its sales and product mix from one interim period to another. Accordingly, its interim performance may not necessarily be indicative of the full-year performance.

Employee benefits

Actuarial calculations for retirement and other employee benefits were made during budget preparations. As a result, the amounts of related provisions and expense for the interim period were based on estimates made in the preceding year, with the main actuarial and demographic assumptions remaining unchanged from December 2017.

Income tax

At June 30, income tax expense was assessed according to the best estimate of the annual average rate expected for the full year.

2. CHANGES IN THE SCOPE OF CONSOLIDATION

The companies Queijo Bel Brasil and Bel Americas were liquidated as of June 30, 2018 with no significant impact on the consolidated financial statements of the Group.

During the first half of 2018, Fromageries Bel purchased 4 306 of its own shares for €2,188,000.

3. SIGNIFICANT EVENTS OF THE PERIOD

No significant event other than those mentioned in the business report for the first half of the year is to be reported.

4. INCOME STATEMENT

4.1. Business segment information

First-half sales and operating income by geographical area are presented in the following table.

(in thousands of euros)	*June 30,2018*		*June 30,2017**		*Variations*	
	Sales	*Operating income*	*Sales*	*Operating income*		
Europe	902,176	49,561	908,365	82,657	-0.7%	-40.0%
Middle East, Greater Africa	368,855	15,708	385,569	34,074	-4.3%	-53.9%
Americas, Asia-Pacific	355,418	23,054	371,792	15,337	-4.4%	50.3%
Group total	**1,626,449**	**88,323**	**1,665,726**	**132,068**	**-2.4%**	**-33.1%**

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

4.2. Other non-recurring income and expense

(in thousands of euros)	**First half 2018**	**First half 2017***	**2017**
Depreciation and gains (losses) on disposals of fixed assets	(1,687)	(1,476)	(1,999)
Restructuring costs	(1,783)	(1,169)	(5,005)
Other non-recurring income and expense	12,037	(834)	(3,632)
Total other non-recurring income and expense	**8,567**	**(3,479)**	**(10,636)**

** restated to take into account the final allocation in 2017 of the MOM group's acquisition price.*

Depreciation and gains and losses arising from disposal of assets mainly comprise the amortization of brand acquired with limited useful life.

Restructuring costs mainly stemmed from the departure of personnel who were not replaced.

On the first half of 2018, other non-recurring income and expense, comprise a profit resulting from transaction with a supplier of Materne North America for €11.9 million.

At end December 2017, other non-recurring income and expense included a depreciation of €3.4 million following impairment test of the CGU Boursin-Asie.

4.3. Financial income and expense

(in thousands of euros)	First half 2018	First half 2017	2017
Income from cash and cash equivalents	385	1,846	2,289
Cost of gross financial debt	(14,143)	(12,788)	(26,561)
Cost of net financial debt	**(13,758)**	**(10,942)**	**(24,272)**
Net cost of discounting	(638)	(799)	(727)
Foreign currency gains (losses)	1,738	(3,585)	(14,783)
Other	1,304	2,935	3,011
Other financial income and expense	**2,404**	**(1,449)**	**(12,499)**
Total net financial expense	**(11,354)**	**(12,391)**	**(36,771)**

At June 30, 2018, the “cost of net financial debt” includes the impact of the application of IFRS 16 for €-2.0 million. For the same period, the foreign currency gains (losses) includes chiefly foreign exchange gains on the Iranian Rial (IRR) and the US dollar, and losses on the Turkish lira (TRY).

At June 30, 2017, the "Foreign currency gains and losses" primarily included foreign currency losses from the Iranian Rial and the US dollar.

In 2017, the foreign currency losses are due to devaluation in financial assets and liabilities of foreign affiliates such as Egypt (€4.2 million) and Iran (€5.7 million).

4.4. Taxes

(in thousands of euros)	First-half 2018	First-half 2017	2017
Net profit	56,187	83,506	186,298
Total income tax expense recognized on the income statement	(20,782)	(36,171)	8,008
Pre-tax profit	76,969	119,677	178,290
Effective income tax rate	**27.0%**	**30.2%**	**-4.5%**

At June 30, 2018, the Group estimated its average effective income tax rate for the full year at 27.0%, versus 30.2% at June 30, 2017. The decrease in the effective income tax rate results from the modifications of fiscal regulations adopted in France and in the USA.

The difference with the 34.43% standard rate of the Fromageries Bel parent company stemmed primarily from the share of earnings received from subsidiaries located in countries where the tax rate is lower than in France.

The pre-tax profit of fiscal year 2017 results in: the reevaluation of long-term differed tax debts primarily in France ; the favorable tax rate changes in foreign affiliates in the USA and in Belgium; and the pay-back of the 3% tax on dividends along with their related taxes.

4.5. Earnings per share

Earnings per share were calculated by dividing net consolidated profit, Group share, by the number of ordinary shares (6,872,335 at June 30, 2018), less the weighted average number of own shares (82,809 at June 30, 2018). Diluted earnings per share were identical to earnings per share as the bonus shares attributed during the period were not dilutive.

5. BALANCE SHEET

5.1. Note to Other Comprehensive Income

5.1 Non-reclassifiable items

By applying IFRS 9 starting January 1, 2018, the Group reviewed the management models of its portfolio of shares.

The Group mainly holds UNIBEL shares for an amount of 182.6 million euros at June 30,2018. They are held through the subsidiary Sofico. These shares are valued at fair value at closing and, as they are not held for trading purposes, the Group elected to recognize their variations in value into Other Comprehensive Income (OCI). Consequently, and abiding by the standard, all variations in value of these shares are recognized in non-reclassifiable reserves in the Group's equity.

On December 31, 2017, non-reclassifiable items in OCI included only actuarial gains and losses related to the application of IAS 19.

5.2. Fixed assets

(in thousands of euros)	Goodwill	Other intangible assets	Property, plant and equipment	Property, plant and equipment - Rights of use	Total
At December 31, 2017					
Gross value	844,770	813,611	1,953,869	-	3,612,250
Accumulated depreciation and write -downs	(52,630)	(172,116)	(1,050,605)	-	(1,275,351)
Net carrying amount	**792,140**	**641,495**	**903,264**	**-**	**2,336,899**
Variation for the period					
Acquisitions	-	5,349	71,637	-	76,986
Application of right of use		-	-	97,052	97,052
Impact of changes in consolidation scope	-	2	(2)	-	-
Disposals and write -downs	-	31	794	-	825
Translation differences	2,300	5,971	7,729	598	16,598
Depreciation and write-downs	-	(7,097)	(48,107)	(6,911)	(62,115)
Reclassfications	-	70	(1,297)	1,214	(13)
Net carrying amount at June 30, 2018	**794,440**	**645,821**	**934,018**	**91,953**	**2,466,232**
At June 30, 2018					
Gross value	847,184	824,450	2,024,164	100,268	3,796,066
Accumulated depreciation and write -downs	(52,744)	(178,629)	(1,090,146)	(8,315)	(1,329,834)
Net carrying amount	**794,440**	**645,821**	**934,018**	**91,953**	**2,466,232**

Starting January 1, 2018 the application of IFRS 16 using the simplified retrospective approach entails the recognition of rights of use related to the leasing contracts entered into by the Group. On June 30, 2018 such contracts mainly cover offices and warehouses located in the countries were the Group operates. The balance for these rights of use are in long term and short term financial debt (see note 5.5).

The main acquisitions of property, plant and equipment during the first half of the year were made in France and in the USA.

In absence of indications of loss in value, Group assets, particularly goodwill and brands, were not tested for impairment at June 30, 2018.

5.3. Stock options plans

The 2016/2019 and the 2017/2020 bonus-share plans are under way at this writing.

The 2018/2021 plan is a new plan granted during the Board meeting held on May 15, 2018.
In accordance with IFRS 2, the personnel expense arising from share awards was recognized incrementally over the vesting period, with the corresponding increase recognized in equity.

A summary of the bonus share plans during the period is presented in the following table:

STOCK OPTIONS PLANS

(in thousands of euros)	**2016/2019 plan**	**2017/2020 plan**	**2018/2021 plan**	**TOTAL**
Number of shares granted at the award date	6,717	8,241	8,809	
Number of shares awarded at June 30, 2018	4,289	5,522	6,254	
Fair value of share award (in €)	489	589	472	
Award criteria: percentage provisioned	69%	71%	71%	
Acquisition period	3 years	3 years	3 years	
Holding period	0	0	0	
Amount expensed at June 30, 2018	158	543	114	815

5.4. Provisions

(in thousand of euros)	**Employees benefits**	**Provisions for contingencies and losses**
At December 31, 2017		
Long- term	80,107	18,352
Short-term	5,743	6,856
Net carrying value	**85,850**	**25,208**
Variation for the period		
Increase (charges)	2,072	740
Reversals- offset against expenses	(2,318)	(482)
Reversals- cancelled provisions	(62)	(760)
Changes in the scope of consolidation	-	-
Effects from discounting	782	-
Reclassifications	0	-
Translation differences	(31)	5
Net carrying value at june 30, 2018	**86,293**	**24,711**
of which:		
Long- term	81,940	17,859
Short-term	4,353	6,852

Employee benefits concern primarily European countries, with France, the Netherlands and Germany together accounting for €80.2 million, or 93% out of a total €86.3 million in employee benefits. The discount rate for this provision was maintained at 1.70% in the Europe region, similar to December 31, 2017.

No significant change in provisions for contingencies and losses was recorded in the first half of 2018.

5.5. Net financial debt

Breakdown of net financial debt

(in thousands of euros)	**June 30, 2018**	**December 31, 2017**
Bonds	637,484	637,232
Bank borrowings	194,776	245,379
Employee profit-sharing	7,951	9,746
Minority shareholders' put option	20,648	20,367
Borrowing and financial liabilities	**860,859**	**912,724**
Amounts related to assets held under finance lease	85,461	477
Long-term liabilities	**946,320**	**913,201**
Bank borrowings	13,964	25,741
Employee profit-sharing	2,663	3,360
Commercial paper	44,281	39,979
Sundry loans and financial liabilities	32,791	35,718
Current account liabilities	95,252	82,108
Borrowing and financial liabilities	**188,951**	**186,906**
Amounts related to assets held under finance lease	7,184	551
Short-term liabilities	**196,135**	**187,457**
Gross financial debt	**1,142,455**	**1,100,658**
Current used bank facilities including overdrafts and accrued interest	12,054	1,991
Cash and cash equivalent	(429,934)	(470,209)
Net cash and cash equivalents	**(417,880)**	**(468,218)**
Current account assets	(93)	(55)
Total net financial debt	**724,482**	**632,385**

Amounts related to assets held under finance lease in long term and short term debt result from the application of IFRS 16 starting January 1, 2018. The balance is to be found in assets right-of-use (see note 5.2).

The Unibel parent company accounted for €93.8 million in current account liabilities (see note 8.2).

Ageing balance of long-term liabilities by currency at June 30, 2018

(in thousands of euros)	One to two yrs 2019	Two to three yrs 2020	Three to four yrs 2021	Four to five yrs 2022	More than five yrs 2023 and beyond	**Total**
Bonds	139,853	-	-	-	497,631	**637,484**
Bank borrowings	36,577	19,000	23,203	47,162	68,834	**194,776**
Amounts related to assets held under finance lease	18,200	9,719	8,804	9,211	39,527	**85,461**
Emloyee profit-sharing	2,727	2,808	1,473	943	-	**7,951**
Minority shareholders' put option		20,648				**20,648**
Total long-term liabilities	**197,357**	**52,175**	**33,480**	**57,316**	**605,992**	**946,320**

5.6. Financial instruments

5.5.1 Market risk management

The Group Treasury Department, depending from the Group Corporate Finance, has the necessary skills and tools to conduct the market risk management. A monthly reporting is delivered to the Board and presentations are delivered on a regular basis to the Audit Committee.

5.5.2 Financial and liquidity risk management

At June 30, 2018, the Group has a negative net financial position of €724.5 million, including the liabilities for assets under finance lease due to the application of IFRS 16. Excluding these liabilities for leases, net debt is worth €631.8 million.
The Group implemented policies aimed at limiting liquidity risk. In line with those policies, a significant share of the Group's financial resources is medium-term. The Group has confirmed credit lines and medium-term financing from its banks and from investors.

During the first half of 2018, the Group reimbursed:

- by anticipation €50 million of a term loan with initial maturity year 2023,
- €5 million and $7.5 million of term loans matured.

At June 30, 2018, the Group has a significant liquidity level, including:

- two confirmed syndicated credit lines maturing in 2022 of €520 million and €300 million. These lines have not been drawn.
- a €500 million commercial paper program, of which €40 million and $5 million are used;
- a €160 million Euro PP bond, subscribed by private investors, with €20 million maturing in December 2018 and €140 million maturing in December 2019;
- a €500 million bond maturing in April,2024;
- two reedemable Term Loans of €50 million and $100 million maturing in 2023;
- a Schuldschein-type loan, with €42 million maturing between 2020 and 2023;

In addition, after the reporting period, the Group obtained the authorizations to issue "Negotiable European Medium Term Notes" through a €200 million program.

At June 30, 2018, the Group, via Fromageries Bel, also has substantial cash and cash equivalents totaling €418 million.

With its syndicated and term loan lines, Euro PP and the Schuldschein financing, Fromageries Bel has committed to keeping to a leverage ratio of less than 3.50 for the full duration of the medium and long term financing described above. The leverage ratio refers to the amount of consolidated net debt divided by the Group's consolidated EBITDA. EBITDA is defined as recurring operating income plus amortization and provisions variations, charged to recurring operating income. Failure to meet the ratio could trigger the repayment of a significant part of the debt. At June 30, 2018, this ratio amounts to 2.30 versus 1.92 at December 31, 2017.

The Group implemented a policy of pooling liquidity at the Fromageries Bel level for all countries where the local currency is freely convertible and where there are no legal or fiscal limits on pooling local surpluses or liquidity needs. Internal current accounts and intragroup compensation payment systems are managed by the Group Treasury Department.

In countries where the pooling of surpluses and liquidity needs is not allowed, subsidiaries invest their surpluses in money-market funds denominated in their local currency and, if needed, finance themselves mainly in local currency. The policy of systematical dividend payment also aims to limit recurring surpluses at subsidiaries level.

For information, available cash in North Africa and the Middle East countries amounted to €25 million at June 30, 2018, representing the majority of the non-centralizable available.

Some subsidiaries may have no alternative but to use local currency financing. In this case, if the local currency is devalued, the subsidiaries recognize the related financial loss.

Surplus liquidity is invested in money-market mutual funds, term deposit accounts or short-term certificates of deposit.

5.5.3 Foreign exchange risk management

The Group is subject to foreign exchange rate fluctuations as a result of its international operations and presence.

Group entities are exposed to foreign exchange risk on commercial transactions recognized on the balance sheet as well as foreign exchange risk on highly probable future transactions when such business is transacted in currencies other than their functional currency, e.g. imports, exports and financial transactions.

The Group does not hedge its exposure to translation differences arising from consolidating its foreign subsidiaries. Conversely, it hedges exchange rate exposure arising from the payment of intragroup dividends denominated in foreign currency.

Hedging policy for foreign exchange exposure

The policy consists in hedging risk on transactions denominated in foreign currency through the use of derivative financial instruments. The Treasury Department is not a profit center. The Group implements a central exchange rate policy that aims to hedge the annual budgetary risk on currency purchases and sales for all the French, European and North American entities. The Group Treasury Department provides these entities with the necessary currency hedges.

For subsidiaries in countries where there are no financial hedging instruments, the policy is to maximize natural hedging as much as possible, for example through billing currencies. However, local currency devaluations can have a significant impact on the profitability of the concerned entity.

When the budget is prepared, budgeted currency prices are set according to market conditions and use as benchmarks in setting up hedges. The Hedge tenors for budget management does not exceed 18 months. At June 30, 2018, the maturity of the derivatives portfolio did not go beyond December 31, 2019. The cash flows resulting from 2018 and 2019 budgets hedges are expected in 2018 and 2019 and will thus impact income in 2018 and 2019.

Hedging for foreign exchange rate fluctuations on imports, exports and financial transactions

Group entities recalculate their net foreign exchange exposures periodically during each budgetary review. To manage its exposure, the Group mainly uses forward contracts, currency options and cross-currency swaps.

Value of hedges secured by the Group:

Hedging positions for foreign exchange, interest rate and raw material risk versus the previous year:

	At June 30, 2018				At December 31, 2017			
(in thousands of euros)	Equity	Operating income	Financial income	Market value	Equity	Operating income	Financial income	Market value
Portfolio related to foreign exchange risk								
Futures on operationnal transactions	48	284	-	332	3 434	1 992	-	5 426
Options on operationnal transactions	(147)	374	-	228	9 118	197	1 329	10 644
Futures on dividends and investments	53	-	-	53	(52)	-	-	(52)
Options on futures dividends	(236)	-	-	(236)				
Transactions on financing	-	-	315	315	-	-	(399)	(399)
Other operations	-	-	(8)	(8)	-	-	(130)	(130)
Total portfolio related to foreign exchange	**(282)**	**658**	**308**	**684**	**12 500**	**2 189**	**800**	**15 489**
Total portfolio related to interest rate	**3 248**	**-**	**-**	**3 248**	**1 477**	**-**	**-**	**1 477**
Total portfolio Fromageries Bel	**2 966**	**658**	**308**	**3 932**	**13 977**	**2 189**	**800**	**16 966**
Portfolio related to risk of variation in raw material prices								
USA Raw material prices risk	(454)	(110)		(564)	(2 099)		(46)	(2 145)
Total Bel Group				**3 368**				**14 821**

At June 30, 2018, the Group had secured the following hedges:

(in thousands of euros)	Currencies	At June 30, 2018 Commitment	Equity	Operating income	Financial income	Market value	At December 31, 2017 Commitment	Equity	Operating income	Financial income	Market value
Portfolio related to foreign exchange risk											
1- Currency forward contracts backed by trade receivables, trade payables or futures transactions											
Futures purchase	EUR GBP	24 250	15	34		49	18 500	67	2		69
Futures sale	EUR PLN	36 000	(598)	(64)		(661)	33 000	643	186		829
Futures purchase	EUR USD	124 320	369	266		635	92 541	1 698	1 606		3 304
Futures purchase	Other	49 552	261	59		320	49 052	1 026	360		1 386
Futures sale	Other	1 700		(11)		(11)	1 900		(162)		(162)
Futures on operationnal transactions			48	284	-	332		3 434	1 992	-	5 426
2 - Currency options backed by trade receivables, trade payables or futures transactions											
Call purchase	EUR GBP	58 000	593			593	71 000	425		655	1 080
Put sale	EUR GBP	41 750	(268)			(268)	49 600	(14)		(407)	(421)
Put purchase	EUR PLN	43 500	246			246	36 000	614		389	1 003
Call sale	EUR PLN	28 250	(506)			(506)	25 750			(138)	(138)
Call purchase	EUR USD	168 367	1 397	288		1 686	137 263	6 747		775	7 522
Put sale	EUR USD	79 808	(2 049)			(2 049)	95 345			(226)	(226)
Call purchase	Other	55 137	842	86		928	59 081	1 405	197	449	2 051
Put sale	Other	33 539	(403)			(403)	33 784	(59)		(168)	(227)
Options on operationnal transactions			(147)	374	-	228		9 118	197	1 329	10 644
3-Currency forward to hedge future dividend and investments flows											
Futures purchase	EUR GBP					-	1 500	(52)			(52)
Futures purchase	Other	5 382	53			53					-
Futures on dividends and investments			53	-	-	53		(52)	-	-	(52)
4-Currency options to hedge future dividends											
Call purchase	EUR USD	23 748	(236)			(236)					
Options on futures dividends			(236)	-	-	(236)					
5-Transactions to hedge financing flows											
Swap sale	EUR GBP	4 544			(31)	(31)	10 127			15	15
Swap sale	EUR PLN	2 745			(3)	(3)					
Swap purchase	EUR PLN					-	7 717			(31)	(31)
Swap sale	EUR USD	61 411			249	249	65 343			(389)	(389)
Futures purchase	EUR USD	23 072			22	22					
Swap sale	Other	7 132			(15)	(15)	7 312			(5)	(5)
Swap purchase	Other	7 866			93	93	4 275			11	11
Transactions on financing			**-**	**-**	**315**	**315**		**-**	-	(399)	(399)
5-Other transactions outside the hedging transactions category											
Call sale	EUR GBP					-	11 500			(44)	(44)
Call sale	EUR USD					-	8 000			(66)	(66)
Call sale	Other	1 400			(8)	(8)	3 126			(20)	(20)
Other operations			-	-	(8)	(8)		-	-	(130)	(130)
Total portfolio related to foreign exchange			**(282)**	**658**	**308**	**684**		**12 500**	**2 189**	**800**	**15 489**

The transactions are expressed according to the direction of the cross-currency.
Examples:
Futures purchase EUR USD means that the Group is buying EUR and selling USD.
Call purchase EUR GBP means that the Group buys a EUR call/GBP put option.
Swap on futures sale EUR GBP means that the Group borrows EUR so is selling futures on EUR, lends GBP so is purchasing futures on GBP.

At June 30, 2018, the market value of derivatives hedging highly probable future transactions and recognized in equity worth a negative €282 thousand.

The Group's main currency exposure is the US dollar, the Pound Sterling and the Polish Zloty. The valuations shown exclude the impact of deferred taxes.

A 1% decrease in the EUR/USD rate before hedging would positively impact operating income by €2.2 million, on an annual basis.
A 1% decrease in the EUR/GBP rate before hedging would positively impact operating income by €0.9 million, on an annual basis.
A 1% increase in the EUR/PLN rate before hedging would positively impact operating income by €0.7 million, on an annual basis.

As of June 30, 2018, 2018 budget net exposure relative to the main currencies was hedged at a ratio between 80% and 100%, depending on the currency managed. Therefore, currency fluctuation impacts on accounting of purchases and sales of the Group entities will be offset by hedging results up to the hedging ratio level.

Hedge valuations complied with market practices in terms of data for yield curves, foreign exchange rates and volatility curves, as well as valuation models. The Treasury department has the requisite in-house means for calculating the valuations. However, the Bel Group uses an external provider to determine the valuations.

The above items are presented in accordance with hedge accounting principles of IFRS 9. As of January 1, 2018, the impact of the first application of IFRS 9 on foreign exchange hedges and raw material risks hedges consists in a reclassification of time value variation, for “Cash Flow Hedge” options of the active portfolio as of January 1, 2018 from reserves to reclassifiable Other Comprehensive Income (OCI) for an amount of -€2.1 million.

5.5.4 Interest rate risk management

Most of the Group's financing is arranged by Fromageries Bel, which also handles interest rate risk management centrally. The policy of interest rate derivatives management is designed to protect against an unfavorable rise in interest rates while partially taking advantage of any interest rate declines.

At June 30, 2018 the Group has hedged interest rate risk through interest rate swaps:

(in thousands of euros)	At June 30, 2018				At December 31, 2017			
Category of transactions	**Equity**	**Operating income**	**Financial income**	**Market value**	**Equity**	**Operating income**	**Financial income**	**Market value**
Potfolio related to interest rate								
Fixed-rate borrower swaps	(327)			(327)	(236)			(236)
Fixed-rate borrower swaps	3 575			3 575	1 713			1 713
Total portfolio related to interest rate	**3 248**	**-**	**-**	**3 248**	**1 477**	**-**	**-**	**1 477**

The following hedging balance corresponds to hedges of Group's floating rate loans.

Evolution of the hedging balance covering interest rates at June 30, 2018

(in millions)

		2018	2019	2020	2021	2022	2023
Interest-rate swaps	EUR	50	47.5	42.5	35	25	-
Interest-rate swaps	USD	100	95	85	70	50	-

An increase of 1% across the yield curve would positively impact Group equity by €4.6 million, on an annual basis. A decrease of 1% across the yield curve would negatively impact Group equity by €3.8 million, on an annual basis.

Breakdown of gross debt by type, maturity and interest rate type

At June 30, 2018	Net financial debt			Impact of derivative instruments			Financial debt after impact of derivative instruments		
(In thousands of euros)	**Fixed rate**	**Variable rate**	**Total**	**Fixed rate**	**Variable rate**	**Total**	**Fixed rate**	**Variable rate**	**Total**
Maturity date between:									
07/01/2018 - 06/30/2019	(36 594)	(152 357)	(188 951)			-	(36 594)	(152 357)	(188 951)
07/01/2019 - 06/30/2020	(168 893)	(10 263)	(179 157)	(6 789)	6 789	-	(175 682)	(3 474)	(179 157)
07/01/2020 - 06/30/2021	(5 421)	(16 386)	(21 808)	(13 578)	13 578	-	(18 999)	(2 808)	(21 808)
07/01/2021 - 06/30/2022	(23 484)	(21 840)	(45 324)	(20 367)	20 367	-	(43 851)	(1 473)	(45 324)
07/01/2022 - 06/30/2023	(20 006)	(28 099)	(48 105)	(27 156)	27 156	-	(47 162)	(943)	(48 105)
> 07/01/2023	(498 576)	(67 889)	(566 465)	(67 889)	67 889	-	(566 465)	-	(566 465)
TOTAL	**(752 976)**	**(296 834)**	**(1 049 810)**	**(135 778)**	**135 778**	**-**	**(888 754)**	**(161 056)**	**(1 049 810)**

Commercial papers are issued at fixed rate but are treated as floating rate instruments in the table owing to its short maturities and expected renewals.

5.5.5 Counterparty risk management

All short-term cash investments and financial instruments are arranged with major counterparties in accordance with both safety and liquidity rules. "Major counterparties" are mainly French banks from the bank pool. Money-market UCITS funds offering daily liquidity or term deposits and certificates for most of the short-term cash investments.

The DVA (Debt Value Adjustments) and CVA (Credit Value Adjustments) of the Group's foreign exchange and interest rate hedges were immaterial at June 30, 2018.

5.5.6 Raw material risk management

The Group is exposed to price increases of raw materials, particularly for milk, cheese, milk powder and butter. To date, the Group has not implemented a global, systematic strategy to hedge raw materials prices; only the US entities had a hedging policy for raw materials through the Chicago futures market.

At June 30, 2018 Bel Brands and Bel USA has the following positions:

	At June 30, 2018		At December 31, 2017	
Category of transactions	Number of contracts	Market value *(in thousand euros)*	Number of contracts	Market value *(in thousand euros)*
CME Class III Milk				
Future purchase(1)	671	(554)	622	(1 475)
Call purchase	278	176	475	86
Put sale	161	(53)	277	(293)
Total CME Class III Milk		(431)		(1 682)
CME Cash Settled Cheese				
Future purchase(1)	171	(166)	239	(423)
Call purchase	84	32	288	122
Put sale	84	(21)	216	(162)
Total CME Cash Settled Cheese		(155)		(463)
CME Cash Settled Butter	20	22		
Future purchase(1)				
TOTAL		**(564)**		**(2 145)**

(1) Future purchase : equivalent to OTC or listed operations

At June 30, 2018, the market value of derivatives allocated to hedge highly probable future transactions and recognized in equity was a negative €0.5 million compared to a negative €2.0 million at December 31, 2017.

5.5.7 Fair value hierarchy disclosures based on IFRS 7

IFRS7 classification	At June 30, 2018				At December 31, 2017			
(in thousands of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Foreign exchange derivatives		684		684		15 489		15 489
Interest rate derivatives		3 248		3 248		1 478		1 478
Raw materials derivatives	(564)			(564)	(2 145)			(2 145)
Total	**(564)**	**3 932**	**-**	**3 368**	**(2 145)**	**16 967**	**-**	**14 822**
Mutual funds	103 406			103 406	160 455			160 455
Total	**102 842**	**3 932**	**-**	**106 774**	**158 310**	**16 967**	**-**	**175 277**

6. FINANCIAL COMMITMENTS

As a reminder, the Group received from the MOM group managers the promise to sell *(call)* their shares to Fromageries Bel upon request of Fromageries Bel on April 30, 2022 the latest.

Between December 31, 2017 and June 30, 2018, off-balance sheet commitments related to lease contracts have decreased by €85.3 million mainly due to the application of IFRS 16 (see notes 5.2 and 5.5).

	At December 31, 2017	At June 30, 2018	Variation
Off-balance sheet commitments on non-lease contracts	117,163	31,863	(85,301)
Less than a year	22,108	10,753	(11,355)
One to five year	52,107	18,393	(33,714)
More than five years	42,948	2,717	(40,231)

No other material variation in financial commitments is to be reported for this first half year 2018.

7. DISPUTES AND LITIGATION

The Group was engaged in a certain number of lawsuits and disputes in the normal course of its business. Provisions were set up for any probable and measurable costs that might arise from those lawsuits and disputes. Management knows of no dispute carrying significant risk that could adversely impact the Group's earnings or financial position that was not provisioned for at June 30, 2018.

The companies making up the Group are periodically subject to tax audits in the countries where they are based. Tax arrears and penalties were booked for accepted tax adjustments and provisioned if the amounts in question were not definitively known. Contested tax adjustments were carefully reviewed and generally provisioned, unless it was clear that the company would be able to assert the validity of its position in the course of the dispute.

8. RELATED PARTIES

8.1. Management benefits

Management in this note refers to Board of Directors and Management Committee members. During the first half of 2018, no notable changes were made to the principles used to determine management remuneration and similar benefits.

8.2. Related party relationships

(in thousands of euros)	First half 2018	First half 2017	2017
Amount of transactions	10,668	12,583	24,199
of which Unibel	*3,647*	*3,509*	*6,467*
of which other non-consolidated companies	*7,021*	*9,074*	*17,732*
Associated receivables	49	202	120
Associated payables and current accounts	97,241	87,204	83,746
of which Unibel	*94,474*	*84,525*	*80,493*
of which other non-consolidated companies	*2,767*	*2,679*	*3,253*
Unibel shares	182,606	189,478	174,775

At June 30, 2018, transaction amounts with related parties included the Unibel holding company for €3.6 million, of which €3.5 million in personnel expense was billed back to Fromageries Bel and €7 million of operating expenses charges back from non-consolidated companies (Bel Proche et Moyen-Orient, Beyrouth, Bel Middle East, Bel Le Shanghai, and others) to Fromageries Bel.

Related parties associated payables and current accounts mainly concerned the Unibel holding company, with a €93.8 million current account, versus €80.5 million at December 31, 2017 (see note 5.5).

The Unibel shares held by Sofico were valued at €182.6 million, based on the closing share price at June 30, 2018.

The Group has no significant off-balance sheet commitments with related parties.

9. SIGNIFICANT SUBSEQUENT EVENTS

No significant subsequent event is to be reported.

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FROMAGERIES BEL

French corporation *(Société Anonyme)*

2 allée de Longchamp
92150 Suresnes

Statutory Auditor's report on the 2018 interim consolidated financial statements

To the shareholders,

In our capacity as statutory auditors entrusted by the Annual General Shareholders' Meeting and in accordance with Article L.451-1-2 III of the French Monetary and Financial Code, we hereby submit:

- our limited review of Fromageries Bel's summary consolidated financial statements for the half-year period covering January 1, 2018 to June 30, 2018, as appended to the present report,

- our verification of the information contained in the half-year business report.

The summary consolidated financial statements for the first half of 2018 were prepared under the authority of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

1. Conclusion on the financial statements

We have carried out our limited review in accordance with professional auditing standards applicable in France. A limited review consists of making inquiries with management members responsible for accounting and financial matters and applying analytical procedures. A limited review is substantially less in scope than an audit carried out 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 limited review, nothing has come to our attention that causes us to believe that the accompanying summary consolidated financial statements for the first half of 2018 are not prepared in all material respects in compliance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial reporting.

Not questionning the conclusion expressed above, we draw your attention to the note 1 “Accounting principles, rules and methods - Standards, amendments and interpretations required as of the financial year opening January 1, 2018” from the notes to the summary interim consolidated financial statements where changes in accounting methods are exposed pursuant to the application of IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments”. We also draw your attention to the note 1 “Accounting principles, rules and methods - Standards, amendments and interpretations not required but which may be early adopted as of the financial year opening January 1, 2018” where changes in accounting methods are exposed pursuant to the application of IFRS 16 “Lease contracts”.

2. Specific verification

We have also verified information presented in the interim business report on the summary consolidated financial statements for the first half of 2018 that were subject to our limited review.

We have nothing to report with respect to the fairness of the information or its consistency with the summary consolidated financial statements for the first half of 2018.

Neuilly-sur-Seine, July 27, 2018

The Statutory Auditors

Deloitte & Associés	Grant Thornton French member of Grant Thornton International
Pierre-Marie MARTIN	Virginie PALETHORPE

Statement of the company officer responsible for the interim financial report

The undersigned hereby declares that, to the best of his knowledge, the summary consolidated financial statements for the first half of 2018 have been prepared in accordance with applicable accounting standards and present a fair and reliable picture of the assets, financial position and earnings of the Fromageries Bel company and all its entities included in the scope of consolidation. Further, the undersigned hereby declares that, to the best of his knowledge, the business report above presents a fair and reliable picture of significant events taking place in the first six months of the year, their impact on the financial statements and main related-party relationships, and describes the main risks and uncertainties for the remaining six months of the financial year.

Paris - July 27, 2018

Chairman and Chief Executive Officer

Antoine Fiévet

The present interim report is available at Bel's website http://www.groupe-bel.com
Copies may also be obtained free of charge at the company's head office.

French corporation *(société anonyme)* with a share capital of €10,308,502.50
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